



Development and Optimisation Suggestions of China's Enterprise Pension System in the Context of Population Ageing

Jinyue Yang

School of Finance and Public Administration , Harbin University Of Commerce,
Harbin 150000, Heilongjiang , China

2665777431@qq.com

Abstract. In recent years, the aging level of China's population has been rising, and due to the double pressure of the insufficiency of the pay-as-you-go system and the challenge of population aging, China's pensions are facing great challenges, and the problem of pension shortfalls is becoming increasingly serious, with the first pillar of China's pension insurance system, the basic pension insurance, bearing too much pressure on pensions. As the second pillar of China's pension insurance system, enterprise annuity system plays an increasingly important role in alleviating the government's financial crisis and improving the level of pension security. This paper provides a systematic analysis of the development history and significance of enterprise annuities, and analyses and researches the problems existing in the development of enterprise annuities, which should improve the tax preferential policies, unify the account transfer specification process, and strengthen the supervision and management of the government to alleviate the relevant problems currently faced, and to strengthen and improve the important role of enterprise annuities in the social responsibility of pensions.

Keywords: population ageing; corporate pension system; coverage; pension.

1 Introduction

The problem of population ageing in China began to emerge at the beginning of this century, and by the end of 2022, there were more than 280 million elderly people aged 60 years and above in China, accounting for 19.8 per cent of the country's total population, with 210 million elderly people aged 65 years and above, accounting for 14.9 per cent of the country's total population, showing a continuing upward trend. At the same time, China's total population will experience negative growth in 2022, which means that the convergence of population aging and negative population growth has become the new normal of China's population development. The United Nations predicts that China's population aged 65 and above will reach 477 million in 2050, accounting for 34.9 per cent of the total population. This means that China will face even more severe challenges of ageing in the future. The continued increase in the elderly

population will not only raise the burden of old-age care on families, but also increase the economic pressure on the government's financial expenditures, leading to the problem of increasing pension shortfalls and posing a huge challenge to the sustainability of China's pension security system. Under the situation of actively responding to the aging of the population, China urgently needs to improve the existing pension insurance system, so that the supplemental pension role of the enterprise annuity to play the greatest value is the current urgent problem.

2 The Development History and Significance of China's Enterprise Annuity System

2.1 Development History of China's Enterprise Pension System

In 1994, the World Bank for the first time put forward the pension "three pillars" model [1]. On the basis of this model, combined with China's actual national conditions, the establishment of a multi-level, multi-pillar pension insurance system[2]. Corporate pension is a kind of supplemental pension insurance system independently set up by enterprises and employees in accordance with the actual situation of the company on the basis of basic pension insurance premiums paid in accordance with the law [3]. Together with the first pillar of basic pension insurance and the third pillar of personal savings pension insurance and commercial pension insurance, it constitutes China's pension security system [4]. China's enterprise annuity has gone through three stages of development: the exploration stage of enterprise annuity system (1991-2002). The promotion stage of the enterprise annuity system (2003-2017), and the deepening reform stage of the enterprise annuity system (2018-present). China's enterprise annuity is the second pillar of the pension insurance system, and the development of China's enterprise annuity system has so far gradually formed an enterprise annuity system that is guided by the government, with the joint participation of enterprises, employees and market operations. From the perspective of enterprise employees, the essence of enterprise annuity can be attributed to a part of the employee's labour remuneration given in the form of deferred payment, or a part of the enterprise's operating profit shared between the enterprise and the employees [5]. In the operation mechanism of the enterprise annuity system, the government departments mainly play a leading role in supervising and managing the operation of the enterprise annuity, the enterprise spontaneously selects the suitable trustee to entrust and supervise, the employee is to fulfil the obligation of contribution and enjoy the legitimate rights and interests, and the enterprise negotiates to jointly determine the period of vesting of the enterprise annuity and the proportion of contribution; the main body of the market operation covers the commercial banks, insurance, bonds, finance and other enterprises, which together make up the The main body of the operation of the enterprise annuity fund.

2.2 Importance of Developing Enterprise Annuities

From the perspective of employees, the essence of enterprise annuity can be attributed to a part of the employee's labour remuneration in the form of deferred payment, or a part of the enterprise's operating profit is shared between the enterprise and the employees [6]. In the operation mechanism of the enterprise annuity system, the government departments mainly play a leading role in supervising and managing the operation of the enterprise annuity, the enterprise spontaneously selects the suitable trustee to entrust and supervise, the employee is to fulfil the obligation of contribution and enjoy the legitimate rights and interests, and the enterprise negotiates to jointly determine the period of vesting of the enterprise annuity and the proportion of contribution; the main body of the market operation covers the commercial banks, insurance, bonds, finance and other enterprises, which together make up the The market operation main body covers commercial banks, insurance, bond, financial and other enterprises, which together constitute the operation main body of the enterprise pension fund. Regarding the market operation, each participant plays different roles in the market operation, and the roles are different, and the responsibilities are also different.

The development of the second pillar and the improvement of enterprise annuity can effectively alleviate China's financial pressure and guarantee the sustainable development of the pension insurance system. At present, China's pension system presents the structural imbalance of the first pillar. For the main rely on the basic pension insurance caused by China's financial burden, but also on the second and third pillar development inhibitory effect. Constructing a multi-level pension security system is the development consensus of different countries in the context of population aging, solidifying the first pillar, developing the second pillar, and promoting the third pillar has become the reform direction of different countries to improve the pension system, and in the process of accelerating the development of China's social pension insurance system, the second pillar is the key to the construction of a multi-level pension security system [7].

3 Problems in the Development of Enterprise Annuities in China

3.1 High Threshold for the Establishment of Enterprise Annuities

By the end of 2022, the number of enterprises that had established enterprise annuities nationwide was 117,500, with 28.75 million employees participating. Although the coverage of enterprise annuities has gradually expanded compared with previous years, 480.75 million participated in urban basic pension insurance, so the number of employees covered by enterprise annuities is only 6 per cent of their number. At present, the overall coverage of China's enterprise annuities is still at a low level, and most of China's employees still focus on basic pension security after retirement. China's enterprises to establish enterprise annuity firstly, enterprises need to participate in basic pension insurance and fulfil the obligation to pay contributions according to law, secondly, enterprises need to meet the conditions of three years of continuous profit. In reality, many small and medium-sized enterprises have a short business cycle, and the mobility of

employees is large, especially the requirement of three consecutive years of profitability, for small and medium-sized enterprises to establish an annuity plan has produced a greater impediment. This requirement has largely excluded many SMEs from establishing enterprise pension schemes, resulting in low coverage and slow growth of enterprise pensions, which have yet to form an effective supplement to basic pension security.

3.2 Lack of Harmonised Norms for Account Management

Due to the low coverage rate of enterprise annuities, not all enterprises have set up enterprise annuities. When an employee undergoes a job change, if the enterprise to which the employee transfers does not have an enterprise annuity, according to the provisions of the Enterprise Annuity Measures, the enterprise annuity cannot be transferred to a company that does not have a counterpart, and the individual's original enterprise annuity account can only be retained in the original organisation to become a sinking account, making it impossible to form an effective pension protection system. For employees to transfer to enterprises to set up enterprise annuity, because the account management between enterprises lacks a unified and standardised transfer procedures. It is inconvenient for the transfer of employees' enterprise annuity accounts. All of which may harm employee welfare. Resulting in low motivation of employees in participating in enterprise annuities.

3.3 Incomplete Development of the Enterprise Annuity Investment Market

At present, China's enterprise annuity investment market lacks an effective information public disclosure mechanism, and the market mechanism needs to be further improved [8]. The immature development of the investment market has a greater risk in the ability to cope with the investment risk of the enterprise annuity as well as controlling the operational effect of the enterprise annuity. China's enterprise annuity investment process involves links including trustees, custodians, investment managers, account managers and so on. At this stage, when China's enterprise annuity investment, the responsibility boundaries of different management subjects are not clear, at the same time, most of the enterprises' enterprise annuity investment market information can not be timely and open and transparent, resulting in the employees can not effectively supervise the enterprise annuity, which has a negative impact on the development of China's enterprise annuity [8].

3.4 Lack of Incentive to Contribute to Enterprise Annuities

A large part of small and medium-sized enterprises can not afford to undertake enterprise annuity enterprise annuity has the characteristics of voluntary contributions, voluntary contributions to give enterprises a certain choice of space at the same time, also led to the subjective motivation of enterprises to contribute to the enterprise annuity is insufficient. Currently participate in the enterprise annuity industry, most of the

economic benefits of the industry, mainly in the financial, railway, energy, telecommunications and other relations between the national economic lifelines of the industry, and mainly large state-owned enterprises [9]. For private enterprises to establish enterprise annuity will increase the cost of enterprise expenditure, especially small and medium-sized business cycle is short, poor financial sustainability leads to a lack of motivation to contribute to the enterprise, less choose to establish enterprise annuity.

4 Suggestions for Optimising China's Enterprise Pension

4.1 Improving Tax Incentives for Enterprise Annuities and Optimising the Process

From the analysis of the experience of developed countries in the development of enterprise annuities, it can be seen that the United States 401 (K) enterprise annuity plan successful implementation of the important reason for its strong tax incentives, TEE model and EET model is the United States DC type to a certain extent for the enterprise to reduce the cost pressure. The government should improve tax incentives to make up for the higher cost of payment, will increase the enthusiasm of enterprises to establish enterprise annuity plans, promote the development of the enterprise annuity market, but also the enthusiasm of employees to participate in the enterprise annuity to produce positive promotion. Give full play to the role of enterprise annuities as supplementary pensions, thereby alleviating to a certain extent the pressure that the basic old-age insurance system brings to government financial expenditures.

When carrying out tax incentives, it should also further improve all aspects of the implementation of tax incentives, optimise the tax credit process, reduce the number of steps in the operation process of enterprises, and improve the efficiency of enterprises in establishing enterprise annuities.

4.2 Improvement and Harmonisation of the Standardisation Process for Transferring Enterprise Annuities

In order to ensure that employees' benefits do not suffer economic losses due to job changes, the state can take the lead in establishing a unified clearing centre to improve the process of transferring enterprise annuity accounts when employees' careers change, to improve the efficiency of enterprise annuity transfers, and to enhance the portability of enterprise annuities. At the same time, the government should issue an operation guide with a certain guiding role, unified and standardised to guide enterprises and related institutions to follow the operation procedures and management processes, to make up for the current stage of the account transfer process in China's current situation where the relevant systems and operation norms do not agree. It can better solve the problem of enterprise annuity account transfer and succession faced by the enterprise employees when their work units change.

5 Conclusions

In order to shift the role of the pillar of the pension fund to the second pillar, China should strengthen the supervision and management of the enterprise annuity market, and establish a set of enterprise annuity supervision system in line with the development of enterprises in China, which will be conducive to enhancing the credibility of the enterprise annuity system and guaranteeing the sustainable development of enterprise annuities in the future. In strengthening the supervisory capacity of government departments, a transparent information disclosure system should be established. The information public disclosure system is conducive to increasing the transparency of enterprise annuity account management and investment information to a certain extent, safeguarding the right to know of enterprise employees, and facilitating the employees to better safeguard their capital rights and interests. It can also promote to a certain extent the investment manager to improve the investment management ability, so as to better improve the market environment of China's enterprise annuity.

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