Risk Management Concept to Improve China’s Social Security System of the Construction of the Enlightenment

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Abstract

“Risk management” advocated by various risk management techniques to implement effective risk control and properly deal with the consequences of risk based on risk identification, risk estimation, risk assessment, and so on, in order to obtain the security with the minimum cost objective. As the guarantee of the society and people’s life risks, the social security system itself has kinds of risks, which seriously affect its function. “Risk management” to improve China’s social security system of the main inspiration is: full recognition and correctly evaluate the risk of the social security system, establishing and improving a sound risk management system of China’s social security, improving the ability to prevent and deal with the risks of social security in the government and related institutions, and so on.

Key Words: Risk management, the risk of social security, Social security system, Management system, Inspiration

1 The introduction of risk management

The consciousness of risk management has a long history, since ancient times, humans have had a tradition to build various shrines, temples, and often worship, especially at the time of the disasters are about to happen or happen to pray for blessing of the gods, in order to reduce the occurrence of disasters or reduce the losses, and this is the early simple awareness of risk management. Along with the progress of social civilization, people gradually believe that “mankind can conquer nature”, then in the original insurance consciousness, and through our own efforts and mutual assistance between people, the happening of risks has been reduced or avoided, as such as the Yangtze river in China merchants rafts shipping events, general average system abroad, and so on, all reflected the loss-sharing awareness of insurance of insurance and risk management. After the industrial revolution, along with the economic crisis, unemployment, social contradictions have become increasingly and a series of risk events and more frequent risk losses continue to increase become a threat to the stable social and economic life, the concept of risk management idea began to sprout and gradually forming. Until the middle of 20th century, the risk management concept is well known and operation, and with the application of probability and mathematical statistics knowledge, finally become an independent of the emerging discipline of management. Therefore, risk management developed in the process of people’s pursuit of security and happiness, combining with the history and modern scientific and technological achievements, and the most extensive application in various economic units.

About the definition of risk management, in generally can be summarized as “the economic units, through risk identification, risk assessment, risk evaluation, optimized combination of various risk management techniques on that basis, to carry out effective control and properly handle the risk consequences, the loss that causes expected to achieve with the minimum cost to obtain maximum security”[1].Thus it can be seen that the content of risk management includes the object of the risk management, the body of the risk management, the process and the target of the risk management of the several parts. It is easy to understand, the object of risk management is a variety of risks, risk management main body can be any organization or individual, and according to different main body, risk management can be divided into personal family risk management, enterprise risk management and public risk management, including social security risk management can be seen as a public risk management;
The specific process of risk management includes risk identification, risk quantification, risk response and risk monitoring and so on, and the basis of risk management is risk identification and quantification, the risk response is the key; A series of measures to implement risk management subject in risk management process is to achieve control and respond to risks, prevent and reduce losses, protect the basic goal activities smoothly [2].

With the rise of the new public management, which are the earliest applied to each economic unit, management concept and management method are gradually introduced to the government and other public sectors, including the introduction of the concept of risk management bring fresh blood for the administration of the government and other public sectors, improving the ability of the public sectors to save against the risk in a certain extent, and improving work efficiency and effectiveness.

2 The risks and challenges facing our country social security system

With the high-speed development of economic globalization and China’s economic and social, China is in the high-risk period of modern social change and transformation, to the deepening of the impact of social security, not only the people and society face various risks, such as natural, economic and other risks increase, as the guarantee of the society and people’s life risks, the social security system itself also has a variety of risks, the government management of social security is becoming increasingly difficult, so in the management of social security throughout the risk consciousness, suffering consciousness, the establishment of a social security risk management system is the leading the social security management more scientific and rational way. China’s social security risk management should be in the background of China’s national conditions, identify the risk types and features of the China’s social security system faces, to cope with the risks of social security strategy development model.

2.1 China Social Security Risk Identification

The social security risk is inherently risky nature of the state, is the risk with the social nature and complex. The formation of social security risk is similar with general risks, namely, the reason of the social security risk, social security risk events and the losses of social security risk. Social security risk and general risks slightly different places is: social security accidents will happen in the future and the consequences and losses of the accident both certainty and uncertainty, such as the losses caused by the pension events are determined, the injury events and medical events and the losses caused by them are uncertain.

In terms of social security, easy to have the risk of public domain mainly includes the following aspects:

(1) The natural disaster. It mainly refers to the risks caused by natural phenomena, physical phenomena and other substantive risk factors, such as earthquakes, tsunamis, storms, emergent infectious diseases and other natural disasters, such as physical inevitable law of nature, and so on. When these natural disasters and the law of happen, the social security funds will face the risk of income suddenly reduce and spending suddenly increase, the solvency of social security will naturally decline, the social security system is facing a severe test, which not only affect people’s life in the basic work, also can lead to the collapse of social security system and hinder the harmonious and stable development of the society.

(2)Social risk mainly refers to the risks of abnormal individual behaviour or unexpected group behaviour, the changes of social awareness that cause, such as strike, robbery, theft, etc. Mainly displays in the social security for some enterprises do not pay social security, leakage, posed a risk to the social insurance fund raising; Some companies also have the employee injury risk because of their responsible for dereliction of duty and sense of responsibility are not strong; There is mutual collusion between hospitals and patients, medical risk arbitrage fund of medical treatment insurance; Social assistance risks in some local governments concerned consumer goods distribution and the people’s livelihood policies are not in place; And the risks of pension and medical expense rise brought about by the speeding up of the aging process and the change of population age structure; Combined with some interest groups of misconduct, resulting in natural ecological imbalance lead to all sorts of sudden mass disease risk; In addition, due to the asymmetric information and social security is the nature of the public product or quasi-pubic product, result in loss of moral risk, the system of justice or the risk of loss efficiency, government” failure” belong to this type of risk, etc.
(3) The economic risk refers to the risk in the process of economic development, due to market factors and other relevant factors, lead to errors in the economic decision-making, the unemployment risk caused by capital investment risk of damage or bad management; The social security system is an economic system arrangement, is a kind of income redistribution based on the economic development and to a certain extent constrained by economic form, therefore with the social macroeconomic development situation, development of financial market, the enterprise microeconomic development condition are closely related to economic factors, to some extent, social security is impossible without the economic development. Therefore, the economic crisis, the enterprise bankruptcy, banks and other financial institutions such as poor of management will not only bring unemployment risk, also can bring the social insurance fund investment risk; And other economic phenomena such as inflation, currency devaluation will lead to social security funds devaluation, decreased ability to pay, thereby reducing the level of social security.

(4) Political risk is the initial risk originated in race, religion, disputes and conflicts between countries, now because of the risk of policy, institutional change and the alternation of power has become a political risk, the scope of the political risks more widely. The social security system as a means for countries to achieve certain political target, often because of the replacement of national leaders, different ideas of ruling, policymaker’s ability level restrictions and the differences of social security coefficient, which would lead to the defects of system design and the risk of social security commitments and function being difficult to achieve; In addition, because of the social security fund investment and distribution are related to government decisions, once the government decision change will not only affect the social security fund raising, value-added and the distributing, the safety of social security funds, will also bring serious to the society and people, threat to social stability and development, and ultimately affect the stability of political situation, and even cause the risk of regime change. It is worth noting that natural disasters, social risk, economic risk and political risk dose not exist in isolation, they are mutual connection and cross exist. Sometimes natural risk is caused by the misuse of social individuals or groups, sometimes the economic risks associate with political risks, and, when accumulated to a certain degree, social problems will evolve into a political problem, so the social risk brews political risk. Only aware of this point, to prevent risks may take appropriate measures to effectively prevent and control the happening of the risk of social security or minimize the losses.

2.2 The features of social security risk
Social security risk as a risk not only has the general characteristics of objectivity, inevitability, contingency, uncertainty and the risk of damage, but also has the unique characteristics of social security.

(1) Social security risks have the characteristics of predictable and unpredictable risks coexist. The social security risk is not a single risk, due to many factors of social security risk, and the various factors are cross and connection, so the types, properties and characteristics of social security risk are different, and some can be predicted through science and technology, others are unable to forecast. As pension risk because of their special age and time limit is usually predictable; while the unemployment risk, industrial injury risk and medical risk due to strong capriciousness are usually unpredictable. In addition, the risks caused by natural causes or some man-made reasons are usually cannot be predicted accurately, such as earthquakes, floods and other natural disasters, and moral hazards happened in ginseng protect personnel or insurance agency operating personnel, people can’t predict to them when, where, in what form and the extent of the damage. Generally speaking, the threat of these unpredictable risks to the social security system is bigger.

(2) The social security risk involved in a wider range. From the horizontal perspective, due to the content of the social security contains numerous, so the risk types are various, such as social insurance risk, social relief risk, and so on. These risks are not only some units and individuals involved, but spread to a class of people and even the whole society, for example, the social insurance includes all kind of people spreading in pension, medical, unemployment, maternity in the whole society, and it once appears risk would threaten the stability of the whole society. From the vertical, the risk of social security system in the design, implementation, supervision and each other link, so the social security risks throughout the entire social security system.

(3) The solvency of social security risk is flexible. Social security is the state of a public policy and economic policy.
In order to realize the security of national basic life, adjust the social contradictions and promote economic development and political stability of the objective, therefore, the compensation and payment of social security risks can’t be fixed and “one size fits all”, but varies with the nature of the risk and the loss degree, along with the development of social economy and regime change and the requirements of people making proper adjustment.

(4) The payment of social security risk is continuity. Different from commercial insurance one-time compensation risk losses, the social security as a the system of carried out by government for national basic life safeguard life difficult, the most of its insurance compensation or payment are long-term, for example, endowment insurance compensation from the start to the pensionable age can receive a certain amount of pension regularly until the termination of life. Medical insurance is the insurance compensation until people recovery or death, etc; the continuity of social security risk’s compensation payments, on the one hand, avoids the risk of some participants attempting to use the social security fund to get rich, and the phenomenon of the life being again into difficult after the one-time payment; On the other hand, it is good for the government and related organizations having plenty of time to the accumulation and operations of social security, improving the solvency of social security and avoiding the peak of social security payments.

(5) The political significance of the payment of social security risk is greater than the economic significance. Social security system, first of all, is a national public policy; the most important function is to protect the national basic living, maintaining social and political stability; the second is to promote the development of economy. Mainly reflected in: firstly, from the history and development of social security system we can see that the social security system was originally developed in the economic and social development to a certain stage, the government authorities in order to ease the class contradictions maintain social stability and the implementation of social policies. In order to ensure the social and political situation stable, the modern government more active efforts to establish and perfect the social security system, according to the level of the economic development and people’s life needs to adjust(mainly is to improve) the ability to pay social security risks; Secondly, from the practices of governments around the world we can see that most countries in order to win in the regime’s election victory are all more or less for the rights of the people’s livelihood of voters to make some promises, and in the administration and improving the social security cause different degrees of financial investment, which on one hand improve the solvency of social security risk, on the other hand also lead to a huge financial burden of the government and influence the political stability.

In fact, only in the grasp of social security in common with other risks and at the same time master its own way, we can more effectively prevent and control the occurrence and development of social security risk and losses.

3. Enlightenment of the concept of risk management to perfect China’s social security system

Comprehensive the above analysis, the social security risk is various, both controllable risks and not controllable risks, and its characteristics are different from those of the common risks. So how to deal with the China’s social security system in a variety of challenges and risks facing the economic globalization and the social transformation? The author thinks, we should break through the existing social security system, build perfect social security risk management system, actively adjust the risk management strategy and prevent the occurrence of social security risks and dangers.

3.1 Improve the prevention and control awareness of the government and the national social security risk

Li Lulu, the professor of Sociology of people’s University of China, has pointed out that, due to the huge social changes in contemporary China is entering a “risk society”, or even “high risk society”, which is not “alarmist”[3]. Reality shows that there are many imbalances of China’s economy and society, such as urban and rural residents’ income distribution imbalance, the government and the market boundary imbalance, the imbalance between city and countryside and the imbalance of public management and mercerization, and so on. If don’t open effective communication channels between the government and the public, it will cause people to the government’s “crisis of confidence” and seriously will affect the whole society. Laurence Barton once said,” the ‘crisis’ which can be prevented are just problem, only those which are unpredictable, neglected and then only really have a subversive accident are crisis.”[4] Therefore, only by improving the social security risk consciousness and prevention awareness of the government social security department and all the people, it can help to reduce the happening of social security risk or reduce the risk of harm.
When discussing the improvement of the government and the national social security risks and the consciousness of prevention and control, Deng Da song and others put forward that we should increase social security risk prevention policy propaganda, popularize knowledge of social security risk, enhance the public awareness of the social security reform, build risk management culture and improve citizens’ risk prevention methods and techniques by studying the risk management experience of commercial.

3.2 Establish and perfect the social security risk prevention and coping mechanisms

Perfect social security risk prevention and response mechanism is an key way to prevent the risks of social security, and we can make the social security risk management scientific, institutionalized and normalized by the use of the concept of risk management, so as to prevent social security risks from system management level and protect the vital interests of hundreds of millions of people. Specific practices include establishing a set of clear responsibilities, regulations, and orderly operation of the social security risk prevention and control system, building the social security risk management framework, the introduction of high-quality talent relating to the fields of fiscal, financial, insurance, management, and so on, and strengthening the construction of social security risk management team; Establishing an effective decentralized social security risk sharing mechanisms, such as between the governments at various levels, between various government departments, between individuals, between the government and people to build a risk sharing system to prevent the risk of “Commons”; Combined with commercial insurance at the same time, spreading risk, socialization of social security risk, planning and management of social insurance funds, strengthening the social insurance risk diversification of economic capacity, establishing the social security funds supervision committee, etc; Strengthening the social security fund risk management, namely strengthening the fund raising, operations, payment and supervision mechanism, not only reflecting funds investment form and achieving higher returns, but also dispersing risk guarantee fund safety and ensuring timely pay social security risk capital; Setting up social security risk management information system, on the one hand to ensure that the information shared publicly, high compatibility and consistency of data, on the other hand needing to develop a global plan system, determining the reasonable targets of system and creating the need to achieve the goal of hardware and software conditions, etc.

3.3 Establish and perfect the system of social security laws and regulations, and strengthen the supervision of social security

To establish and perfect the system of social security laws and regulations, and put the social security into the legal track is one of the effective ways to prevent and deal with social security risk. The western part of the country on social security institutions and social security legislation is relatively perfect, such as the UK has occupation pension regulator, the social security law and trust law; In contrast, China’s social security institutions and legislation are relatively backward, relatively complete” social insurance law” has just been introduced, and the “social security law” has still not issued, not to mention about the laws and regulations of the social security risk management. In view of this, experts and scholars, such as Deng Da song, have suggested establishing the central and the local all levels of the social security laws and regulations, establishing and improving the “social security risk management regulations” and the relevant administrative supervision mechanism, such as perfecting the social security funds through a special financial check and audit, and perfecting the individual account information and the information disclosure system of fund to benefit, etc; In addition, explore the establishment of public supervision system, accelerate the improvement of laws and regulations of social supervision, and give full play to the important role of social non-profit organizations in the supervision system.

4 Conclusions

The concept of risk management is to be more intuitive and clear reaction the importance to improve the consciousness and ability of risk management of social security to the government and related institutions. In the high-risk period of social change and transformation of China’s modernization, as the elusion and remedial measures of the country to solve all kinds of risks which social members may encounter, the social security system is also facing great uncertainty in the process of system design and implementation. The increasing of social security risk events will not only result in an increase in public spending, damaging the public interests, and the more serious can lead to social unrest.
Therefore, applying the concept of risk management to the reform of the social security system, strengthening the study of basic theory of the social security risk, fully detailed understanding of the social security risk classification, characteristics, production and reasons, and actively exploring the preventive measures of social security risks, which has a very important theoretical and practical significance to improve the construction of China’s social security system, promote the development of China’s social security system, and maintaining the social harmony, stability and development.

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