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**The Social Security System of China:
Past and Future**

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The problem of social security has paid highly attention to the government since the founding of the People's Republic of China. With the expansion of aged phenomenon in social and enterprises' staffs, the problem of social security has been increasingly concerned by all circles. The problem has seriously raised out especially with the appearing of laid-off phenomenon in the process of economic system reform and the quick aged population in 90^s. This article will briefly introduce the history of social security system of China, emphatically analyze the difficulties met at present, the measures for solving these problems and the prospects for the social security system in the future.

1 The Evolution of Social Security Undertaking of China

The development of social security undertaking of China can divide into five periods, among that three periods were in planning economy period.

Initial stage: From 1949 to 1957, Chinese government had paid close attention to social security at the initial period of the founding of the state. On May 19, 1950, the Government Administration Council of the Central People's Government issued <Interim Procedures for Relief the Unemployed Works>, and began the task to set up the social security system of China. On Feb. 25, 1951, <Labor Insurance Regulations of the People's Republic of China> issued and implemented, and stipulated insurance measures of old age, industrial injury, child-birth, testament, and etc. <Protective Regulations for Woman Workers of People's Republic of China (draft)>, <The Regulations of Conduct Measures for the Scale of Occupational Disease and Patient of Occupational Disease> and other decrees issued one after another, that formed a frame of social security of enterprises' staffs. At the same time, a series of regulations that suited national organs and institutions had made up, such as: medical treatment, protect for women workers, retirement and quitting work, pension for injury and death, etc. The treatment of two set of social security systems for organs and enterprises were about the same, that conformed to planning economic pattern of unified receipts and expenditure implemented at that time.

The second period from 1958 to 1965, social security system further replenished and perfected. A mass of legal documents for social security of <Regulation>, <General Provisions>, <Method> had been passed and issued by the Standing Committee of National People's Congress and the State Council. According to the discovered problems and summing-up experience in the implementation, the frame of social security had been detailed and supplemented. The system of collection, management, adjustment and utilization of social insurance funds had been formed at nation wide with that the nation had picked out a certain proportion of labor insurance fund from total wages of enterprises and the needed funds for organs and institutions had been responded by financial departments.

The third period was ten-years turmoil from 1966 to 1976, the social security system of China was suffered serious damage at this period. Peculiarly, in 1969, the Ministry of Finance decided that state enterprises stopped to draw out labor insurance funds, social security and other labor insurance funds for non-business expenditure. This "reform" idea completely destroyed planning with due consideration for all concerned of social security, caused imbalance of financial burden between enterprises, and also caused the responsibility of accumulation fund to regulate burden peak of population aged completely lost, that had left root facing present problems of social security.

With the establishment and continuously development and perfect of socialist market economic system, many new circumstances faced to the social security system of China, and many changes had worked out, the new social security system has gradually formed under socialist market economic system.

1978 to 1994 was the period of breeding and deliberation of new system and

was the fourth period of reform of social security system of China. Due to the increasingly indefinite factors of imbalance, regional differences and industrial differences in the development process of market economy, the needs of security system for society was also increasing. On the basis of developmental reality of Chinese economy and society, the social security system should include four aspects of social insurance, social welfare, social relief and preferential treatment and compensation for disabled ones. The Chinese government has taken the establishment and perfect the social security system as important component part in modernization construction, organized large scale investigation for many times, carried out population calculation at multi plans, deeply studied needs of social security for all layers of people, implemented experiments of social security system with different schemes at some areas, made quantitative analysis of reform pattern of social security system and set up computer emulation pattern. Some researchers have synthesized factors of population change, economic development, system transformation, labor employment and raising of life level and has formed a large system pattern for doing systematically analysis.

<The Resolution of Some Problems About the Establishment of Socialist Market Economic System by the Communist Party of China and the Central Committee> had been passed by the Third Plenary Session of the Fourteenth Central Committee of the Communist Party of China, which pointed out that according to the method of financial raising and classification of security target, the social security system of China was composed of three large parts contending 13 items and nation, units and person commonly hold shoulders on. The first part was security items that mainly expended on national finance with four items of social relief, social welfare, the arrangement for disabled servicemen and district service. The second part was social insurance that had compulsory implemented by legal regulation, that included six items of providing for the aged, unemployment, medical treatment, industrial injury, child-bearing and housing. These items were the main body of social security system that had involved extensively and had directly influenced people's life on most basically aspects. The third part was commercial insurance that had taken the principle of voluntary, mainly included three items of personal insurance, enterprise's insurance and mutual insurance. These items could meet different needs of all aspects and all circles in the society, which was a supplement for main body of social security and could make social security of China much flexible, much effective, rich and colorful.

In actual work, due to the quick process of population aged in recent years, retired veterans and retired persons unceasingly increased, laid-off staffs also increased in the enterprise' reform. Influenced by high-peak of child-bearing since 60^s, the number of people waiting for employment of newly increased labor power also increased every year. These three increases formed great pressure on social security. For this reason, the Chinese government has pointed out the policy of putting the stress on reforming of insurance system for providing the old aged and bringing along the reform for other social insurance system since 90^s. Many governmental units issued a series of documents about the system of retirement and providing for old aged and insurance aspects.

From 1995 to present is the fifth period of transformation of social security system of China, that is still continuously. In order to strengthen the management of social security work, the State Council has set up the Ministry of Labor Social Security, and gradually unified the management of social security funds. The method has gradually transformed to the system in combination with social overall planning and personal account from the providing security by collecting funds separately from every enterprise and every trade, with which to conform to the reform of economic system, conform to the circumstances of flowing extension of labor power trans-trades, and conform to the situation of increasing needs of social security funds. The management pattern of old-age pension has transformed from paying as you go program to partially funded scheme under planning economy. The experimental work in many areas of the

whole country has showed that it is completely necessary to adopt this new management pattern, but the existed problems still need to be further solved. Among it, the main ones are twice-burden problem that caused by this management pattern, the problem of expanding social security coverage and the problem of apportion of social security funds. The settlement of these problems can directly embody labor attribute, distributive attribute, security attribute and mutual relief attribute of social security. At the same time, the reliability of sources of social security funds, maintain value and in crease in value, easy-cutting of funds also should be well solved in order to effectively use funds and bring it into full play for guarantee the social stability and raise the people's life level.

2 The Quantitative Analysis of Endowment Security of China and its Conclusion

The earliest mathematical pattern of endowment security of China and its emulation study had finished in 1989 by Jiang Zhenghua, Li Huijing, Zhang Lingguang, Zhu Liwei and others. This pattern included five parts of population, economy, employment, life and expenditure of old-age pension, and set up Chinese first labor-life table in it and made its calculation of recent development parameter. The emulation calculation with multi schemes had done for the developmental situation from the years of 1988 to 2050, Six conclusions had been obtained:

1. According to the child-bearing level, to the year of 2000, the total population of China would over 13 billion, for this reason, the family planning must strengthen. But from the analysis of actual working condition, the target of 12 billion and 5 million settled at that time would be difficult to realize, the population could be controlled at about 12 billion and 8 million if it would have good work.
2. To the year of 2000, China would enter the aged society. The population above 60 year's old would be up to between 10.38% and 10.60% of the proportion of total population. In 21st century, the aged speed in China would over any countries in the world, China would face the situation of warning at the time of facing the problem of labor employment and providing for the aged.
3. The settlement of employment problem depends on the economic development. The high accumulation rate still needs to keep for a period, At the same time, it should mainly depend on scientific progress to promote economic growth.
4. To the year of 2000, labor power in nonagricultural population would be about 2 billion, labor power in agricultural population would be about 5.4 billion. The productive units could provide 1.8 billion of employment posts at the same period. In nonagricultural population, 15 million to 19 million persons could not be employed by state or large-sized enterprises and institutions. The agricultural population, except of labor power partially employed by town and township enterprises, still would be about 1 billion surplus labor power.
5. To raise the age of retirement at an opportune moment could lighten the burden on providing for the aged.
6. The analytical results for every system of retirement pay showed that paying as you go program is difficult to meet the heavy pressure of aged burden at the time of high peak of aged population in China. Though the total funded scheme could be accepted by farmers and individual labors with low level at town, it could be easily lashed by inflation. At the same time, state and town and township collective enterprises would bear twice-burden at the period of system transformation. As compromise, partially funded scheme (gradually funded scheme) would be mostly suitable to Chinese conditions. Only on the basis of motion of population aged, employment and

macro-economy, could do the regulation of fund collective rate and substitution rate of retirement pay and could synthesize the advantages of paying as you go program and funded scheme at a certain degree in order to avoid and reduce its negative influence.

The calculation results of the pattern showed that if the fund double-benefit would be 5%, from 1991, to gradually raise the fund collective rate, to the year of 2006, the total fund collective rate would be up to 20%, that could depend on the regulation function of funds. At the stability circumstance about 20% of total collective rate, to give consideration to economic development and the needs of raising people's life level.

In the analysis conclusion of the pattern, policies and suggestions had been pointed out on the four aspects of making efforts for economic sustaining and stability, coordinated growth and equitable settlement of employment problem, about family planning, the preparation of aged society. The tentative plan had pointed out on the reform of endowment security system and during "Eighth-five Year Plan" (from 1990 to 1995), it should take the works of popularization and raising plan as a whole of retirement pay, the staff itself directly participate to share responsibility of retirement pay, and the transition from paying as you go program to partially funded scheme as emphasis of three major works.

In 1994, Lie Yining and others had set up old-age pension collection—expenditure pattern, which considered role of every macro factor of employment policy, economic environment, financial condition and enterprise' benefit, made survey and calculation of wage structure and retirement pay, and pointed out three schemes of calculation and dealing out of retirement pay. Firstly, to take recorded wage at the time of retirement as calculation and paying out cardinal number, the staffs above twenty years' standing pay out 75%, the staffs of fifteen to twenty years' standing pay out 70%, the staffs of fifteen years' standing pay out 60%; Secondly, to take indexation of average wage as cardinal number, the staffs of fifteen years' standing pay out 60%, the staffs above fifteen year's standing additionally pay out 1% for every over year, the retirement pay would regulate according to 80% increasing scale of last years' social average wage, the retirement pay would not regulate at the year of decreasing of social average wage; Thirdly, to calculate according to the continuously highest wage period, and to take the average wage of three years' continuously highest level as cardinal number, the basic old-age pension would calculate 50% of the average wage, one years' standing additionally pay out 1%. The research showed that in the factor of influencing the change of retirement pay, effect of wage increasing coefficient would be mostly strong.

In 1993, in his master's degree theses <The Pattern Study of Reform of Retirement and Endowment Insurance System and Emulation of Shanghai Municipality>, Guo Zhijia had taken million's persons investigation material of retirement of Shanghai as base, to survey and calculate reform program by adopting "combination with unified account", result showed that this reform program was fit for Shanghai.

In 1999, the Institute of International Insurance of Fudan University had fulfilled <The Study of Social Security System of Shanghai Municipality>, in it eight suggestions had pointed out: To quicken the step of legislation; To implement preferential policy; To standard the action of administrative organs; To strengthen the propagation strength; To quicken the developmental step of socialization of old-age pension; To select an opportune moment for raising retirement age; To decrease population providing; To greatly develop commercial insurance; To open up new kinds of life insurance and expand coverage scale. For the implementation of the program, the report had pointed out four countermeasures to set up and perfect social security system of Shanghai Municipality.

Though, a mass study had done by all aspects and the recognition had

continuously deepened for setting up and perfecting social security system of China, there still a lot of problems remain to be solved. The investigation finished in 1997 by the Social Development Institute of State Planning Commission found out that the taking over rate of funds of basic old-age pension was continuously decreasing since 1992, average level of substitution rate of basic old-age insurance was 83% at every region, which was higher than 60% level regulated by nation. The reform program at every region was not uniformity and appeared kinds of corrupt practice. The experience and lesson from every aspect remained to sum up. The unified endowment insurance system would be formed at country wide.

3 The Problem of Twice-burden and Triplex-burden in Fund Collection of Endowment Insurance

During the period of planed economy, due to that the enterprises belonged to the state, all profits of enterprises turned in to the state, loss incurred in the enterprises covered by the state finance, all demands of funds financed by the state according to plan. So that, for all these reasons, it was unnecessary to set up special funds of social security. During the period of socialist market economy, all kinds of economic ownership has caused complexity of circumstance. The floating of laborer between different economic ownership caused difficulty of financial management. For state enterprises, due to the change of economic system, the difference of management situation made the degree of sharing social security occurred major difference. In the collection, management and utilization of social security funds, population aged added another difficulty factor. Table 1 listed the data of population aged in several countries.

Table 1 The Comparison of Population Data in Five Countries

	China	America	France	Japan	Czech
1960					
CBR(%)	39.1(1964)	24.8	18.4	18.1	18.5
EXO(year)	61.7(1963)	73	73	69	72
65+(%)	3.6(1964)	9.2	11.6	5.7	8.6
1985					
CBR(%)	21.0(1987)	15.7	13.3	11.9	14.5
EXO(year)	67.9(1982)	75	74	75	72
65+(%)	5.5(1987)	12.0	15.1	12.8	11.1
2000(estimate)					
CBR(%)	14	12	11	10	14
EXO(year)	70	78	76	80	73
65+(%)	7	14	16	15	12

Note: CBR—— Crude Birth Rate

EXO—— Average Expectation life-span

65+(%) population percentage of 65 year old and above

From the data of table 1, it can be seen that the quick tempo of population aged was the common trend in many countries, its main reason also was the same that due to the decreasing of birth rate caused the raising of average expectation life-span. These two driving factors would still exist in a certain long period in China in the future. Therefore, the trend of population aged would be going. According to the calculation of author, the highest peak occupied the total population proportion of 65 year old and above 65 year old would appear around about 2050. This number could be up to about 20% at that time, which would over the level of other countries in the world at present. The so-called problem of "Twice-burden" would be formed, which mean that the on-duty staffs should not only take responsibility for providing the retired persons, but also should accumulate their future retirement pay. Table 2 author calculated population growth of China in future 100 years. The data in table 2 showed that the process of population aged in China would be for a long time.

Table 2 The Calculation of Chinese Population

Year	Population				% Distribution			
	Total	0-14	15-64	65+	Total	0-14	15-64	65+
1991	1158813588	317841628	774990052	65981908	100.00	27.43	66.88	5.69
1992	1173716765	320734186	784935234	68047345	100.00	27.33	66.88	5.80
1993	1187365684	322537427	794621361	70206896	100.00	27.16	66.92	5.91
1994	1201066349	324367501	804278748	72420100	100.00	27.01	66.96	6.03
1995	1214522035	326715517	813108241	74698277	100.00	26.90	66.95	6.15
1996	1227573417	327409839	823344166	76819412	100.00	26.67	67.07	6.26
1997	1240098258	326681342	834246241	79170675	100.00	26.34	67.27	6.38
1998	1253085876	328040323	843312958	81732595	100.00	26.18	67.30	6.52
1999	1265415888	328990941	852244993	84179954	100.00	26.00	67.35	6.65
2000	1277130765	328300562	862268359	86561843	100.00	25.71	67.52	6.78
2001	1288309771	325079605	874342099	88888067	100.00	25.23	67.87	6.90
2002	1299051722	320230634	887713729	91107359	100.00	24.65	68.34	7.01
2003	1309452293	315704879	900630595	93116818	100.00	24.11	68.78	7.11
2004	1319569231	311603321	912986395	94979515	100.00	23.61	69.19	7.20
2005	1329480611	306792309	925732857	96955445	100.00	23.08	69.63	7.29
2006	1339298147	303097369	937218370	98982408	100.00	22.63	69.98	7.39
2007	1349122312	299991757	948291505	100839051	100.00	22.24	70.29	7.47
2008	1359044822	298226723	958118092	102700008	100.00	21.94	70.50	7.56
2009	1369117576	296586693	967678250	104852632	100.00	21.66	70.68	7.66
2010	1379349173	295374388	976652621	107322164	100.00	21.41	70.81	7.78
2011	1389700306	294704774	984690725	110304807	100.00	21.21	70.86	7.94
2012	1400065375	294598455	991734055	113732864	100.00	21.04	70.83	8.12
2013	1410341914	293986432	998897038	117458443	100.00	20.85	70.83	8.33
2014	1420459987	293898998	1004310620	122250369	100.00	20.69	70.70	8.61
2015	1430354824	294247834	1008597450	127509540	100.00	20.57	70.51	8.91
2016	1439985523	294913168	1011843516	133228840	100.00	20.48	70.27	9.25
2017	1449304638	295763278	1013671254	139870106	100.00	20.41	69.94	9.65
2018	1458301566	296698131	1014690506	146912929	100.00	20.35	69.58	10.07
2019	1466975051	297659449	1014681146	154634456	100.00	20.29	69.17	10.54
2020	1475323960	298555754	1014914469	161853736	100.00	20.24	68.79	10.97
2021	1483320779	299254868	1015639253	168426658	100.00	20.17	68.47	11.35
2022	1490946006	299635615	1015941618	175368773	100.00	20.10	68.14	11.76
2023	1498161454	299587322	1018133458	180440674	100.00	20.00	67.96	12.04
2024	1504944085	299038403	1022508459	183397223	100.00	19.87	67.94	12.19
2025	1511285546	297982856	1028305782	184996908	100.00	19.72	68.04	12.24
2026	1517194479	296482693	1033650157	187061628	100.00	19.54	68.13	12.33
2027	1522706548	294664261	1032599149	195443138	100.00	19.35	67.81	12.84
2028	1527864357	292662713	1027689411	207512233	100.00	19.16	67.26	13.58
2029	1532689802	290588887	1023872780	218228134	100.00	18.96	66.80	14.24
2030	1537215251	288546122	1020083948	228585182	100.00	18.77	66.36	14.87
2031	1541461196	286625531	1016888473	237947192	100.00	18.59	65.97	15.44
2032	1545447881	284895193	1013783759	246768929	100.00	18.43	65.60	15.97
2033	1549221636	283388616	1008687119	257145900	100.00	18.29	65.11	16.60
2034	1552790502	282112888	1002843311	267834304	100.00	18.17	64.58	17.25
2035	1556156345	281077300	997421893	277657152	100.00	18.06	64.10	17.84
2036	1559315082	280292507	992623859	286398716	100.00	17.98	63.66	18.37
2037	1562245735	279756114	988486485	294003136	100.00	17.91	63.27	18.82
2038	1564947019	279462605	984732611	300751803	100.00	17.86	62.92	19.22
2039	1567395198	279399037	982044426	305951735	100.00	17.83	62.65	19.52
2040	1569614434	279537083	980488812	309588539	100.00	17.81	62.47	19.72
2041	1571619502	279834534	979757768	312027199	100.00	17.81	62.34	19.85
2042	1573370037	280237353	979560153	313572531	100.00	17.81	62.26	19.93
2043	1574905145	280685591	979262367	314957187	100.00	17.82	62.18	20.00
2044	1576239479	281115809	978745179	316378491	100.00	17.83	62.09	20.07
2045	1577354692	281461217	978750780	317142694	100.00	17.84	62.05	20.11
2046	1578192907	281661397	977567194	318964316	100.00	17.85	61.94	20.21
2047	1578548271	281668170	975537767	321342334	100.00	17.84	61.80	20.36

2048	1578383125	281451661	974901700	322029765	100.00	17.83	61.77	20.40
2049	1577828315	281002876	974453144	322372294	100.00	17.81	61.76	20.43
2050	1576954916	280332759	973063483	323558673	100.00	17.78	61.71	20.52

It can be seen that it was contradictory. At the time of population aged, the problem of employment was one of the emphasis that need to be solved at recent years in China. The fundamental cause lies in that from 50^s to 70^s, the high peak of child-bearing appeared two times, children born at that period caused great population inertia and promoted the quickly increasing of Chinese population. By the school age of these children, great pressure would be formed on educational organs; By the labor age, pressure would be formed on employment; By the old age, high peak of aged would be formed and would pressure on social endowment security. In 80^s, the net increasing number of labor power was up to fourteen million every year. In 90^s, due to the successful of family planning, the annual net increasing of labor power reduced to ten million, but was still equal to the total population of one country. It can be said that for the government, it will face the problem of “triplex burden”. To solve the investment which need to employ newly increasing labor power will be a heavy financial burden.

The measures for solving these problems are to try hard to realize the sustainable, quick and healthy development. To set up a stable, unified and equilibrium system on the aspect of social security, during the implementation process, it needs comprehensive, coordinated and advanced scientific program. Depending on the efforts of three aspects, China has a confidence to settle above “triplex burden” and give full play to active factors in “triplex burden”. In three aspects, economic development is a base, perfect system is a key and scientific program is a guarantee. Only with the economic development can provide employment chance and deepen needed funds for reform. Only to perfect system can steady and reliably operate social security system. Only according with actual plan can keep the stability of society, development of economy and continuously raise the people’s life level in the uninterrupted change environment of various conditions, and can smoothly and gradually perfect social security system.

The reform of old-age pension system is a core of the reform of social security system of China. Paying as you go program obviously can not sustain in China. Total funded scheme will cause highest pressure on raising funds for on-duty laborers at present, and is difficulty to undertake for the level of present economic development. The only way can adopt old-age pension system is partially funded scheme and gradually funded scheme. According to the developmental level, annually increase drawing rate of plan as a whole of old-age pension. Except for payments need at present, it still should have a small amount of savings, that can prepare funds for the future. Except of this, in consideration of that the savings as for old-age pension now used in investment in the past condition of planned economy, the government is planning to reduce the amount of stock holding by state enterprises and invest the obtaining funds to social security funds. Recent years, state revenue continuously growth, every year increase one hundred billion RMB. The year of 2000, revenue increased about two hundred billion RMB, which was over budget at the beginning of the year. In the revenue of over budget, a large amount of it invested to social security funds, with which powerfully supported to set up a stable and reliable social security system. Only the year of 2000, the amount replenished social security system from over budget in central revenue was up to several hundred billion Yuan, that ensure the successfully implementation of every plan of social security.

Recently, Chinese government put forward <The Experiment Program About the Perfect of Town and Township Social Security System>, its contents mainly include:

1. To implement that the payments of enterprises enter into social overall funds, individual payments run individual account, run separate account for both in the experimental areas of Liaoning Province and other decided areas.

2. To gradually put basic life security of laid-off workers in state-owned enterprises into unemployment insurance.
3. Old-age pension system of public servant would not change temporary, public servant transform to enterprise' staff can implement staff endowment insurance system. The length of service in governmental organ can compensate when retirement according to the method of organ's social insurance.
4. To perfect basic medical insurance system of staffs in cities and towns, to set up social medical salvaging system.
5. To amplify lowest life security scale for city' residents. To totally put city's poor population who are in conformity with the condition to the scale of lowest life security.
6. To promote socialization of social security management and service. To pay out old-age pension from original units to banks or social service organs. To gradually realize that the retired staffs will manage by street residential organization in staff's registered area or permanent residence in order to do well service.

The experimental program has carried on in every province, autonomous region and municipality, According to the experimental experience and found problems, the social security system will be further perfected.

The expenditure of social security of China include retirement pay, insurance and welfare funds for on-duty staff funds, for preferential treatment and disabled persons, relief for poor population in cities and towns, funds for lone, old and crippled persons and old-age welfare units, subsidies of price, dwelling investment, among that, old-age pension occupied the half of total expenditure. In 90s, the highest of social security funds was up to 13.6% that occupied the proportion of total productive value in the country of a year. Recent years, it stabilized at about 5%. How to manage and use this large amount of funds and ensure to maintain value and increase in value will be the problem that the government pays more attention to.

4 The Implementation Situation of Endowment Security System of China at Present

The reform of endowment security system of China has paid great attention to all circles of life. On the base of the suggestion at Fifth Plenary Session of the Fourteenth Central Committee of the Communist Party of China, Fourth Session of the Eighth National People's Congress considered and passed < "Ninth-five Year Plan" of National Economy and Social Development and Essentials of a Long-range Target of the Year of 2010>. <Essentials> put forward that to the end of 20th century, the frame of social security system would be set up by fitting in with the demands of socialist market economic system, with multi-channel of fund resources, with multi-layers of security ways, in combination with equitable and efficiency, in unified with rights and duties, concentration and unification of management system and socialization of management and service. To set up a social insurance system that fit in with all kinds of enterprises and individual laborers with unified system, unified standard, unified management and unified regulation for using funds. In order to solve life security of people waiting for employment, in 1993, the State Council issued <Insurance Regulation for State Enterprises' staffs Waiting for Employment>, in it, the decision of treatment and arrangement method had made for staffs who would be laid-off in state enterprises. In 1995, the State Council again issued <The Decision of Deepening the Reform of Endowment Insurance of Enterprise's Staffs>, it decided that the endowment insurance of enterprise's staff would adopt the method in combination with social planning as a whole and individual account. In 1997, the State Council issued <The Decision of Unification Basic Endowment Insurance System of Enterprise' Staffs>, it practically stipulated the proportion of payment of enterprise

and individual, that were: The enterprise pay old-age pension of planning as a whole 20% of total staffs' salary; The individual pay 4% of own salary and would gradually raise to 8%; The individual account would set up on the payment salary of 11%. The individual payment would enter to own account, the insufficient part would fill up by enterprises. The decision also unified the method of calculation and drawing out of old-age pension; The basic old-age pension was composed of basic old-age pension and individual account. The basic old-age pension would calculate and provide 20% according to staff's average salary, the individual account would calculate and provide 1/120 according to savings.

In recent years, the reform of endowment insurance system has wholly spread out at all areas and all trades. Coal Industry has implemented old-age pension by planning as a whole of the province. Since 1996, it has implemented planning as a whole at whole country and whole industries, 286 enterprises have joined the planning as a whole, the registered staffs have been up to 327 million, retired veterans and retired persons have been up to 120 million. The paying out amount of old-age pension occupied 29% of the total salary. By planning as a whole at ministry' level, it has ensured retired veterans and retired persons to obtain old-age pension in time with full amount. Shanghai Municipality began reform of endowment insurance in 1993, now it has covered state enterprises, collective enterprises, foreign, private and joint ventures, private enterprises, individual industrial and commercial units and institutions, the coverage has been up to 97%, that has ensured stability of society and raised the life level of residences. Table 3, Table 4, Table 5, showed the social security of all kinds of ownership, the number of retirement and resignation and data of paying out old-age pension:

Table 3 Social Insurance and Welfare Funds in Selected Years

Year	Total Funds	[in billion yuan]		
		Funds of State-owned units	Funds of urban collective owned units	Funds of other ownership units
1978	7.81	6.91	0.90	
1980	13.64	11.93	1.71	
1983	21.25	18.27	2.98	
1984	25.77	21.34	4.34	0.09
1990	93.79	77.73	15.28	0.78
1992	130.95	109.58	19.88	1.49
1993	167.02	138.65	23.86	4.51
1995	236.13	198.04	29.45	8.64
1998	336.07	279.74	32.44	23.47

Source of Data : 1999 China Statistical yearbook, China Statistics Press, Sept. 1999.

Table 4 Number of Retired and Resigned Persons of Selected Years

Year	Total	[year-end, in 10,000 persons]		
		State-owned units	urban collective owned units	other ownership units
1978	314	284	30	
1980	816	636	178	
1985	1637	1165	467	5
1990	2301	1742	566	11
1995	3094	2401	621	72
1998	3594	2783	604	204

Source of Data : 1999 China Statistical yearbook, Compiled by National Bureau of Statistics, People's Republic of China, China Statistics Press, Beijing, Sept. 1999.

Table 5 Social Insurance and Welfare Funds for Retired and Resigned Persons in State-owned Units

(in billion yuan)

Item	1995	1996	1997	1998
Total	127.68	151.78	173.36	194.24
Pensions for Retired Veterans	11.40	12.85	15.21	15.37
Pensions for Retired Persons	80.78	99.25	118.39	140.05
Resignation Allowances for Living Expenses	1.07	1.20	1.73	1.70
Expenses for Medical Care	20.32	23.00	24.06	24.61
Funeral Expenses and Pensions for Family of Deceased	1.88	2.28		
Transportation Subsidies	1.16	1.25		
Subsidies for Heating in Winter	0.83	0.88		
Other	10.24	11.10	13.96	12.51

Source of Data : 1999 China Statistical Yearbook, compiled by N.B.S., P.R.C., China Statistics Press, Beijing, Sept. 1999.

It can be seen from the data of Table 3 that the expenditure of social insurance and welfare funds during 21 years from 1978 to 1988, increased from 78.1 billion Yuan to 3360.7 billion Yuan, which increased 42 times and greatly exceeded the speed of economic growth. Among it, the expenditure of state-owned units increased 39 times and occupied 83.24% of the total social insurance and welfare funds in 1998. The expenditure of collective ownership increased 35 times; Other ownerships grew out of nothing, but to 1988, the expenditure occupied about 7% of the total and continuously increased. The number in Table 4 showed that retired veterans and retired persons increased 10.45 times at the same period, among that the number in state-owned units increased 8.8 times and the number in collective ownership units increased 19.13 times. Table 5 listed situation of usage of social security and welfare funds, among it a large sum expended on old-age pension for retired veterans and retired persons.

Table 6 listed expenditure situation on the base of enterprise' ownership in year. It can be seen from the table that the expenditure of old-age pension increased 40.14 times from 1980 to 1998, from 50.4 billion Yuan increased to 2073.7 billion Yuan. Among that the expenditure of old-age pension of state-owned units occupied 86.11% of the proportion of total amount in 1980, the expenditure decreased to 83.23% in 1998, which reflected the development situation of all kinds of ownership economy in China.

Table 6 Pensions for Retired and Resigned Persons in Selected Years

(in billion yuan)

year	Total Pension	Funds of State-owned units	Funds of urban collective owned units	Funds of Other ownership units	per capita funds (yuan)	per capita funds of state-owned units (yuan)
1980	5.04	4.34	0.70		714.0	781.0
1983	8.73	7.40	1.33		726.0	787.0
1984	10.61	8.46	2.12	0.03	766.0	815.0
1990	39.62	31.97	7.47	0.18	1760.0	1907.0
1992	57.85	47.43	10.08	0.34	2300.0	2493.0
1993	75.93	62.32	12.39	1.22	2824.0	3029.0
1995	130.56	109.31	18.24	3.01	4335.0	4701.0
1998	207.37	172.60	22.90	11.48	5972.0	6369.0

Notes:

a)Figures in this table exclude medical expenditures of retired and resigned workers and staff.

b)Figures of 1985-1988 in this table exclude subsidies on meat etc. delivered to retired and resigned workers with relevant regulations issued in 1985.

Source of Data : 1999 China Statistical Yearbook, compiled by N.B.S., P.R.C., China Statistics Press.

The development of social security system delayed in the rural areas of China than the city. Most of the peasant households have carried on production and consumer at the type of a family as a unit. Therefore, the responsibility of providing for the aged is mainly charged by their sons and daughters or their legal charges. This measure has fitted with present countryside custom and old moral concepts of Chinese tradition and also has protected by law. Even though, some areas with economic advancement began to set up social security system. At most conditions, village degree organized funds to pay out old age pension for elders, run old-age home and provide all kinds of welfare for the villages according to the economic development situation of village collective. In some rich villages, the recessiveness income of these welfares greatly exceeded the namely income of the villages. Table 7 listed the development of social security organs in rural areas by areas and persons covered in this system. In 2000, the persons at the age above 60 was 1.26 billion, the age above 65 was 860 hundred thousand, among that about 70% were living in the rural areas. It estimate that in the elders for providing old-age pension by village collective was not enough of 2000 million. It can be seen from the Table that Shandong Province is the best one of doing this work, the persons in rural areas covered by the system was up to 1800 million; Next is Jiangshu, the persons in rural areas covered by the system was up to 900 million, which occupied over 1/4 of total persons in Jiangshu. The situation was the same with the better economic development of village collective and powerful village organizations both at Shandong and Jiangshu. With the enhancement of national economic strength, increase of rural areas' economy, development of civilization, the social security system of China, no doubt, will further expand to present rural areas. Commercial insurance also will play powerfully auxiliary and promotive role on this aspect.

Table 7 Social Security of Aged Persons in Rural Area of China by Regions
(1997 figure)

Region	Number of agencies and staff for S.S.A.P. in Rural Area			Number of Aged persons covered by the system (persons)
	Agencies at city level	Agencies at county level	staff (persons)	
National Total	214	2046	55894	74518149
Beijing	--	14	251	344985
Tianjin	1	--	24	80000
Hebei	11	165	4717	4985443
Shanxi	7	87	2302	1938596
Inner Mongolia	8	56	2154	1134774
Liaoning	12	59	1456	3049306
Jilin	--	--	--	--
Helongjiang	14	114	1559	2340576
Shanghai	--	24	3069	1240256
Jiangsu	12	84	2517	8964196
Zhejiang	10	70	2942	5818572
Anhui	9	86	2243	3085416
Fujian	9	79	1408	1404612
Jiangxi	10	89	2784	2462555
Shandong	17	134	5692	18099126
Henan	15	122	2404	3401959
Hubei	7	92	2347	4109312
Hunan	8	116	2474	2667745
Guangdong	--	2	57	97343
Guangxi	15	91	3235	1637931
Hainan	2	20	349	261976
Chongqing	--	23	454	436823
Sichuan	6	88	3166	3356148

Guizhou	7	67	1420	437566
Yunnan	7	104	2384	1184651
Tibet	1	37	166	56864
Shaanxi	9	97	2499	1210944
Gansu	6	38	697	370947
Qinghai	2	26	368	91804
Ningxia	--	18	221	139000
Xinjiang	9	44	535	108723

Source of Data: China Population Yearbook, 1998. Compiled by the Population Studies Institute of the Social Academy of China.

According to the stipulation of No.6 document of the State Council in 1995, a study had fulfilled in 1997 with the cooperation of Jiangxi Financial University and Bureau of Labor of Nanchang Municipality. In this study, the scientists calculated resources and structure of endowment insurance funds, the obtained results were: When the substitution rate of old-age pension was up to 65%, the input of endowment insurance needed 26% of self controlled salary; When substitution rate was 60%, the proportion of this would be 24%; When substitution rate was 55%, the proportion of this would be 20%. According to the calculation of target substitution rate, amount of self payment should gradually raise till to 10%. The total collective fee of enterprise and individual could not be over 30% of total salary. It can be considered that enterprise and individual could commonly charge 26% expenses of total salary, other parts would input by state finance. This study also designed the measures of calculation and providing of old-age pensions, and calculated providing standard of old-age pension for the staffs employed at different periods, pointed out the intermediate plan of calculation and providing of old-age pension both for new and old staffs, and also put forward the suggestion of the accumulation of funds.

In recent years, according to the experimental situation at every area, the Institute of the Ministry of Social Security has analyzed the merits and shortcomings of social security system of various countries. According to the demand of Chinese development, scientists are doing comprehensive and deep study on the establishment and perfect of social security system.

5 Conclusion

Generally, the circumstances of social security system of China can be summed up the following-points:

1. To continuously raise the life level of people is the fundamental starting point of the work of Chinese government. For this reason, the social security undertaking has been paid close attention to all circles of life since the founding of the People's Republic of China, the fairly perfect system is gradually setting up.
2. With the transformation of economic system, the social security system of China must make relevant regulation. The symbol of the transformation of the social security system was that in 1994, the Fifth Plenary Session of the Fourteenth Central Committee of the Communist Party of China passed <The Decision of Several Problems Made by the Central Committee of the Communist Party of China About Setting up the Socialist Market Economic System>. According to this decision, the State Council issued notice about the deepening reform of endowment insurance system of enterprise's staffs and made a series of detailed policies and principles.
3. The endowment insurance of China has left division of labor with the responsibility to three departments: Labor department takes charge of city's and town's enterprises, personnel department takes charge of organs and institutions, civil administration department takes charge of rural areas (include town and township enterprises). The reform of the social security system in three parts is sustained

carrying on. The most fast speed of promotion is city's and town's enterprises.

4. The endowment insurance system with undertaking the whole thing of state, paying as you go program and making no accumulation will be a obstacle to restrict the establishment and perfect of the socialist market economic system, for this reason, it must do reform. The new social security fund system would commonly take charge of payment by nation, employment units and individual. The general principle is with decided income by expenditure, slightly with savings and appropriate accumulation and give consideration of needs to both at present and in the future.
5. On the base of the investigation by relative units, an on-duty staff in China is averagely burdened 1.6 persons, a retired person is averagely burdened 0.6 person. Therefore, it would be very suitable that the target substitution rate defined about 60%.
6. The problem of "twice-burden" which caused for solving population aged has attracted our attention to. To solve the problem of "twice-burden" by three channels with carefully designing transitional scheme to duely balance the burden between generations, with suitable allowances providing by State finance and with turning a part of state-owned capital to endowment insurance funds. The base for solving the problem is to develop economy sustainedly, quickly and healthily.
7. The state pays more attention to bring as much as possible of people into the coverage of social security system. The experiment has been carried on at all regions, all trades and all units, and has obtained some good experience, that will spread at appropriate occasion.
8. Though the reform of social security system of China has obtained breakthroughly progress, a lot of problems need for deep study, further adopting measures and continuous supplement and promotion. These problems include: levy, management, maintain value, increasing in value of fund and the unification of old-age system; How to expand the coverage of social security system with planning and proper steps; To balance income level and life level for on-duty staffs and retired staffs; To coordinate the demands between economic development and social security. The resolution and study of these problems will further promote the economic development of China, guarantee social stability and continuously raise the people's life level.