

The Chinese Orientation of Social Policies of New Socialized Old-age Insurance System in Rural Areas in the Post Financial Crisis Era

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Abstract

As one of the important social policies, the new socialized old-age insurance system in rural areas has played a vital role in the construction of Chinese social security system in the post financial crisis era. Manifesting national responsibilities, it has embodied the core concept of social policies, and had a great significance for boosting domestic demand. Therefore, this thesis, on the basis of this new system, can continually perfect Chinese pension security system and promote the sustainable development of the social security course.

Keywords: the post financial crisis era; the new socialized old-age insurance system in rural areas; social policies

Social policies are not only the basic function of government in modern market economy but also the means for government to intervene in social life and to meet market failure, which is aimed at satisfying social needs, soothing social problems, easing social relation and promoting social justice (Yue, 2009). This thesis, from the perspective of social policies, has presented a brief analysis on Chinese situation of the economic development in the post financial crisis era. Based on the above, the thesis has studied the characteristics, disadvantages, and developmental direction of the new socialized old-age insurance system in rural areas.

1. The Relation between the Economic Development and Social Policies in China

The world economic situation has undergone great changes due to the financial crisis resulting from subprime crisis occurring in America to sweep across the whole world in 2008. Chinese economic growth model has been the export-oriented and investment-oriented for a long time, but this pattern is no sustainable longer since 2008. The financial crisis, however, has brought us an inspiration: domestic demand is the backbone for the economic development in a sustainable, rapid and stable manner while it is hard for the export-oriented economy to ensure the safety of one country.

Yet the Chinese highest saving rate in the world has restrained consumption, which cannot boost domestic demand completely. The final reason for that is that the large number of civilians, especially the 800 million farmers with huge potential consumption, has many uncertain expectations towards old-age insurance and healthcare, which means the lack of social security makes them put their limited incomes into banks in order to answer the poor risks of old-age insurance and healthcare in the future. Though the 800 million farmers can bring enormous market demand, they are still afraid of consuming. Therefore, improving the social security system is the essence of Chinese economic sustainable development in the post financial crisis era. It is the premise for promoting rural consumption that there is no worry about the old-age insurance and increasing incomes of farmers. To establish a new socialized old-age insurance system in rural areas and let rural senior people get certain pension, can boost consumption for rural residents and improve consumption expectations to expand rural consumption demand and promote the economic development in a stable and rapid manner (Lu, 2011).

Each financial crisis is the turning point for one country to improve its social security system. And the occurrence of financial crisis has speeded up the work on Chinese social security. In June 2009, the new

socialized old-age insurance system in rural areas (hereinafter referred to as the new system) has been carried out in 10% of county-level cities nationwide as trials. Based on the fundamental principles of basic protection, wide coverage, flexibility and sustainability, the new system has adopted the combination method of individual contributions, collective allowance and subsidies of governments for fund-raising. And its objectives, who do not insure the basic old-age insurance system for urban workers, are the rural residents (excluding students) aged 16 and above and voluntarily participate in. As for the farmers aged 60 and above, the old-age insurance benefits they receive include the basic old-age insurance benefits granted by governments per month and the old-age insurance benefits of personal account, which will be granted for life.

As a significant social security system and a preferential policy for farmers in China, the implementation of the new system demonstrates the resolution for central government to address farmers' concerns, boost farmers' consumption, accelerate Chinese economy out of international financial crisis and maintain Chinese economy stable and sound. And it is also an important social policy in the post financial crisis era.

2. The Core Concept of Social Policies of the New System

Social policies endorse humanity-oriented and sharing-oriented. Sticking to the philosophy of people-oriented, they respect and guarantee human rights so as to let the masses enjoy the achievements of social development. With the increase of economic strength, people can get more social welfare. Therefore, the core concept of social policies, on the basis of such value orientation, is fairness and justice. The new system, as a vital part of the social security system in China, has indicated fairness and justice.

2.1 The Foundation, Laid by the New System, of Accelerating to Establish the Socialized Old-Age Insurance System in Urban and Rural Areas

The prominent problem occurring in the course of social development is the different dual social structure between urban and rural areas, that is to say, the dual structure of social security. Social security attaches more emphasis on the city than on the countryside, especially in the respect of the old-age insurance system. The city differentiates from the countryside with serious imbalance. Most of farmers, actually, adopt family-support old-age insurance, and get limited pension from government. Thus, the dual economic structure between urban and rural areas is the root problem, which makes it harder to realize the fairness and justice between urban and rural residents.

The new system brings farmers into the line with our basic old-age insurance security system, which means central finance and local finance has invested in the socialized old-age insurance system in rural areas. The investment will be directly covered by the fiscal budget of the government; the basic old-age insurance benefits per month will be provided for the farmers aged 60 and above directly from the national fiscal budget. Governments at all levels can, according to local conditions, increase the basic old-age insurance benefits and properly subsidize farmers' contribution.

The certain investment of governments' public finance in the old-age insurance in rural areas is the key for addressing the problem of the old-age insurance system in rural areas. In addition to improving security and fiscal efficiency, it also can solve the security of senior people, and enhance the old-age insurance benefits and the coverage of universal social welfare. The investment also is the optimal choice to settle the difficulty of the old-age insurance in rural areas and to coordinate urban and rural development, and to make it come true that the farmers can enjoy the old-age insurance benefits granted by the government revenue as local urban residents.

Because of China's huge population and current low-level economic development, China can only achieve the policy objectives of the basic livelihood guarantee and the elimination of poverty. After all, that is an important step though the amount of the old-age insurance benefits of the new system is much lower than those in urban areas. Achieving the goal of the basic livelihood guarantee both for urban and rural residents from that only for urban employees, taking a firm step forward on the social policies road of practicing fairness and justice, the new system can let the majority of farmers have a better hope of the ultimate realization of fairness and justice, and lay a solid foundation of the ultimate realization of coordinating urban and rural development on the aspect of the old-age insurance system in China.

2.2 The Proactive Role Performed by the New System in Perfecting Income Redistribution System in China

Social policies, through redistribution and building a welfare nation, protect the rights for all citizens to enjoy the welfare. And the way of all citizens enjoying the social welfare equally depends on all citizens as a whole to share the risk together. The design of the new system has adopted the pattern of the basic old-age insurance benefits and personal account, which is different from the German PAYGO, Singaporean full funded and Chinese old-age insurance of combination of social pooling with individual accounts for urban employees. This

pattern, instead, is derived from advantages of three systems mentioned, and then it accords with China's rural present situation and the economic development. And it has given much consideration to China's rural characteristics and current economic development level. The combination of individual contributions, collective allowance, subsidies of governments, attaches emphasis on undertaking responsibilities reasonably for the trilateral, equality of rights and obligations, social justice.

The layout of the basic old-age insurance benefits has been made in accordance with the essential demands of the socialism with Chinese characteristics. And it should not only seek social fairness and justice consciously, voluntarily, actively, but also institutionalize social fairness and justice, which can guarantee the insured basic livelihood and reflect the coverage of universal social welfare.

On the other hand, personal account is set up in the new system, and this part is carried out in the way of individual contributions according to the local different standards. The more the old-age insurance benefits are in the personal account, the more the insured will get. And that account can be subsidized by local governments based on different level and actual situation. Showing its flexibility, it can optimize social security resource allocation and concretize the inner requirements of socialist market economy in the field of social security.

As an important part of social security system, the new system, through payment transfer and income redistribution, can help farmers establish consumption confidence, boost consumption and stabilize their expense expectations. In addition to that, it also can lower the risk expectations of many farmers in the future life, and lay a firm cornerstone of transforming partial savings and potential needs into realistic consumption, boosting domestic demand, which can drive the economic growth ultimately (Xue, 2009).

2.3 The National Responsibilities of the New System

The government or national responsibilities are the main feature of modern social security. It consists of establishing a perfect social security system for China to guarantee citizens the right of social security and undertaking the necessary fiscal expenditures to realize the workers' right of social security by administrative means (Ding, 2006). And those responsibilities can be showed by national overall plan for the basic old-age insurance benefits of the new system, where individual needs not make contributions. It is designed, from the perspective of the basic human right-right to live, on the basis of principles of equalization of public finance and fairness and benefits, to achieve the goals of everyone being equal and meeting the basic livelihood needs for every senior farmer, which is a manifestation of seeking fairness in the process of social wealth redistribution.

The government is the only one institution, as a representative of public interest, to have rights and resources to launch comprehensive activities. And only governments can make citizens to serve the communities and guarantee that the people, who are ostracized, could get assistance when they are in trouble and redistribution resources to promote fairness before the social welfare goes down to the minimum standard (Xie, 2008). To ensure that every one can have the old-age insurance benefits is the major function of the central government, which determines that the personnel and administrative rights of the old-age insurance system should be under the leadership of central government, and that local governments can undertake partial responsibilities (Zhen, 2008).

The basic old-age insurance benefits of the new system are brought into fiscal budget and social pooling, which is the strategic transformation for government to bear obligations. That is not only the incarnation of governments' initiative to maintain financial supply, but also the secondary distribution's revision to the primary distribution.

Governments at all levels can, according to the practical situation, improve the local basic old-age insurance benefits and subsidize the farmers' contributions from local fiscal expenditures, which has showed that the government hopes every senior farmer can share the same achievements of national economic development as an urban resident, and they can be able to live with security and dignity.

3. An Important Social Policy-the New System- to Keep China's Economic Growth in the Post Financial Crisis Era

3.1 The Relation between Social Policies and Economic Policies

Generally speaking, social policies aim at equality; while economic policies efficiency, which is contradictory. Since 1980s western countries have carried out the welfare cutback programs, which aimed at reducing social welfare to improve economic efficiency. China has implemented the principle of "giving priority to efficiency with due consideration to fairness" for few years. And it always makes choice between efficiency and fairness and balances the relation between them, which means social policies are in the secondary position, subject to economic policies.

China's social security system reform was put forward. And at the beginning, it emphasized economic system reform so as to create a better social environment for establishing socialist market economy; while recently it has focused on promoting fairness to alleviate bad consequences, which is still limited to the analysis paradigm of Okun (Sun, 2012).

All the countries in the world have been struck severely by international financial crisis since 2008. Then they began to examine their economic and social policies and came to reach the consensus that social policies should coordinate and go unified with economic policies and only effective combination can guarantee a healthy and stable development.

As to the modern society of market economy, social policies undertake to coordinate interests of all parties, ensure social stability and further social overall development. It has played an irreplaceable role (Jing, 2009). Under the circumstance of international financial crisis, its effect, against financial crisis, has been given much attention coincidentally by international community, because social policies can ease the impacts, avoid the damages of crisis, stimulate economic development, get rid of crisis, and defend the pound of future crisis. If state policies can control well the free market, and build the fence of social security, the state can prevent itself from potential damages of crisis. Due to the cohesion effect on economy, social policies needs to form an organic balance between economic and social policies.

Economic policies can boost and ensure the sustainable growth of economy and employment, the competitive order and development efficiency. Those policies, to some degree, need adjusting, regulating and guaranteeing in the process of social development. However, only economic policies cannot maintain social stability; the ultimate purpose of social development is not only the growth of material. Economic policies will be prone to social policies as economy develops to a certain extent. Now China is standing on the turning point. Therefore, the new system, as an effective social policy, will have a positive interaction with economic policies.

3.2 The Significant Meaning of the New System on Boosting Domestic Demand

This international financial crisis makes us accelerate to change in the pattern of economic growth: from export-driven to domestic-demand-driven. This shift is urgent and long-time, concerning not only many systemic obstacles, but also path-dependence of growth, inertia of national economic structure, imbalance of primary redistribution of national income, increasingly widening income gap between urban and rural residents and aspects of structural adjustment (Zhen, 2013).

Boosting domestic demand, especially boosting rural domestic demand, has always been a difficult economic problem like a tight knot because of inadequate of farmer's incomes. In recent years, many preferential programs, carried out for farmers, played a limited role in boosting domestic demand and did not make farmers richer. It is impossible for them to improve farmers' incomes to ideal level at a time.

The new system is an essential component of social security system and a significant social policy. It has been regarded as an approach to settle "economic problems" and put forth to "boost domestic". What's more, it has performed a decisive part in launching and boosting rural domestic demand. The implementation of it is able to ameliorate income distribution and perfect social security system. In particular, the basic old-age insurance benefits are completely covered by governments, which can increase at least nearly 1,000 Yuan for those farmer families aged 60 and above every year. This part income can be used to consume. It is conservatively estimated that China has about 100 million senior farmers. And the economy can benefit if they spend half on consumption after the establishment of the new system nationwide, which matters much on the economic growth in China.

4. The Sustainable Development Driven by the New System

A series of matters needs solving urgently in the process of pushing the new system policy. They impose great influence on the sustainable development of the new system.

4.1 The Barriers and Suggestions on the Implementation of the Basic Old-Age Insurance Benefits

The basic old-age insurance benefits granted by governments will be given to farmers aged 60 and above, whether they have insured before or not, based on the new system design. This part allowance will be included in annual fiscal budget and should be used in this way: a fixed sum is for a fixed purpose. The minimum standard of the nationwide basic old-age insurance benefits of the new system can be adjusted timely by governments, in response to the economic development and the price fluctuation. However, that does not mean that farmers aged 60 and above are bound to get the basic old-age insurance benefits unless one requirement that their children must insure must be met.

Actually, the requirement means that whether the eligible farmers can get the basic old-age insurance benefits or

not depends on whether their offspring have insured. That will bring the big obstacle to the implementation of the new system, that is to say, how can the related branch of governments know whether their offspring have insured? A large number of young workers work far away from their hometown. If it is true that their offspring have not insured, does it mean that the basic old-age insurance benefits will not be given? The migrant workers have liquidity; the basic old-age insurance benefits cannot be transferred over provinces; the individual contributions have to be made for 15 continual years; all those restrictive conditions, as the national case of migrant workers stands, make it impossible for most of them to insure. The new system will deviate from the original intention of the basic old-age insurance benefits, like a castle in the air, if the requirement is carried out strictly.

Therefore, the author suggests that the requirement that whether the eligible farmers can get the basic old-age insurance benefits or not depends on whether their offsprings have insured should be cancelled. Only in this way can the new system be a universal social welfare and show its original intention.

4.2 The Urgent Needs to Establish and Perfect the Legal System of the Social Security Pension System in Rural Areas

As to the law of the socialized old-age insurance in rural areas in China, the article 45 of the Constitution is the fundamental and social insurance law issued in 2011 is the basic. However, the systemic and specific legal system has not established effectively yet. The existing laws and regulations cannot fit each other very well; the contents and scope in the socialized old-age insurance in rural areas cannot be unified; all those will cause the relatively low efficiency in the implementation of the law of the socialized old-age insurance in rural areas.

Therefore, China should sort out the existing laws and regulations concerning the old-age insurance in rural areas as soon as possible; if there is something that needs amending timely, abolishing immediately, then do it at once; something that needs becoming law should be written in the amendment plan soon; the new system should be established in the form of law and form legal system; all those is the primary driving forces to promote social security system deeply from policy to legalization.

5. Conclusion

At present, China is in the period of social transition. And solving many contradictory matters confronted by China, to a large extent, depends on the balance between economic and social policies. As economy develops to a certain degree, the economic policies will be prone to social policies. Now China is standing on the turning point. The new system, as an important social policy in the post financial crisis era, has taken a successful step forward on achieving the objective of the social security pension system as soon as possible. Our central government definitely has the obligation and ability to establish the social security pension system for the majority of farmers to guarantee their basic livelihood.

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