



Research on Chinese Farmers' Social Endowment Insurance Mode

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Abstract

In this paper, based on Marxism social security theory, the author creatively advances that in China value of labour-power consists of the endowments for the laborer and part of endowments for his or her parents, considering China's conditions. By this way, the author integrates traditional individual, family, collectivity, and state endowments into a complex endowment mode, namely the target mode of this paper. This mode includes social endowment insurance system and community-and-family support system. The former mainly offers endowment insurance, and the later mainly life services and spiritual cares for seniors. The social endowment insurance system includes primary pension, social pension, and family planning pension for farmers. The management of rural social endowment insurance premium is similar to that of civil social endowment insurance. Considering the great difference of local economy and society in China, community-and-family support system is various in different regions. The family planning pension is to relieve the potential negative effects of certain institutions designed in this paper on the family planning policy.

Keywords: China, Farmers, Social endowment insurance

1. Introduction

At present, China is at an economic and social transition period. The objective of transition is to realize socialist market economy. A perfect socialist market economy needs a set of relatively perfect social security system. Due to the history, the social security in China forms a dual structure in cities and countrysides. Cities have a relatively perfect social security system, but countrysides have not. Therefore, to build up a rural social security system has already become a hot in theoretical field.

In this paper, "farmers" are defined from professions and status. They are labourers who have agricultural households and directly attend agricultural production, including agricultural production organizers, managers, and technicians.

2. Theoretical foundation

2.1 Theoretical foundation for social security contents and capital resources ----- Marx's Six Deduction Theory and Labor Theory of Value

Institutions are not neutral. The theoretical foundation of China's socialist security system is Marxism socialist security theory. Western capitalism social security theory serves as reference for us.

Marx in *Critique of the Gotha Programme* emphasizes a real fairness in wealth allocation. In order to animadvert on LaSalle's "the proceeds of labor belong undiminished with equal right to all members of society", Marx points out: "first of all, the words "proceeds of labor" in the sense of the product of labor; then the co-operative proceeds of labor are the total social product. From this must now be deducted: First, cover for replacement of the means of production used up. Secondly, additional portion for expansion of production. Third, reserve or insurance funds to provide against accidents, dislocations caused by natural calamities, etc. These deductions from the "undiminished" proceeds of labor are an economic necessity, and their magnitude is to be determined according to available means and forces, and partly by computation of probabilities, but they are in no way calculable by equity. There remains the other part of the total product, intended to serve as means of consumption. Before this is divided among the individuals, there has to be deducted again, from it: First, the general costs of administration not belonging to production. Second, that which is intended for the common satisfaction of needs, such as schools, health services, etc. Thirdly, funds for those unable to

work, etc., in short, for what is included under so-called official poor relief today. (Karl Marx, 1966, p11-12)” Therefore, the first deduction from the total social product described by Marx is the first distribution of national income today. The second deduction mainly reflects the re-distribution of national income, covering social members’ common needs, pensions, national education, health cares, public welfare, and social alms for incapable people. Marx’s Six Deduction Theory is an intensive summarization of social security nature and contents.

In discussing “how is the value of labor-power determined”, Marx says: “The value of labor-power is determined, as in the case of every other commodity, by the labor-time necessary for the production, and consequently also the reproduction, of this special article. (Karl Marx, 2004, p198)” “Therefore the labor-time requisite for the production of labor-power reduces itself to that necessary for the production of those means of subsistence; in other words, the value of labor-power is the value of the means of subsistence necessary for the maintenance of the laborer. (Karl Marx, 2004, p198)” “His natural wants, such as food, clothing, fuel, and housing, vary according to the climatic and other physical conditions of his country. On the other hand, the number and extent of his so-called necessary wants, as also the modes of satisfying them, are themselves the product of historical development, and depend therefore to a great extent on the degree of civilization of a country, more particularly on the conditions under which, and consequently on the habits and degree of comfort in which, the class of free laborers has been formed. In contradistinction therefore to the case of other commodities, there enters into the determination of the value of labor-power a historical and moral element. (Karl Marx, 2004, p198)” Considering Chinese respect-for-the-old tradition, in China the value of labor-power should include the value of subsistence necessary for the maintenance of the laborer’s parents, which establishes a sound economic and institutional foundation for popularizing Chinese traditional culture. Besides, herein because of human being’s self-interest and the improvement of Chinese social economic marketization, the value of labor-power in China should also include portion of personal endowments. In other words, the wages should include a proportion of endowments. The proportion is determined by the lowest subsistence necessary for the maintenance and the average life expectancy.

2.2 Theoretical foundation for social security level ----- Marx’s Human Needs Theory

Marx classifies human needs into material needs and spiritual needs according to the contents and nature. Material needs are human needs for necessities related with clothes, food, house, and move, labor tools, and cultural articles. Spiritual needs mean people enjoy themselves by displaying their innovative ability and appreciating cultural fruits, including needs for knowledge, beauties, ideals, friendships, respects, and honors.

In Marx’s opinion, the material needs are the primary needs, what are people’s most fundamental and important needs, being the foundation of all human needs. After satisfying the primary needs, “the satisfied primary needs, the needs-satisfying activities, and acquired needs-satisfying tools will arouse new needs. (Karl Marx & Frederick Engels, 1972, p32)” Engels points out: “Marx finds out the law of human history development, namely a simple fact that has been covered by various ideologies for a long time: first of all, people have to eat, drink, live, and dress, then they are engaged in politics, science, arts, and religions. (Karl Marx & Frederick Engels, 1972, p574)”

For spiritual needs, Marx says: “The appearance of thoughts, ideas, and consciousness originally associates with human material activities, material intercourses, and real life languages. Here people’s spiritual intercourses are direct products of human material relationships. (Karl Marx & Frederick Engels, 1972, 574)”. Even though, human spiritual needs can be displayed by mythology and religion. Till the emergence of real division of labor, the production of spiritual needs becomes an independent system. Marx points out: “Only when spiritual labor separates from material labor, can division of labor is real division Since then, ideology can get rid of the material world and construct pure theories. (Karl Marx & Frederick Engels, 1972, p574)” It means spiritual needs and spiritual production are a natural historical process. Human spiritual needs develop from small to large, from primary to senior, which indicates that different human social development environments and stages determine different social security degrees and levels.

3. General mode ----- complex endowment mode

3.1 Organizational form ----- an organic combination of social endowment insurance and community- and-family support system

3.1.1 Characters of social endowment insurance mode

At present, there are three kinds of social endowment insurance modes: ① Common pension mode. It is a welfare state-guaranteed mode. Its main characters are: wide implementation scope (this mode covers all residents, and even includes foreign residents who live in China for certain period); has nothing to do with individual income (no matter whether the old are common laborer or not, how much they earn before retirements, or whether they have stable jobs and incomes, the state offers equal pensions for them regardless of their life conditions); funds are mainly from state financial subsidy (most industrialized countries where implement this mode do not charge for any cost in general. The expenditure is completely from state taxation. But some countries ask citizens to pay social insurance premiums or taxes). This mode reflects the fairness principle of social security system. It has a strong income-redistribution function, and especially benefits the low-income class. The main defects are: single resource of funds; government’s heavy

financial burden; a spot of average subsidy is meaningless for the rich; it may cause tax avoidance among the high-income class. ② Income-associated pension mode. It builds up a retirement income security plan for laborers by social insurance system. Its primary characters are: firstly, endowment insurance funds are from enterprises (employers), individuals (employees), and the state. In cities, employers and employees pay insurance premiums according to certain proportion of wages. In countrysides, for agricultural employed laborers, similar to city employees, individuals and employers pay insurance premiums according to certain proportion of wages. Non-employees pay insurance premiums by themselves according to certain proportion of real net income (includes cashes and agricultural products). The state offers financial support for endowment insurance by taxation, rate of interests, and financial policy; secondly, the pension is determined by wage levels. Pensions of retirers associate directly with their wages before retirements. For employed labourers, pensions are calculated from the wages during the last year before retirement or the average wage of work period. The annual pension is about equal to 30%-50% of income before retirement; thirdly, the redistribution function. Pensions associate with insurance premiums and incomes. However, differing from commercial insurance companies' premiums, the operation rules of pensions are different from that of commercial insurances. The income-associated social endowment insurance mode realizes a redistribution of national income among different generations and income groups by special technological mechanism. Especially, it makes an income transfer happen from high-income class to low-income class, which helps to achieve an income redistribution between the rich and the poor, the industrial laborers and the agricultural laborers in the endowment insurance system, shortening the social security distance between different interests groups. ③ Compulsive saving pension mode. It is a self security mode. The main characters are: executed compulsively by government legislation; insurance premiums are paid by individuals or families in general. Employers can also pay a spot of insurance premiums for employees, what is not an obligation of employers regulated by government; insurance funds are operated in a commercial way, and government provides with guaranty of environment for system operation. This mode eliminates government's responsibility for rural endowment security system, improving citizens' consciousness of self security, and liberating the government from heavy economic burden. However, this mode may suffer from economic development due to the lack of strong bases. Especially during an economic fluctuation period, it fails to ensure stable economic development and social stability. Besides, this mode can not benefit some non-income people or low-income laborers because of no savings.

3.1.2 Characters of family support mode

The family support mode is a mutual security mode for family members based on economic and ethical reasons. In this mode, other family members provide with economic support for the old in the family. Its characters are: the responsibility is shouldered by family members; the economic support for the old depends on economic conditions of the family; the state forces or encourage the normal operation of family support mode by legislation or administrative methods; the state or other organizations can offer necessary policy or economic support for family support mode. However, social reform changes production way, living style, ideology, and values. Family members' different literature levels, occupations, economic incomes, thoughts, interests, and living conditions will exert great effects on changes of family type and family structure. Chinese economic and social transition impacts greatly the family support mode.

3.1.3 Characters of community-and-family support mode

We should acknowledge that both social endowment security mode and family support mode are good for China with their respective advantages. Although the social endowment mode is the trend, it consumes amounts of investments for building up necessary equipments, and training specialized servants and managers. Though the family support mode faces a predicament, facing a crisis, the thousands of years' Chinese tradition lays extreme stresses on family-connected relationships, regarding families as primary units. Besides, the family support mode has advantages of costs and cultures, which is appropriate for undeveloped countrysides. For China, an agricultural giant and a developing country, the family is an irreplaceable element for a long time.

3.1.4 Target organizational form ----- an organic combination of social endowment insurance and community-and-family support

In this paper, the target mode is an organic combination of social endowment insurance and community- and-family support. Here, social endowment insurance offers funds, and community-and-family support provides with material and spiritual cares. The community-and-family support is an endowment system integrated family support with community support, happened in houses, and based on community care service network, with the guaranty of state institutions, policies, and laws. The community-and-family support mode is based on individuals, families, communities, and the state. Compared with institution support mode, it happens in houses. The community-and-family support mode changes the whole endowment system. The old live home but are served by families and society. In other words, this mode is to activate all social strengths to construct a community-and-family support system that is in accordance with the will of the old, in favor of maintaining and strengthening the self-support abilities of the old, practical and effective, taking the family as the core, the community as the net, and the endowment system as the security.

In the endowment resources aspect, the community-and-family support mode has many endowment resources (from

individuals, families, communities, and the state); in the function aspect, the community-and-family mode can satisfy material and spiritual needs of the old and provide with overall cares for them. In addition, this mode has multi-level, open, and complement functions (it distributes endowment resources, program endowment equipments, and adopt proper endowment ways according to specific conditions of the old). In specific, the community-and-family support mode expands the narrow concept of “family” into a wider scope. It not only consists of family members, but also covers the whole community. In a community-family environment, social interpersonal relationships are more complex, and interpersonal activities are more various, what can better satisfy people’s multiple needs for mutual assistances and communications. The old can get more pleasures and greater satisfactions in such an endowment environment. Therefore, in the community-and-family support mode, the family is the main carrier of endowment. It emphasizes on openness instead of closeness. The old in good living conditions with nice cares of children can live home; the old in bad living conditions without cares of children can live in houses offered by communities; the old may prefer to live in community apartments though they are in good economic conditions, because they are more independent and refuse to trouble their children or relatives. The community-and-family support system centers on the old and completely takes the interests of the old into consideration. According to the values, independence, and self-support abilities, the old can choose proper endowment mode by themselves. The choice of certain endowment mode is not fixed but dynamic development. But in essence, the community-and-family support offers a “family” with interpersonal cares and emotional communications but not a physical space. It supplies a social environment for material and spiritual cares. An “empty” family without psychological communications and spiritual cares is not in accordance with the “family” concept in the community- and-family support mode.

3.2 Security layers and levels

3.2.1 Security layers

① Farmers’ primary pension

Farmers’ primary pension system is, in nature, an integration of present rural minimum living security system and “five guarantees” system in China. The primary pension is an endowment security system for low-income farmers. Its specific institutional arrangements include: (i) Qualified conditions. The primary pension is for people who reach certain age (in general the average age is 60 years old, or 65 for man, and 60 for woman. The laborers who are incapable of work due to diseases or injuries can enjoy the pension early); people who do not benefit from social endowment insurance; people should get up the right of employing agricultural lands before getting the pension. (ii) Payment standards. The standards should consider people’s primary living needs, farmers’ average pure income per capita, financial conditions of central government and local governments, and other endowment security systems. (iii) Funds channels. According to the theoretical foundation mentioned above, the funds for primary pension are from state finance. (iv) Management mode. Farmers’ primary pension system is organized and executed by governments at different levels. Governments can empower certain sector or institution to establish objects of primary pensions and pay primary annuities. Meanwhile, governments should entrust independent supervision institutions with inspecting the operation of system and funds.

② Farmers’ social endowment insurance

Farmers’ social endowment insurance is the mainstream endowment security arrangement according to the principle of income-association. It is for farmers who reach certain age (in general the average age is 60 years old, or 65 for man, and 60 for woman) and not benefit from the primary pension. The laborers who are incapable of work due to diseases or injuries can enjoy the insurance early.

The payment conditions for farmers’ social endowment insurance are: (i) The beneficiary and the children should pay legal endowment insurance premiums for several years. People who are in working age should pay the premiums monthly or seasonally, or pay off one time or pay later. Old farmers who are in retiring age (the legal age for getting pensions) can adopt the one-time payment according to real ages. They can benefit from the pensions after paying off certain amount of premiums (include necessary premiums paid by the children). (ii) The beneficiary must firstly give up the right of employing agricultural land before benefiting from the endowment insurance.

The operation of farmers’ social endowment insurance system can respectively set up the social overall account and personal accounts for farmers’ endowment insurance, by taking reference from city practices in China. Farmers pay endowment insurance premiums according to their security layers (there are three legal layers of social endowment insurance based on the east, the middle, and the west). Local governments and central government offer funds according to proper proportions. The collected funds will be saved in the two accounts respectively according to certain proportion. Similar to urban endowment security system, as farmers are old, social security institutions offer pensions for people according to their personal accounts and their contributions to the social overall account, taking economic development and inflation into consideration.

The collection of farmers’ social endowment insurance must depend on laws, though specific payments are flexible,

such as one-time payment, and delayed payment. It allows farmers choose different insurance levels in order to get relevant endowment security.

Farmers' social endowment insurance is an income-associated system. Its payment standard is based on the principle of income-determined-payment. In order to ensure that rural residents live a normal life during their old age, and construct a unified city-and-countryside endowment security system, the payment standard for rural social endowment insurance should not be too low. Meanwhile, considering farmers' income levels and governments' financial abilities, the payment standard should not be too high. For people who contribute a lot to the social overall account (for example, people who offer more than 50%), they can benefit from not only their personal accounts but also a high percentage (for example, 60%-80% of farmers' average pure income per capita in last year) of the social overall account. For people who contribute less to the social overall account, they can benefit from their personal accounts and a low percentage (for example, 20%-40% of farmers' average pure income per capita in last year) of the social overall account. Different percentages can help to improve farmers' endowment security levels gradually along with the industrialization and urbanization, realizing the unification of city-and-countryside endowment security system.

③ Family planning pension

The family planning pension is to drive the implementation of family planning policy in countrysides. Therefore, the family planning pension benefits all farmers who obey the national family planning policy. The family planning pension includes two levels. For the beneficiary of the family planning pension, farmers who are qualified with getting social endowment insurance can obtain low-level family planning pension. Other farmers can obtain high-level family planning pension. Specific family planning pension levels are determined by local economic conditions and central and government finance. The principle of establishing the family planning pension level is to guarantee old farmers who obey the national family planning policy with normal life. The family planning pension, as a reward for farmers, is supported by the central and local finance. Local social security management institutions are in charge of managing and offering the family planning pension.

3.2.2 Security level

There is a reasonable division of social security relationship among individuals, collectivity, and society. Social security is necessary for a society. But social security is not a safe for all people. Individuals should not transfer their responsibilities to any collectivity or society. Individual must be responsible for themselves first of all. Only when one individual can not shoulder the responsibility or must stop the fulfillment of responsibility, does the state or the society take the responsibility. The conditionality of social development means there is no almighty government. Social security does not aim at offering longlife guarantees for people since the birth. If social security is "absolutely free from any risk, its energies, talents, creative spirits, and other excellent qualities will not be exerted thoroughly. These qualities are vital for a nation's existence and future. (Erhard, 1995, p182)" Therefore, social security needs a "degree" ----- proper social security level.

National farmers' primary pension means to guarantee old farmers with normal living. The level should be slightly higher than the poverty standard regulated by the state, and lower than the average living expenditure in western regions.

Family planning pension is to encourage farmers to follow the national family planning policy. Its level depends on the government finance. But the family planning pension should guarantee the old farmers who obey the national family planning policy with average local living conditions. Therefore, local family planning pension levels are different due to different financial conditions of local government and local average living conditions. But for the sake of fairness, central government should offer equal support for local family planning pensions.

A gap is necessary between farmers' primary pension and farmers' social endowment insurance, in order to encourage farmers to join in social endowment insurance. One farmer can not benefit from two kinds of pensions at the same time, but he or she can benefit from the family planning pension and farmers' primary pension as well or farmers' social endowment insurance.

3.2.3 Origins of security resources

Resources of social security funds are vital for the success of social security system. From the angle of subjects, the target mode collects funds from individuals, families (children), collectivity (enterprises, communities), and governments. Just as what has been discussed above, farmers' primary pension and family planning pension are supported by government finance, whereas farmers' social endowment insurance gets funds from individuals, families (children), and governments. Individuals and families (children) pay premiums for farmers' social endowment insurance, and government offers relevant supports, what serve as the main resources of funds for farmers' endowment security. Collectivity (enterprises, communities) provides with living cares and other services for its members and takes certain

fees, and offers supports for its members based on the economic power. Farmers' social endowment insurance system is supposed to be same in China. Communities can supply different endowment resources for members according to practical conditions. Therefore, in a sense, the community-and-family support mode can reflect local economic and social development properly. Proportions of individuals, families (children), and government paying premiums of farmers' social endowment insurance depend on the income of farmers in China and the government finance. Proportions may change during different stages. Besides, the central government should offer more supports for the middle and the west than that for the east, reflecting the nature of China's socialist social security. The funds for collectivity (enterprises, communities) endowment security are mainly from incomes of collectivity (enterprises, communities), such as the income from the right of using land transferred by old farmers as they get sorts of endowment pensions.

The value of total social product is $c+v+m$. Farmers' endowment security funds are from $v+m$. Here, m is a resource of farmers' endowment security funds indisputably, what has been discussed in the theoretical foundation part. Next, we explore the portion of farmers' endowment security funds that is from v . Undoubtedly, we must understand the constitution of v . Just as what has been discussed above, in discussing "how is the value of labor-power determined", Marx says: "The value of labor-power is determined, as in the case of every other commodity, by the labor-time necessary for the production, and consequently also the reproduction, of this special article. (Karl Marx, 2004, p198)" "Therefore the labor-time requisite for the production of labor-power reduces itself to that necessary for the production of those means of subsistence; in other words, the value of labor-power is the value of the means of subsistence necessary for the maintenance of the laborer. (Karl Marx, 2004, p198)" "His natural wants, such as food, clothing, fuel, and housing, vary according to the climatic and other physical conditions of his country. On the other hand, the number and extent of his so-called necessary wants, as also the modes of satisfying them, are themselves the product of historical development, and depend therefore to a great extent on the degree of civilization of a country, more particularly on the conditions under which, and consequently on the habits and degree of comfort in which, the class of free laborers has been formed. In contradistinction therefore to the case of other commodities, there enters into the determination of the value of labor-power a historical and moral element. (Karl Marx, 2004, p198)" Considering Chinese respect-for-the-old tradition, in China the value of labor-power should include the value of subsistence necessary for the maintenance of the laborer's parents, which establishes a sound economic and institutional foundation for popularizing Chinese traditional culture. Besides, herein because of human being's self-interest and the improvement of Chinese social economic marketization, the value of labor-power in China should also include portion of personal endowments. In other words, the wages should include a proportion of endowments. The proportion is determined by the lowest subsistence necessary for the maintenance and the average life expectancy. Besides, the development trend of contemporary capitalism is the "interests share" of capitalists and workers. The shared interests are the portion of " $v+m$ ", from which sorts of taxes and fees have been deducted. Here, v is the value created by laborers for themselves, namely the portion of social product for laborers. Therefore, the shared interests are carried by m (Minqian Zhou, 2002, p156). Apparently, capitalists merely give a portion of m to owners of labor-power capitals in order to pursue for long-term interests and larger m . Along with the improvement of China economic development level, the wages of laborers may include a portion of m , which can also serve as the resource of endowment security funds.

4. Management mode

In administrative management aspect, a unified department is necessary for managing the state city- and-countryside social security operation. Under the unified department, found relevant institutions at different levels to manage the state farmers' social security business. After that, set functional sectors to operate farmers' endowment security. The foundation of these organizations follows the principle of equal responsibilities to obligations, and the balance of income and payment. In business management aspect, form state-owned organizations to manage and operate social endowment insurance. The operations should follow principles of market economy. Meanwhile, allow qualified non-state-owned capitals to enter the social endowment insurance management and operation field, forming a competition, reducing the management costs of social endowment insurance, and improving the rate of return. Farmers can choose or change their social endowment insurance accounts and operational organizations freely. For the rate of return, governments can establish the minimum based on prices of the year to ensure the principals and increments. Besides, government should set up a set of institutions and measures to supervise and inspect the operation of farmers' social endowment insurance, ensuring the minimum rate of return established by the government. Surely, costs of government management and operations are from the finance instead of return of farmers' social insurance.

Considering the nature of social insurance and the imbalanced regional economic development, rural social endowment insurance should be controlled and adjusted by provinces. In communities, farmers' endowment security resources can be managed and controlled by local organizations of farmers.

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