

## **Analysis of Sustainability Fund-Raising Ability of the New Rural Social Pension Insurance**

**Kang Hongjun**

School of Management

Shanghai University of Engineering and Science

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### **Abstract**

*New rural social pension insurance (NRSPI) fund consists of the individual contributions, collective benefits and government subsidies, in which the government subsidies include central financial subsidies and local financial subsidies. Currently, the new agricultural insurance fund-raising body, the most difficult financing is the local governments, especially in poor central and western regions. New agricultural insurance's ability to finance is direct affect of new agricultural insurance system sustainable development. In order to ensure the smooth new agricultural insurance fund raising and effectively improving the farmers of the new agricultural insurance policy credibility; developing township enterprises and collective economy; reasonable adjusting the central agricultural insurance subsidies for the new model; timely improving local governments subsidies standards.*

**Keyword:** New rural social pension insurance ; Fund-raising capacity ; Financial subsidy ; Sustainability

In September 4, 2009 ,The State Council issued "On carrying out the new rural social pension insurance pilot guidance "(Guo Fa [2009] No.32), marking the construction of rural social endowment insurance system has entered a new period —farmers get into the "state pension age." The NRSPI's biggest "new", mainly embody in the "government subsidies", which not only inject to the NRSPI a powerful vitality, but also the CPC Central Committee and the State Council made the following another major agricultural policy after the abolition of agricultural tax and other policies, which is a major step make the nation towards promote social equity, get rid of the urban-rural dual structure, and gradually achieve the equalization of basic public services step by step, which is important to cope with the international financial crisis, expand domestic consumption and accelerate the improvement of the social security system covering urban and rural areas, and promote the construction of a harmonious society and the country's long-term stability. The failure of the old rural endowment insurance makes people full of expectations to the new rural endowment insurance but feel a little worried about it at the same time

### ***A. The Content and Characteristics of the NRSPI system***

According to the relevant provisions of the GuoFa [2009] No.32 file, the basic content of the NRSPI system as shown in table 1.

**Table1: The basic content of the NRSPI system**

Coverage	The rural residents over 16 years of age (excluding students), did not participate in the basic old-age insurance for urban workers, the implementation of the voluntary insurance	
Financing model	social pooling and individual accounts and individual contributions and collective benefits, a combination of government subsidies financing	
Individual contributions	The payment standard set for the year 100 yuan, 200 yuan, 300 yuan, 400 yuan, 500 yuan in 5 grades, place according to the actual situation can be added by pay grade, the insured person choose grade by themselves. According to rural per capita net income growth, state timely adjusts of pay grade	
Collective allowance	Conditional village collective shall give subsidies to insurance fee, subsidy standard is determined by the villagers committee of a village meeting democracy. Encourage other economic organizations, social organizations, individuals to provide funding for the insured to pay	
Government subsidies	Central Government	The government gives the insured person who meets the conditions the full payment of the NRSPI basic pension, central government grant full subsidies for the central and western regions by the central determine the standards of basic pension, to give 50% of the eastern region subsidies.
	The local government	The local government should subsidize the insured fee, subsidy standard do not less than 30 yuan per person per year; the higher level standard of payment, can give appropriate incentives, the detailed standards and measures by the province (area, city) people's government to determine. The severe disabilities in rural areas and other payment difficulties groups, fee for the endowment insurance pay part or all of the minimum standards of local government
Individual accounts	Individual payment, collective allowance and other economic organizations, social welfare organization, personal assistance to the insured to pay the premium, the local government subsidies for the insured person, all credited to the individual accounts; Individual account stores the forehead current annual reference publication of the people's Bank China financial institutions one-year yuan deposit rate of interest.	
Pension benefits	The basic old-age pension and the pension in personal accounts, payment for life	
Basic pension	Central to determine the standards of basic pension is 55 yuan per person per month. The local government according to the actual situation to improve standards of basic pension, for the long-term contribution of rural residents, may be appropriate to add basic pension, improving and adding part funded by the local government spending.	
Individual account pension	Monthly pension standard for the total individual account stores divided by 139. If the insured person death, personal account of the funds, in addition to government subsidies, can be inherited according to law; the government subsidies continue to pay the other participant's pension.	
Treatment for conditions	At least 60 years of age, do not enjoy treatment of primary endowment insurance for urban workers in rural household registration elderly	
"The old man" (≥ 60 years)	You don't have to pay anything, and can receive a monthly basic pension, you're your meeting the insurance conditions children shall participate and pay fees.	
"People"(>45 and <60)	We should pay annual, also allow repay , but the cumulative contribution do not more than 15 years	
"New" (≤ 45 years)	Should pay annual, but the cumulative contribution do not less than 15 years.	
Adjustment of treatment	According to the situation and the development of national economy, price changes, adjust the national minimum standards for NRSPI based pension	
Fund management	The NRSPI fund put the management of county, the funding for the work of NRSPI funds go into the same level budget, do not use of the NRSPI funds.	

Note: according to The State Council issued " On carrying out the new rural social pension insurance pilot guidance "(GuoFa [2009] No.32)was compiled.

From table 1 can be found, the NRSPI system has the following characteristics:(1) the financing mode of individual payment, collective allowance, a combination of government subsidies, and the Premium all bring into individual accounts; (2) the basic pension + personal account pension treatment mode, the basic pension by financial full payment; (3) the combination of voluntary and mandatory. The NRSPI is voluntary insurance, but the "old man" to pension insurance conditions, the children must be insured, containing hidden mandatory.

### **B. The NRSPI Fund Raising Body Financing Ability Analysis**

According to table 1, the NRSPI pension funds were mainly from individuals, collectives, the central finance and local finance four financing body, this will respectively analysis this four subjects.

#### **(a) Analysis the ability of individual contributions**

According to the regulations of the GuoFa [2009] No.32 document, at present the individual contribution is set to 100, 200, 300, 400, 500 yuan per year in 5 grades, the local government also can be added according to the actual needs of grade, by the farmers according to their own situation to choose the payment.

Here we are on the NRSPI amount and farmers per capita net income of individual pay cost to compare, in particular as shown in table 2.

**Table 2: Individual payment amount accounted for the proportion of 2009 per capita net income of farmers**

Province	Farmers per capita net income (yuan)	The low pay per capita net income proportion (%)	The most high-end premium per capita net income proportion (%)	Province	Farmers per capita net income (yuan)	The low pay per capita net income proportion (%)	The most high-end premium per capita net income proportion (%)
Beijing	11669	0.86	4.28	Hunan	4909	2.04	10.19
Tianjin	8688	1.15	5.76	Anhui	4504	2.22	11.10
Guangdong	6907	1.45	7.24	Jiangxi	5075	1.97	9.85
Liaoning	5958	1.68	8.39	Xinjiang	3883	2.58	12.88
Shanghai	12483	0.80	4.01	Sichuan	4462	2.24	11.21
Jiangsu	8004	1.25	6.25	Chongqing	4478	2.23	11.17
Zhejiang	10007	1.00	5.00	Yunnan	3369	2.97	14.84
Fujian	6680	1.50	7.49	Guizhou	3005	3.33	16.64
Shandong	6119	1.63	8.17	Tibet	3532	2.83	14.16
Hebei	5150	1.94	9.71	Shaanxi	3438	2.91	14.54
Hainan	4744	2.11	10.54	Gansu	2980	3.36	16.78
Jilin	5266	1.90	9.49	Qinghai	3346	2.99	14.94
Heilongjiang	5207	1.92	9.60	Guangxi	3980	2.51	12.56
Henan	4807	2.08	10.40	Inner Mongolia	4938	2.03	10.13
Shanxi	4244	2.36	11.78	Ningxia	4048	2.47	12.35
Hubei	5035	1.99	9.93	Nation	5153	1.94	9.70

**Source:** National Bureau of Statistics survey team of Shaanxi province (city, area 2006-2011) sort of farmers per capita net income (yuan) was compiled.

Overall, in 2009, the average net income per capita in the rural areas of China was 5153 yuan, the lowest grade fee (100 yuan /person /year) accounted for only 1.94%, far below the ratio of personal payment of basic old-age insurance for enterprise employees 8%, farmers can afford to pay the highest grades; (500 yuan /person /year) for pure per capita income of farmers in 2009 accounted for 9.7%, the proportion of most farmers have a little high.

From different regions, if eastern developed area according to the low pay, to pay the amount of 100 yuan of gear ratio is generally lower than the national average level (1.94%) (with the exception of Hebei 1.94% and Hainan 2.11%); if the most upscale payment, the payment amount of 500 yuan ratio is generally lower than the national average level (9.7%) (with the exception of Hebei 9.71% and Hainan 10.54%).

The central and western regions according to the low 100 yuan pay the standard payment, to pay the amount of per capita net income is less than 3.5%, the lowest per capita income province was Gansu, accounted for 3.36%; if the payment according to the high-grade 500 yuan payment standards, payment ratio is generally higher than the national average, the proportion of Gansu reached 16.78%, rural residents of heavy burden. Visible, in the eastern developed regions, farmers not only have the ability to pay, but also can choose the higher grades of payment, in poor areas and the low income of the farmers also have the ability to participate in the NRSPI, but only choose payment standards of the lower grades.

Through the above we can draw the conclusion: according to the lowest grade of personal payment standard (100 yuan/year) the majority of farmers can afford, farmers can choose and pay the higher grades in developed area.

### **(b) Analysis the ability of the collectivity contributions**

Collective allowance funds mainly come from the collective accumulation and profits of township enterprises. From the collective accumulation of view, since the reform and opening up, China's per capita income of farmers has increased rapidly, but some rural collective economy is increasingly weak, collective accumulation decreased significantly. Especially in the central and western regions, a considerable part of the administrative villages and villages become veritable "hollow village", running of the village organization basically rely on debt to maintain, the rural collective economy of our country from the overall lack of development potential. Some local collective accumulation for the payment of village cadres remuneration, office expenses and other project cost, There is not much left to the NRSPI premium subsidies to assume the responsibility.

On the other hand, the collective economy is exceedingly unbalanced in regional development. In the eastern region, most of the rural township enterprises and collective economy is relatively developed, relatively strong strength, the overall weak in the central and Western regions. From the township enterprise profit annual regional comparison, The eastern region accounted for the proportion of a larger part, coincided with the traditional rural social endowment insurance system in China since the practice to now, which collective benefits higher place is which Township and village enterprises is relatively developed areas is consistent, which further proves the important role of the development of township enterprises profit to enhance the level of collective economy grants ability in the rural social endowment insurance financing.

The NRSPI in accordance with the conditions of village collective should give support to the farmers insurance payment, subsidy standard is determined by the villagers committee of a village meeting democracy, which not only embodies the collective responsibility, also has the insured to mobilize the enthusiasm of farmers. However, the overwhelming majority of China's rural collective economic strength is very weak, basically impossible to give subsidies, the original design of the system is fully considered China's regional economic development is not balanced, but because it is not a mandatory requirement, make great flexibility with process system operation, cannot fill the vacancies, difficult to collective benefits form hard constraints, thus leaving a space of system for rural collective evading responsibility, performance even in relatively developed areas of township enterprises, collective allowance is also difficult to implement. In the collective allowance has been providing places, subsidy amount is very limited and not very standard, make originally very limited amount of subsidies to rural village cadres and other strong crowd, subsidy operation process is very arbitrary and unfair. Therefore, the possibility of expect collective subsidy is little.

### **(c) Analysis of the central fiscal transfer subsidies ability**

Under the new provisions, the central government gives the central and western regions by the central determine the basic pension standard (55 yuan / person / month) to grant full subsidies, to give 50% of the eastern region subsidies ; At least 60 years of age, not to enjoy treatment of primary endowment insurance for urban workers in rural household registration elderly, can receive a monthly pension; the NRSPI system, has over 60 years of age not enjoy treatment of primary endowment insurance for urban workers, free of charge, can also receive a monthly basic pension insurance, but the conditions of children should be insured payment. Here we estimate about in the NRSPI system "to achieve full coverage of the rural residents of the right age" conditions, annual subsidies amount of central government of the NRSPI. According to the document, the central financial subsidy based pensions East amount =  $\sum$  eastern provinces aged 60 years and above in rural population \* 55 \* 50% \* 12 = 10.49 billion yuan for one year; each year the central government subsidies for basic pension amount =  $\sum$  Midwest provinces aged 60 years and above of the rural population \* 55 \* 12 = 42.31 billion yuan; then we can calculate the central fiscal year new agricultural subsidies for the amount of 52.8 billion yuan.

**Table 3: The Central Government to the Calculation of the NRSPI Subsidy Amount  
(Units: population: ten thousand ; amount: billion yuan)**

Area	Rural population	60 years and above in rural population <sup>①</sup>	The central fiscal year the amount of subsidies	Area	Rural population	60 years and above in rural population	The central fiscal year the amount of subsidies
East	22709	3179.19	10.49	Hunan	3639	509.41	3.36
Beijing	263	36.86	0.12	Henan	5910	827.40	5.46
Shanghai	219	30.66	0.10	Anhui	3550	496.98	3.28
Tianjin	270	37.81	0.12	Shanxi	1851	259.16	1.71
Zhejiang	2181	305.31	1.01	Chongqing	1384	193.77	1.28
Jiangsu	3430	480.19	1.58	Sichuan	5017	702.44	4.64
Guangdong	3528	493.85	1.63	Inner Mongolia	1129	158.02	1.04
Fujian	1763	246.78	0.81	Guangxi	2952	413.34	2.73
Shandong	4894	685.20	2.26	Ningxia	337	47.18	0.31
Liaoning	1712	239.75	0.79	Xinjiang	1299	181.86	1.20
Hebei	4009	561.26	1.85	Tibet	221	30.94	0.20
Hainan	440	61.54	0.20	Yunnan	2131	298.37	1.97
Midwest	45787	6410.18	42.31	Shaanxi	3017	422.36	2.79
Jilin	1279	179.04	1.18	Qinghai	324	45.33	0.30
Heilongjiang	1703	238.36	1.57	Guizhou	2663	372.79	2.46
Jiangxi	2518	352.57	2.33	Gansu	1775	248.50	1.64
Hubei	3089	432.43	2.85	Nation	68496	9589.41	52.80

**Data sources:** according to the "Chinese statistical yearbook 2010" finishing calculated

**Table 4: 2009 national structure of fiscal revenue and expenditure**

Project	Nation (billion yuan)	The central		Local	
		Amount (billion yuan)	Proportion (%)	Amount (billion yuan)	Proportion (%)
Revenue	6851.83	3591.57	52.4	3260.25	47.6
Expenditure	7629.99	4381.95	57.4	3248.03	42.6

**Data sources:** "the people's Republic of China according to the arrangement of the Ministry of Finance in 2009 and the national financial accounts".

In 2009 China's fiscal revenue of 3591.57billionyuan (as shown in Table 4), the central fiscal year NRSPI subsidies and the amount of the central fiscal revenue accounted for the total fiscal revenue of 1.47%. And in 2009 the central government revenue in the national fiscal revenue in the proportion of 52.4%, while the central government expenditure accounts for the proportion of total fiscal expenditure is 57.4%, compared to 1.64%, the central government is fully capable of burden of central finance, which has the capacity to bear the NRSPI subsidy.

#### (d) Analysis of local subsidies ability

According to the GuoFa [2009] No.32 document, the local government should subsidize the insured fee, subsidy standard of not less than 30 yuan per person per year; in addition, the issuance of link, the central finance for the eastern region to determine the basic pension standard (55 yuan / person / month) to give 50% subsidies, the central and western regions give full grants; the insured age 16-59 years old, began to pension age is 60 years old. Here we estimate about in the NRSPI system "to achieve full coverage of the rural residents of the right age" conditions, the local finance of the NRSPI annual minimum amount of subsidy (not including the choice of a higher grade standard pay the appropriate incentives, severe disabilities in rural areas such payment difficulties groups pay subsidies, and to improve and add some foundation pension subsidies).

So the local financial subsidies in eastern area of annual minimum =  $\sum 16-59$  eastern provinces of rural population aged 60 years and above \* 30+  $\sum$  Eastern rural population \* 55\* 50% \* 12; The central and western regions of local fiscal years minimum subsidy amount =  $\sum$  Midwest provinces in 16 - 59 years old in rural population \* 30. It can calculate the minimum subsidy of local finance in various regions of the country of the NRSPI amount of one year, as shown in Table 5.

**Table 5: Comparison of local finance and the lowest amount of subsidy calculation**  
(units: population: ten thousand ; amount: billion yuan)

Area	Rural population	16-59 year old population	The population over 60 years of age	Local fiscal years minimum amount of subsidy	The local fiscal revenue	Local fiscal years minimum amount of subsidy accounting for the local fiscal revenue (%)
Nation	68496	45892.19	9589.41	24.26	3260.26	0.744
East	22709	15214.70	3179.19	15.06	2037.78	0.739
Beijing	263	176.38	36.86	0.17	202.68	0.086
Shanghai	219	146.73	30.66	0.15	254.03	0.057
Tianjin	270	180.95	37.81	0.18	82.20	0.218
Zhejiang	2181	1461.12	305.31	1.45	214.25	0.675
Jiangsu	3430	2298.03	480.19	2.27	322.88	0.704
Guangdong	3528	2363.43	493.85	2.34	364.98	0.641
Fujian	1763	1181.02	246.78	1.17	93.24	1.253
Shandong	4894	3279.15	685.20	3.24	219.86	1.476
Liaoning	1712	1147.36	239.75	1.14	159.12	0.714
Hebei	4009	2686.03	561.26	2.66	106.71	2.491
Hainan	440	294.50	61.54	0.29	17.82	1.635
Midwest	45787	30677.49	6410.22	9.20	1222.47	0.753
Jilin	1279	856.81	179.04	0.26	48.71	0.528
Heilongjiang	1703	1140.72	238.36	0.34	64.17	0.533
Jiangxi	2518	1687.30	352.57	0.51	58.13	0.871
Hubei	3089	2069.50	432.43	0.62	81.49	0.762
Hunan	3639	2437.87	509.41	0.73	84.76	0.863
Henan	5910	3959.70	827.40	1.19	112.61	1.055
Anhui	3550	2378.40	496.98	0.71	86.39	0.826
Shanxi	1851	1240.25	259.16	0.37	80.58	0.462
Chongqing	1384	927.31	193.77	0.28	65.52	0.425
Sichuan	5017	3361.66	702.44	1.01	117.46	0.859
Inner Mongolia	1129	756.22	158.02	0.23	85.09	0.267
Guangxi	2952	1978.14	413.34	0.59	62.10	0.956
Ningxia	337	225.79	47.18	0.07	11.16	0.607
Xinjiang	1299	870.33	181.86	0.26	38.88	0.672
Tibet	221	148.07	30.94	0.04	3.01	1.476
Shaanxi	2131	1427.89	298.37	0.43	73.53	0.583
Yunnan	3017	2021.30	422.36	0.61	69.83	0.868
Qinghai	324	216.94	45.33	0.07	8.77	0.742
Guizhou	2663	1784.06	372.79	5.35	41.65	1.285
Gansu	1775	1189.24	248.50	3.57	28.66	1.245

From the table 5, we can see, the local fiscal years minimum subsidy amount is 24.26 billion yuan, accounted for the local fiscal revenue is 0.744%. Overall, the local finance is not very heavy, but due to the imbalance in regional economic development level and financial capacity, poor local financial support burden have large pressure.

Specifically, in the East, local fiscal years minimum amount of subsidy accounting for the local fiscal revenue is the lowest in Shanghai 0.057%, the highest for the Hebei 2.491%, the average level of 0.739%, relatively heavy burden for Hebei (2.491%), Hainan (1.635%), Shandong (1.476%) and Fujian (1.253%); In the Midwest, local fiscal years minimum amount of subsidy accounting for the local fiscal revenue is the lowest in Inner Mongolia 0.267%, the highest for the Tibet 1.476%, the average level of 0.753%, relatively heavy burden of Tibet (1.476%), Guizhou (1.285%), Gansu (1.245%) and Henan (1.055%). Obviously, although the central government for the policy tilt to the Midwest, the overall burden of Midwest local finance higher than the eastern; In addition, the agricultural population of the eastern provinces is much, such as Hebei, Shandong, Fujian and other financial burden is heavy, but since the total amount of the local fiscal revenue is relatively large, the local finance financing is not great difficulty. Therefore, the central should take flexible measures in different regions, The eastern agricultural population big province can take full subsidies, while the lighter burden of provinces without subsidies, agricultural population big province can take full subsidies, while the lighter burden of provinces without subsidies, The lighter burden Midwest provinces can be subsidy according to the eastern provinces, giving full play to the efficiency of the central financial support.

Through the above analysis of the individual, collective, the central government, local government financing ability, the following conclusions can be drawn: the individual has the ability to pay, collective subsidies no mandatory requirements, but the central government is not lack of money, and raising the most difficult is the local finance, especially in poor areas of local finance, the financial support should adopt flexible policy.

### ***C Strengthen the NRSPI financing ability suggestion***

First, taking effective measures improves the farmers of the NRSPI policy credibility. The vast majority of peasants objectively can afford to participate in the NRSPI, whether they can participate in the NRSPI to mainly depend on their subjective willingness or not. Therefore, to increase the NRSPI propaganda, the integrated use of focus on, community outreach, home reading a variety of forms and means, strengthen peasants to experience, acceptance and awareness of the NRSPI. Besides, to strengthen the village level agricultural insurance assistant training, about the future of rural old-age risk, improving farmers' risk consciousness, making the NRSPI system to convey correctly to farmers, to let the farmers aware of the NRSPI system can bring benefit to themselves.

Second, vigorously develop township enterprises and collective economy. The collective economy is more developed to the NRSPI subsidy ability more strong, and can lead to the increase of farmers' income, enhance their own ability to pay. In addition, to perfect the construction of standard collective subsidy system, to avoid the soft constraint system design for collective benefits.

Third, adjust the central to the NRSPI subsidy mode. Because of differences in the economic development of the eastern and western regions, we should implement differentiated subsidies, such as the large agricultural population province in eastern, such as Hebei, Hainan, should increase the subsidies, a few provinces should properly reduce the level of subsidies; continue to strengthen the subsidy intensity on the poor provinces in Midwest regions.

Last, improve local government payment subsidy standard timely. Taking into account the economic growth, the local financial strength would increase year by year, including prices and other factors, the payment of subsidies standards should not have been all the same, but should implement dynamic adjustment, at the same time to strengthen the farmers' Insurance Incentive effect. On the other hand, reasonably dividing fiscal responsibility between local and central government. Because of the economic development level and financial capacity, local financial subsidies in sharing province, city and county, do not need to develop a unified standard, according to the actual level of economic development reasonable sharing. In addition, the strengthening of the NRSPI fund supervision and the NRSPI subsidy policy execution, guaranteeing the grant state financial capital can hundred-percent on schedule to account of individual account, or to the farmer's hands, let the peasants really feel the NRSPI system to bring its own benefits.

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