

Analysis on the Security Level of Anshan Social Endowment Insurance

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Abstract

Based on the relevant data of social endowment insurance in Anshan from 2001 to 2012, this paper analyzes the per capita pension insurance level, the purchasing power of old-age insurance premium, and the proportion of per capita pension in social average salary. It is pointed out that the existing social pension insurance system can realize the goal of guarantee of the endowment insurance, but there are still some shortcomings in the collection efforts of social pension insurance and financial dependence. And it puts forward recommendations for improvement from the four aspects of raising fund income from various channels, increasing collection efforts, improve the rate of return of investment funds, and establishing adjustment mechanism.

Keywords

Old-age security, Endowment insurance, Security level.

1. Introduction

China is a developing country earlier entering the aging society. Since the reform and opening up, the economy has experienced rapid development, people's living standards and health care level have been significantly improved. The average life expectancy of the population has been extended with the improvement of living conditions, which was 68.6 years in 1990 and 71.4 years in 2000, which has led to the continuous increasing of proportion of elderly population in the total population of society. At the same time, since the implementation of birth control policy in 1982 as a basic national policy, coupled with higher birth costs and fast pace of life, our birth rate dropped rapidly, and natural birth rate was 22.28 ‰ in 1982, which dropped to 14.03 ‰ in 2000. With two parts working together, China's natural growth rate dropped from 15.68 ‰ in 1982 to 7.58 ‰ in 2000. Since then, China has gradually entered the aging society. In 2000, China's population aged 60 and above accounted for 10.0% of the total population, in line with the affirmation of United Nations on the aging society, marking China's entering the aging society since then.

Anshan City, Liaoning Province, with a population of more than 3 million people, had a population of 610,000 aged 60 or over in 2011, accounting for 17.34% of the total population. The aging situation is quite serious.

Facing such a turbulent "silver tide", namely the huge pension pressure, how to make the aged spend their remaining years in comfort, that is, how to provide for the aged becomes the most urgent problem to be solved. In such a background of aging population, the considerations of the level of social endowment insurance in social security system will certainly become the research basis for the current level of old-age security .

This paper attempts to analyze the level of pension insurance replacement from the overall since the pilot work in 2001, and then perform specific analysis of the status of Anshan endowment insurance, and proposes an effective solution to the problem.

2. Analysis on the guarantee level of endowment insurance in Anshan City

2.1 Per capita pension level continuously rose

In 2012, the per capita level of social basic old-age insurance in Anshan City was 19629.6 Yuan, an increase of 297.75% over 2001, with an average annual growth rate of 11.7%. During this period, the

fluctuation of growth trend of per capita pension was relatively large, with the largest increases in the years of 2002, 2008 and 2012, which were 18.41%, 19.65% and 18.28% respectively. The smallest increases were in 2003 and 2004, which were respectively, 5.35% and 2.95%.

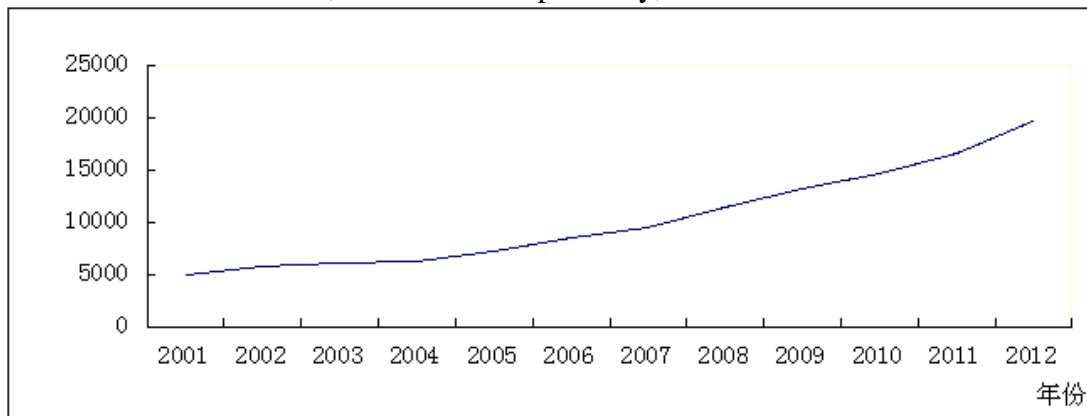


Figure 1: The trend of per capita endowment insurance of Anshan City in 2001-2012

2.2 The purchasing power of per capita pensions continuously increased

In addition to the growth rate of 2.95% of per capita pension in 2003, which was lower than growing rate of 3.2% of consumer price at the same year, the year-on-year growth rates of per capita pension in the other years were higher than the growing rate of consumer price at the same year, achieving the continuous enhancement of actual purchasing power of the retired people's income.

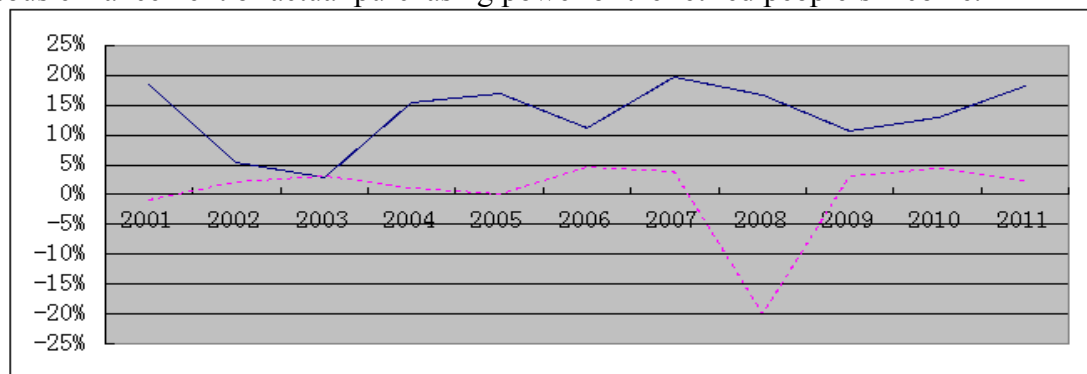


Figure 2: Comparison of per capita pension and consumer price index of Anshan City in 2001-2012

2.3 Per capita pension insurance basically reached 50% of the average wage

Since the full implementation of the pilot program in Liaoning Province at the end of 2001, the proportion of the per capita social pension insurance level in the average wage of workers had large fluctuations, but the downward trend was more obvious. It was the highest in 2001, with 75.9%, then gradually decreased, although it had been improved in the middle, but failed to change the downward trend, reached the lowest point in 2011 with 49.1%. The overall level was basically maintained at 50% or higher, with the average level of 57.9%.

2.4 The actual payment ratio was relatively low

Payers under the current pension system in Anshan City generally include: enterprise workers and urban individual industrial and commercial households and flexible employment personnel, basically covering all employers and employees all over the province. However, from the relationship between the collection of income and the average wage of employees, it can be seen that the actual contribution rate fails to achieve 28% contribution ratio set by the system. The highest level of the actual contribution rate in 2001 was 21.14%; and the lowest level was 13.1% in 2010; with the average level of only 15.5%, well below the 28% system contribution rate set by the system. Such a level of payment greatly affects the financing capacity of the system, thus affecting the sustainable development of the system.

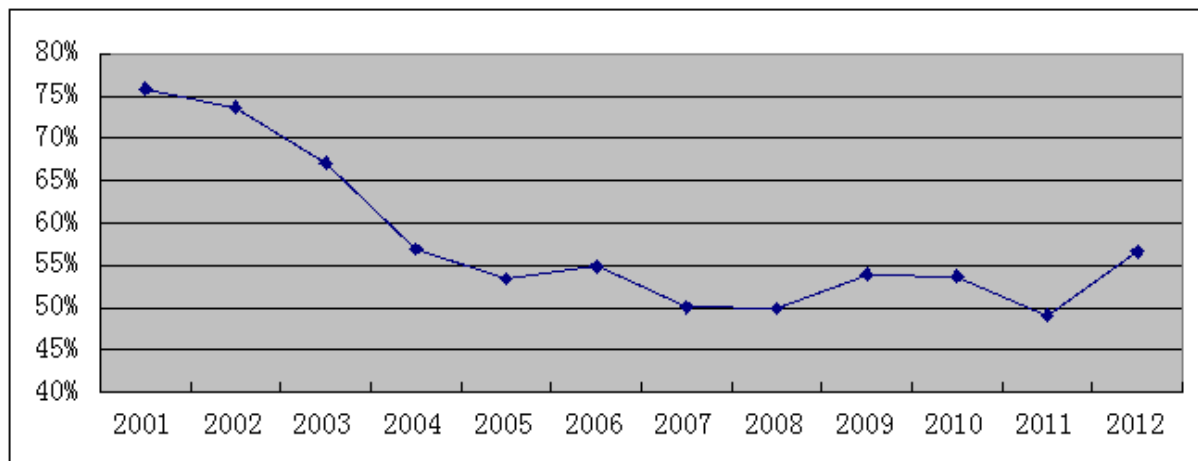


Figure 3: Ratio of per capita pension and social average wage of Anshan City in 2001-2012

Table 1: 2001 - 2012 actual contribution rate of social basic old-age insurance in Anshan City

Time	Staff* Average Annual Salary (Yuan)	Insured Employees (/)	Income-collecting (ten thousand Yuan)	Per Capita Income-collecting (Yuan)	Actual Payment Proportion
2001	6505.57	292969	40287	1375.13	21.14%
2002	7931.28	346980	46890	1351.37	17.04%
2003	9176.64	361208	56778	1571.89	17.13%
2004	11130.84	380224	66991	1761.88	15.83%
2005	13692.14	428108	80535	1881.18	13.74%
2006	15578.20	458056	103597	2261.67	14.52%
2007	18976.04	480756	145437	3025.17	15.94%
2008	22783.95	559083	179915	3218.04	14.12%
2009	24619.18	576651	189840	3292.11	13.37%
2010	27381.47	593755	212909	3585.81	13.10%
2011	33806.64	630206	288085	4571.28	13.52%
2012	34659.88	647184	366469	5662.52	16.34%

3. The analysis of the current social endowment insurance system

3.1 60% of the target replacement rate level is a little higher

First of all, according to the contribution rate and the payment method of the current social pension system in Anshan City, the current system from the payment level can provide an average replacement rate of 57.9%, from the perspective of payment can provide 36.4% replacement rate, that is said that the current system could not provide a 60 percent replacement level.

Second, according to consumption expenditure level of five household groups in Anshan City, 60% of the replacement rate has gone beyond the consumption expenditure level of middle-upper households and even high-income families, the level of consumer spending, which is inconsistent with the goal of achieving basic living security of social basic pension insurance.

Therefore, 60% of the replacement rate level either from the current system itself, or from the current social reality of economic conditions is somewhat high.

3.2 The goal to meet the basic needs of life can be achieved

Based on the idea that the income level of the pension can meet the needs of the medium and higher level of consumption expenditure, according to comparison of the average annual per capita consumption expenditure in households with medium income and the higher income households in

2012 with the average wage level of the year, moderate interval of demand replacement rate of endowment insurance in Anshan can be calculated, such as: Table 3.

Table 2. Proportions of per capita consumption expenditure and the average wage of medium and higher households of Anshan City in 2012

	Average Wages of In - service Workers	Medium ones account for 20%	Higher ones account for 20%
2012	34659.88	40.7%	54.9%

There was an average of 57.9% of the basic social pension insurance in Anshan City in 2001-2012, which was slightly higher than the requirement of "Medium Consumption Expenditure", of which the actual level in 2006-2011 was in line with the requirement of "Medium Consumption Expenditure". That is, the current level of pension insurance can meet the needs of Anshan retirees in their later years.

3.3 The enforcement efforts of current system is not enough

Payers under the existing pension system in Anshan City generally include two categories: workers in enterprises or business units and urban individual industrial and commercial households and those with flexible employment, basically covering all employing units and workers all over the province. However, from the relationship between the collection of income and the average wage of employees, because the existing system is not strictly enforced, there are problems of not paying and not real payment in accordance with wages, and the actual payment rate is only 15.5%, which is much lower than that of 28%, greatly affecting the financing capacity of the system.

3.4 Dependence on financial assistance is relatively large

Government subsidy is the key to guarantee a high level of the actual replacement rate with low actual contribution rate of social old-age insurance in Anshan City, which can be seen from the collection of income and fund expenditure gap, as shown in Table 3.

From of comparison of collecting income of the basic social pension insurance in Anshan City and fund expenditure from 2001 to 2012, it can be seen that there is a large fund gap in Anshan City, showing a gradual upward trend. In 2001, the fund collected revenue was 402.87 million Yuan, and the fund expenditure was 759.07 million Yuan, showing a gap of 356.2 million Yuan; while in 2012, fund collected income was 3664.69 million Yuan, and the fund expenditure was 5100.41 million Yuan, with a gap of 1435.75 million Yuan. The gap grew by 203.1%, with an average annual growth of 13.5%, accounting for 38.5% of fund expenditures.

Table 3: Income, expenditure and gap of the social pension funds in Anshan City from 2001 to 2012
Unit: ten thousand Yuan

	Income of Funds Collecting	Fund Expenditure	Gap
2001	40287	75907	35620
2002	46890	95277	48387
2003	56778	105073	48295
2004	66991	113333	46342
2005	80535	138739	58204
2006	103597	170895	67298
2007	145437	202057	56620
2008	179915	254306	74391
2009	189840	310168	120328
2010	212909	360585	147676
2011	288085	417885	129800
2012	366469	510044	143575

4. Suggestions on further improving the pension system

4.1 Form multi-channel revenue sources

Due to the serious population aging and the high conversion cost, there will be fund gap to rely on the single payment channel to raise the endowment insurance funds, which will inevitably lead to empty account of the personal account and the undue dependence on the government subsidy. Therefore, we must actively raise funds from other sources such as selling state-owned shares, issuing social security lotteries, and transferring all or part of the income from personal income tax so as to maintain fund balance and smooth operation of the system.

4.2 Increase the collection efforts of pension insurance

Because “Labor Law”, “Social Insurance Law” and other laws and regulations do not stipulate the penalty conditions in details and the punishment is not enough, law enforcement is not strong, there are problems of not participating in insurance, not paying on time, or not paying in accordance with the regulations in some enterprises. We should strengthen law enforcement efforts, and strive to achieve the best insurance to make the actual contribution rate rise, to finally achieve the payment level required by the system, thereby increasing the actual contribution level.

At the same time, we should strengthen the publicity of related policies of endowment insurance system, and enhance consciousness of enterprises and workers, especially enterprises and workers in the secondary industry to participate in insurance and pay the basic old-age insurance premium. Increase the intensity of legislation and law enforcement, supervise corporate payment, to avoid drilling loopholes of enterprises policy by not participating in insurance, not paying on time, or not paying in accordance with the regulations, and strive to ensure that people who should be insured are insured, which will not only reduce the fund gap, but also will improve the level of protection of the system level by increasing workers’ cumulative payment years.

4.3 Enhance the value-added capacity of funds

With the development of economy, the per capita wage level of Anshan City has increased rapidly, reaching an average of 16.6%. Correspondingly, the proportion of pensions in the social average wage tends to decline rapidly. Given that the current wage level rises too fast, and the inflation factors in the future, the accumulated funds should have a higher and more stable rate of return. Increasing the value-added rate of funds can effectively reduce the dependence of the system on the payment of fees and pressure of the public from the payment, which can not only ensure the adequate supply of basic pension insurance funds in Anshan City, but also be conducive to full coverage of social pension insurance system.

4.4 Build a reasonable pension index adjustment system

Due to the intensification of aging of Anshan City, as well as the constant increasing of system maintenance rate, maintaining a level of social pension matched with the average wage level is essential, whether to the long-term equilibrium of the pension system, or to the sustainable development of the economy. At the same time, with the increase of retirement duration, the level of old-age insurance in retirement will be decreased year by year due to the inflation. In order to ensure that the living standards of retirees does not appear to decline at least, the indexation adjustment mechanism should be introduced in the pension insurance system.

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