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## Pension Benefits of Rural People as a Condition for Improving Their Welfare

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### Abstract

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The aging of the population due to the economic, political and cultural spheres. The number of older people in the total population in some countries has increased significantly. Some of them can be attributed to countries with an aging population. Building a harmonious society - one of the important goals of the country, it is intrinsically linked with the improvement and quality of life of older people and their welfare. In China, the rapid economic development; restructuring of family, the weakening of its functions; as well as a sustainable, rapid population aging are reflected in the pension system and national economy. Three groups of indicators are formed on the analysis of deviations from the results of survey of older and young people from China villages Da Gao Kan and Lian Shan. It was proved that the pension benefits of rural people are one of the basic conditions for increasing their welfare, so it is necessary to improve it.

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**Keywords:** Welfare; pension benefits; rural community; China.

### 1. Introduction

Rural aging influence both population structure, labor forces and economy, policy. Implementation of Antinatalist policy in China, rapid development of medicine equipment, reduction of mortality and other factors resulted in increasing the proportion of the rural elderly population. Sustainable labor migration from rural to urban areas can be stated due to the different levels of development of cities and villages.

In China since 1970 percentage of older people under the care has been gradually increasing: if in 1975 it was 12.9%; in 1999 – 13.5%; in 2010 – 17.4%; it is predicted to be 37% by 2030; 47.5% by 2050. In such case ratio between working-age people and retiring-age people will be 2:1 (Zhang, 2013). Prior to 2009, the number of people over 60 years old was 153 million, which included 70% of rural population (Fang, 2012).

Implementation of Antinatalist policy in China, rapid development of medicine equipment, reduction of mortality and other factors resulted in increasing in the proportion of the rural elderly population. Nowadays villages are behind cities not only in economic and cultural level of development, but also in social welfare system. Level of development in rural areas differs from urban areas, and even one village differs from another. Sources of income of rural people are extremely limited and hard to increase. Sustainable labor migration from rural to urban areas can occur due to the different rate of economic development of cities and villages. Despite the existence of two-level social welfare system (in urban and rural areas), it focuses on social support of urban population. Low pension benefits of rural community, low wage rates and other factors restrict consumer demand in the villages. In other words, it is a problem for China to provide retirement benefits in rural areas, that is why it is necessary to draw up appropriate retirement policy.

## **2. Methodology and Data**

Residents from two villages Da Gao Kan (100 questionnaires, the ratio of adults and retiree was 1:1) and Lian Shan (100 questionnaires, the ratio of adults and retiree was 1:1) took part in questionnaire survey. Questionnaire for retiree included 9 questions, for adults – 12 questions. Hereupon, the deviations in answers of adults and retiree from both villages were measured in absolute and relative values and combined in three groups: 1 – deviation from 0 to 9; 2 – deviation from 10 to 20; 3 – deviation from (more than 20).

## **3. Discussion**

In 1991 World Health Organization (WHO) made an assessment of quality of living on wide range of factors: physical health, psychological health, social relationships, environment and etc. (World Health Organization, 2016). The abundant literature reports show that quality of living of retired people is connected to gender identity; age; marital status; education and income level; physical and psychological health, living standards, health security and etc. (Zhao, 2011).

Nowadays, most of the scientists believe that life quality includes subjective (awareness and emotions) and objective components. They are not substitutes. Subjective component includes health; income; education level; etc. Income is the most important factor, which influences the quality and satisfaction of life of elderly people as well as material security and consumer choice. Rapid economic development; continuous perfection of the pension system; weakening of family function influence China's pension system.

739 billion Yuan was accumulated in 2008 in urban pension fund scheme, while in rural pension fund scheme the number was 5680 million Yuan (Ding, 2014), which is 13 times less than urban.

Today, 90% of urban population is old people who are under the care of children. Elderly care is both moral and legal responsibility. There is a rule that caring for elderly parents is public duty of children (Bian, 2014). Furthermore, the elderly of rural areas have a right to take a lease of land that is conducted as a part of «5 types of protection» system, commercial retirement insurance, program provides subsistence minimum, social pension insurance.

However, implementation of Antinatalist policy and population aging, as well as structural economic reforms of rural areas reduced elderly care ability. Meaning of retirement insurance becomes more important in rural areas (Wang, 2011).

In 1992 China's Ministry of Civil Affairs published new rural social pension scheme called «The Basic Plan for Social Insurance of Rural Pension at Country Level» (China's Ministry of Civil Affairs, 1992). In 1996 3 drafts were accepted: «National Economy and Social Development «95», Plan of the People's Republic of China and Perspective Scheme - up to 2010», where it is clear that family insurance is the main method of rural elderly care option (Zhao, 2015). Local Authority developed recommendations concerning assistance for families with elderly people.

State Council of the PRC approved new model of pension insurance (New rural pension system of China) (Zhang, 2011), and published «Guideline for developing a new rural pension insurance system» (The State Council China, 2009) in September 2009. Firstly, «New rural pension system» planned to distribute in 10% of cities and villages as an experiment and then expand distribution territories (Li, 2014). In 2009 the number of insured people was 72,773,000, which included 10.21% of rural people; in 2011 this number increased to 326,435,000, which was 49.72%. According to the plan, «New rural pension system» should provide access to the pension benefits for all rural inhabitants expect students and those who are under 16 years old (State Council, 2009) by 2020. This system includes personal payments, community benefits and State pension. Pension account of insured person consists of two parts: basic and occupational pensions. Basic pension of rural people under 60 years old, sourcing by government budget, is not less than 55 Yuan monthly. Rural people aged 16-59, who pay pension contributions, will get both basic and occupational pensions when reaching retirement age. The amount of monthly payment is defined as a quotient of savings by 139 (Cheng, 2013), if endowment period is 11 years. «New rural pension system» sets 5 levels of personal payments annually: 100, 200, 300, 400 and 500 Yuan.

The problem of low pension replacement rate still exists, despite rapid development of new rural pension system. For example, the rural insured person starts paying 500 Yuan annually for pension insurance contribution since 45 years old; then interest of 2.5% is compounded to this sum annually. He can get only 123.63 Yuan monthly when he reaches retirement age. Pension replacement rate is 16.7%, if net income per capita was 8896 in 2013. While international experience shows that the standard of living will be considerably reduced if the pension replacement rate is less than 50% (Liu, 2015). In 2014, it was offered to establish a unified system of basic pension insurance of urban and rural populations, that is to combine «new rural insurance system» and «insurance for urban residents system» (Wang, 2015), which is very important. Thus, the pension system in China has evolved from a traditional to a unified (fig.1).

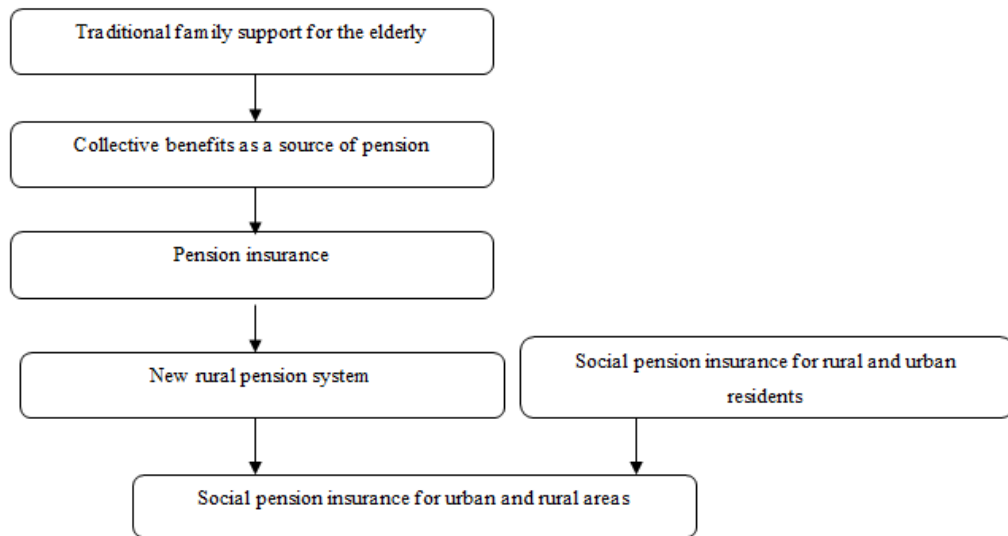


Fig.1. The evolution of the Social Welfare of elderly people living in urban and rural areas in China

Let's estimate the deviations (Tabl. 1) among the answers of young people from Da Gao Kan and Lian Shan province of Liao Ning. It shows that young people from both villages plan their expenses taking into account the need of pension benefits in the future. Different level of development in economy and education and other factors lead to significant deviations in these villages (fig. 2).

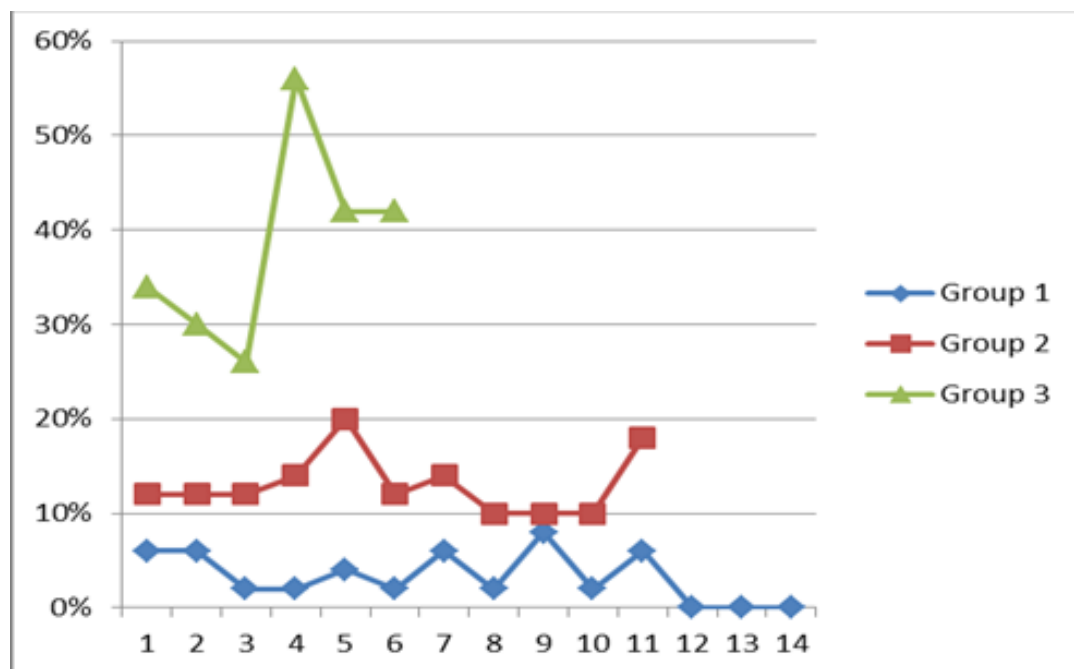


Fig. 2. The comparison of young people in the villages Da Gao Kan and Lian Shan

**Table 1.** Results of the survey in the villages Da Gao Kan and Lian Shan province of Liao Ning

Number	Question	Answer	Percentage of answers, %		Deviation	
			Da Gao Kan	Lian Shan	Absolute	Relative
1.	Sex	Female	54	48	6	1.1
		Male	46	52	6	0.9
2.	Age	18-23	4	2	2	2
		24-29	28	30	2	0.9
		30-35	28	12	16	2.3
		36-45	4	8	4	0.5
3.	Level of education	Over 45	36	48	12	0.8
		Secondary education	60	26	34	2.3
		Technical secondary education	2	8	6	0.3
		Higher education	10	8	2	1.3
4.	How many children do you have?	Other	28	58	30	0.5
		0	26	12	14	2.2
		1	46	58	12	0.8
		2	24	26	2	0.9
5.	What is your average monthly income?	More than 2	4	4	0	1
		Under 2000	12	4	8	3
		2000-3000	26	52	26	0.5
		3000-4000	22	24	2	0.9
6.	Source of pension	Over 4000	40	20	20	2
		Children	10	16	6	0.6
		Other family members	46	34	12	1.4
		Pension insurance	38	24	14	1.6
7.	Will you be working when retire?	Personal savings	0	0	0	-
		Collective benefits	2	12	10	0.2
		Income from the land	4	14	10	0.3
		Salaries and wages	0	0	0	-
8.	Who would you like to live with when retire?	Yes	6	62	56	0.1
		No	94	38	56	2.5
		Other	0	0	0	-
9.	Should children support their parents?	Individually	96	54	42	1.8
		With children	4	46	42	0.09
		Other	0	0	0	-
9.	Should children support their parents?	Yes	80	90	10	0.9
		No	2	10	8	0.2
		Never thought	18	0	18	-

Deviations in terms of “higher education”, «monthly income under 2000 Yuan», «children as a source of pension», «having more than 2 kids», «community benefit as a source of pension» were no more than 9%, that is why it belongs to the 1st group.

Deviations in terms of «personal savings as a source of pension», «monthly income over 4000 Yuan» were more than 10% and less 20% so that it belongs to the 2nd group. Deviation in terms of

«stop working when reaching retirement age» was 56%, «willing to live individually when reaching retirement» - 42% that it belongs to the 3rd group.

The maximum deviation in the villages Da Gao Kang and Lian Shan was registered in four factors: the number of young people (aged 18 to 35 years) - in 1.36 times, educated people - in 1.71 times, the number of families without children - 2.2 times , monthly income above 4,000 Yuan - 2 times.

As results of survey (table 2, fig. 2) show sources of income of rural residents are extremely limited. Till now the main sources of income of retirees were children, pension insurance, personal savings, salaries and wages.

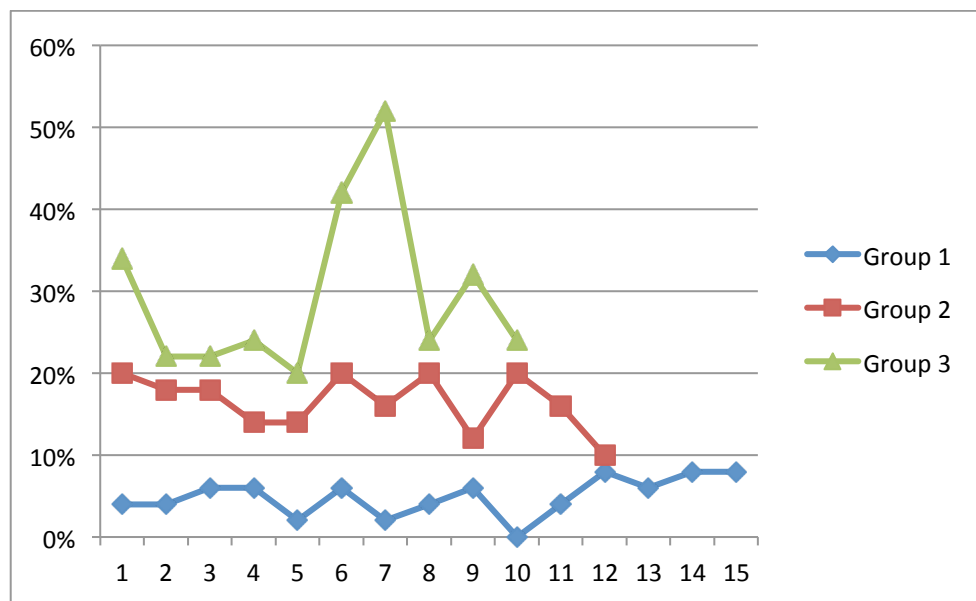


Fig.3.The comparison of the elderly people in the villages Da Gao Kan and Lian Shan

**Table 2.** Results of the survey of elderly people in the villages Da Gao Kan and Lian Shan province of Liao Ning

Number	Question	Answer	Percentage of answers, %		Deviation	
			Da Gao Kan	Lian Shan	Absolute	Relative
	Sex	Female	52	56	-4	0.93
		Male	48	44	4	1.1
	Age	55-60	48	14	34	3.4
		61-70	30	36	-6	0.8
		71-80	14	36	-22	0.4
		Over 80	8	14	-6	0.6
	Level of education	Secondary education	22	2	20	11
		Technical secondary education	4	28	-24	0.1
		Higher education	0	2	2	0
		Other	74	68	6	1.1
4.	Source of pension	Children	30	12	18	2.5
		Other family members	0	2	-2	0
		Pension insurance	16	30	-14	0.5
		Personal savings	14	28	-14	0.5
		Collective benefits	0	0	0	-
		Income from the land	10	14	-4	0.7
		Salaries and wages	30	8	22	3.8
		Other	0	6	-6	0
5.	Will you be working when retire?	Yes	58	24	34	2.4
		No	42	74	-32	0.6
		Other	0	2	2	0
6.	Who would you like to live with when retire?	Individually	66	46	20	1.4
		With children	34	52	-18	0.7
		Other	0	2	-2	0
7.	How much of income would you spend on entertainment monthly when retire?	Less than 5	80	78	2	1.0
		10	18	18	0	1.0
		More than 20	2	4	-2	0.5
8.	How much of income would you spend on food monthly when retire?	Less than 30	86	66	20	1.3
		50	14	30	-16	0.5
		More than 50	0	4	-4	0
9.	How much of income would you spend on medical treatment monthly when retire?	Under 20	80	60	20	1.3
		Under 30	12	24	-12	0.5
		Over 30	8	16	-8	0.5
10.	Will you keeping fit when retire?	Doing exercise	6	12	-6	0.5
		Dancing	8	16	-8	0.5
		Doing nothing to keep physical health	82	62	20	1.3
		Other	4	10	-6	0.4
11.	Evaluate the quality of your life in retirement compared to the working period	Nothing has changed	44	52	-8	0.8
		It could be better	20	36	-16	0.6
		Much worse	36	12	24	3

12.	Evaluate the government support in retirement	It is enough	12	2	10	6
		It is not enough	88	46	42	1.9
		Wants more	0	52	-52	0

Because the deviations in terms of "higher education", "monthly income below 2,000 Yuan," "children as a source of pension", "having more than two kids," "collective benefits as a source of pension" are less than 9%, all of them are in the 1st group. The 2nd group consists of two indicators: "monthly entertainment expenses," "income from the land." Deviation of more than 20% forms the third group of indicators - including "doing nothing to keep physical health", "living individually or with kids" and others.

There are 78% of elderly people at the age of 55-70 years in Da Gao Kan, and this number is only 50% in Lian Shan Kan, that is 1.5 times less. There are 66% of elderly people living individually in Da Gao Kan and only 52% in Lian Shan. Imbalance of regional economic development, promotion of the national policy, the level of policy awareness and other factors lead to the fact that 88% of elderly people in Da Gao Kan believe that government support is insufficient on their retirement, that is 1.9 times more than in the Lian Shan.

#### 4. Conclusion

The main problems of new rural pension system are the following:

1. The low level of coverage of the new rural insurance system;
2. The low level of contributions to the pension system in the village (for various reasons: tradition, low levels of education, low income, etc.);
3. Despite the authorities' attention to the rural pensions nor the level or the replacement rate is not even approached the urban level.

Generally, elderly people make demands on drugs, medical services and other material bene-fits, and create weak demand for nonmaterial benefits, which are limited by domestic consumer demand. The rapid aging of the population leads to an increase in pension and health care expenses as well as to higher pension and health care costs. However, the welfare of elderly people is not growing, despite the increasing in spending money for pension benefits in the GDP. Therefore, the government should actively expand channels of increasing revenue of pension fund, and improve pension policy in the rural areas.

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