



Pension Policies in Rural China: 1986-2014

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Introduction

Since ancient times, family support for the elderly has been a traditional pension pattern. With the gradual disintegration of the peasant economy and the implementation of the family planning policy, only family support is not enough. We also need the support of the social pension. In the 1980s, pilot work of the rural social pension has been carried out in some developed areas. Since then, pension system was gradually established in rural China.

Three periods of rural pension policies

1) "The old pension" (1986-2008)

In 1986, after the Seventh Five-Year Plan proposed the mission of "establishing the prototype of China's rural social security system", the Ministry of Civil Affairs began to explore the rural social pension system and started pilot work in 1987. In 1992, the Ministry of Civil Affairs summarized preliminary pilot experience and introduced the "basic county-level rural social pension scheme (Trial)", or "the old pension", highlights include:

- Funding resources include individual pay, collective pay and national support. Collective pay refers to the subsidy from the township enterprises profits and collective accumulation. National support mainly refers to the township enterprises which pay the collective allowance. This shall be of the pre-tax expenses mode.
- Multi-level of individual pay has been set. Monthly payments include ten grades, as 2, 4, 6, 8, 10, 12, 14, 16, 18, 20 Yuan.
- Peasants can pay from 20 years old to 60 years old and get the pension after 60 years old. Pension standards are determined by peasants' pay level and pay term.

In 1998, due to the impact of the reform of the State Council, lower interest rates and other factors, the rural social pension got into trouble. The following year, the State Council stopped "the old pension", and pension policy ran around until 2002 Congress report was revisited.

2) "The new pension" (2009-2013)

In September of 2009, the State Council issued the "State Council guidance on carrying out new rural social pension pilot", or "the new pension". Highlights include the ff:

- Funding resources include individual pay, collective pay and national supporting. Yearly payments for peasants include five grades, as 100, 200, 300, 400, 500 Yuan. Local government subsidies to farmers not less than 30 Yuan per person, and the central government subsidies to farmers in mid-west regions by basic pension standard, 50% of the subsidies of the eastern region.
- Pensions are composed of basic pension and individual pension. Central government subsidies should be assigned to the former, and the rest should be assigned to the latter.
- The standard for basic pension from central government is 55 Yuan per person per month.
- A retired peasant can get x Yuan, and $x = \text{total storage of individual accounts} / 139$.
- By the time a new pension begins to be implemented, 60 and over 60 years old peasants can get the basic pension for free, as long as his/her eligible children participate in the insurance.

3) Pension for urban and rural residents (2014-)

February 2014, the State Council executive meeting decided to combine "the new pension" and "the urban pension", and to establish a unified national basic pension system for urban and rural residents.

Effectiveness and defects

From scratch, rural social pension system provides guarantee for peasants in China's vast rural areas. In 1992, "the old pension" policy was promoted from the pilot to the country. Available data shows that since then up to 1999, the number of insured and cumulative balance showed an overall rise; and later, the policy fell into predicament with the number of insured being constantly reducing.

Form 1. Implementation of rural social pension, 1990-2013

Year	Number of insured (ten thousand)	Number of pensioner (ten thousand)	Premium (hundred million)	Insurance proceeds (ten thousand)	Cumulative balance (ten thousand)
1990			0.47		0.47
1991			1.1		1.57
1992	3500				8.4
1993			6.6	0.2857	14.8
1994	2718.1	17.2	16.7	0.479	27
1995	5142.8	26.9	36.7	0.9889	59.5
1996	6594	31.6	44.1	1.8197	99.5
1997	7452	61.4	42.2	3.3368	139.2
1998	8025		31.4	5.4	166.2
1999	8000				
2000	6172				195.5

2001	5995.1				216.1
2002	5462				233.3
2003	5428	198	41	15	259.3
2004	5378	205			285
2005	5442	302	46	21	310
2006	5374	355	74	30	354
2007	5171	392	98	40	412
2008	5595	512	143.8	56.8	499
2009	8691	1556	258	76	681
2010*	10277	2863	453	200	423
2011	32643	8525	1070	588	1199
2012*	48370	13075	1829	1150	2302
2013	49750	13768	2052	1348	3006

Data Source: Statistical Bulletin from the Ministry of Civil Affairs (1990-1997) and the Ministry of Human Resources and Social (1998-2013).

Predicament of "the old pension" is influenced by adjustment of government agencies, as well as the result of its institutional defects. On the one hand, inflation is not taken into account. Later the interest rate began to decrease, and increasing of the funds became difficult to reach peasants' expectation. On the other hand, government subsidy is limited to the tax-free policy.

The most prominent change of "the new pension" is that the responsibility of the central government and local governments have been clarified. The effect of increasing subsidy is remarkable. From 2010, the number of insured and cumulative balance grew rapidly.

In 2014, the State Council announced the merger of "the new pension" and "the urban pension". In fact, the two have been merged statistical since 2012.

Conclusion

Since 1986, China's rural social pension policies have been gradually improved. Ultimately, China's pension policy came to a relatively mature period, and was later combined with "the urban pension". From fully relying on the family pension to the current combination of social pension, China has achieved remarkable results in the rural pension security. However, there are still challenges, such as how to improve the ability of security and how to increase the value of funds.

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