

Rural Social Security System of China: Problems and Solutions

CHEN Juan^[a]; YANG Shaolei^{[b],*}

^[a]Lecturer, Ph.D. candidate. School of Cultural and Social Development Studies, Southwest University, Chongqing, China.

^[b]Lecturer, Ph.D.. School of Political Science, Sichuan University, Chengdu, China.

*Corresponding author.

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Abstract

An all-round rural social security system of China has a very important strategic effect on the Chinese development of agriculture and country, along with Chinese modernization construction. After decades of efforts, construction of the rural social security system of China has got the obvious achievements. However, many problems of the rural social security system still exist, which evidently reflect those fields such as the narrow coverage of social security, the low social security level and the limited financing channels of social security funds. In the following development, many measures should be taken to perfect the rural social security system of China, including clarifying the construction emphasis of the rural social security system, increasing the governmental investment in the rural social security system, setting up the unified management system of social security, doing well the propaganda and service work of the rural social security, as well as perfecting the supervision system of the rural social security.

Key words: Rural social security; Medical insurance; Pension insurance; Governmental investment

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INTRODUCTION

Since reform and opening up, the rural social security system of China has started from scratch and experienced a gradual developing process. Before 2003, items of rural social security involved only the life assistance for natural disasters, the pension subsidy to veteran and their relatives, the low-level cooperative medical service, and the old rural pension insurance that were implemented in a few areas of China, and so on. Since 2003, many rural social security items have been popping up one after another, and the frame of the rural social security system of China has been basically formed. A "safety net" of the rural social security for the vast rural residents has been preliminarily established and gradually formed a system involving from birth to drawing pension, from medical service to education service, from life security to employment security. In the gradual developing process, construction of the rural social security system of China has been an important measure to comprehensively build the well-off life. Furthermore, an all-round rural social security system of China will even have a key strategic effect on the Chinese development of agriculture and country, along with Chinese modernization construction.

1. KEY STRATEGIC EFFECT OF RURAL SOCIAL SECURITY SYSTEM OF CHINA

1.1 Income Increase of Farmers

The rural social security could directly or indirectly promote the income increase of farmers. The rural

social security itself is just a means of national income redistribution. Items such as social assistance and the lowest life security system are a part of social security, and can directly increase the current income of farmers and improve the living standard of farmers. Meanwhile, the whole rural social security system itself can indirectly increase the income of farmers by those ways such as enhancing farmers' ability of resisting risks, promoting the rural urbanization, exploiting the rural human capital and improving the ideas of farmers.

1.2 Consumption Increase of Farmers

The rural social security system can stimulate farmers to increase consumption by changing their anticipation of the future income so as to promote the rural economic development. Both the permanent income hypothesis of Milton Friedman and the life cycle hypothesis of Franco Modigliani tell us that an all-round rural social security system will be of advantage to reduce farmers' uncertainty about their future income and improve farmers' anticipation of their future life so as to stimulate farmers to cut down their savings and increase their current consumption. Undoubtedly, the consumption demand increase of farmers will have a clearly stimulative effect on the national economy, especially the rural economic development.

1.3 Stimulative Impact on land Circulation and Agricultural Surplus Labor Force Transfer

The rural social security system can boost the land circulation and the agricultural surplus labor force transfer by peeling off the security functions of land so as to stimulate the modern agricultural development. Land is the most important production factor for Chinese farmers, and has a variety of security functions concerning farmers, for example, their employment, life and pension. At the same time, the existence of those security functions has formed some obstacle to the land circulation in the market and the agricultural surplus labor force transfer. The construction of the rural social security system will effectively peel off those security functions attached to land, which not only could facilitate farmers to circulate their idle land so that the normal production factor property could be given back to land, but also would be beneficial to the agricultural surplus labor force transfer so as to boost the moderate scale operation of Chinese agriculture and the agricultural modernization construction.

1.4 Summary

In a word, owing to the immense effect of the rural social security on agriculture and the rural development, in the process of advancing the rural modernization development of China, the related solutions must be taken to deal with the existing problems of the rural social security system for the present.

2. EXISTING PROBLEMS OF THE RURAL SOCIAL SECURITY SYSTEM OF CHINA NOWADAYS

Compared with social security systems of many developed countries, the rural social security system of China still has many problems, and the dualistic gap between the urban and the rural areas is very obvious.

2.1 Narrow Coverage

At present, the urban social security system of China has become comparatively perfect and has basically covered all items of social security. But not only does the rural social security system of China just begin to involve some basic items, but also the pension insurance of the most importance among all items of social security has not been carried out in many regions, and some indispensable unemployment insurance, work injury insurance as well as other social welfare items have not even been covered or not basically been covered. Wang Youhua (2011) indicates that about 90 percent of farmers in the rural areas of China do not take out the pension insurance (see Table 1). This conclusion is approximately similar to our investigation result in some villages and towns of Yibin city of Sichuan province in April, 2012, in which more than 90 percent local farmers do not take out the pension insurance and some of them have never even heard of the insurance item. Besides, among the existing social security items in the urban and rural regions, there is a relatively large difference in the social security coverage. Take the pension insurance for example, the national number of people who have taken out the basic town pension insurance in 2010 is 257, 070, 000, but the number of people who have taken out the new-type rural pension insurance is 102, 770, 000, among which the number of people who have collected the insurance is only 28, 630, 000.

Table 1
A Survey of Social Security System in the Rural Areas of China

Social security items	Entitled (%)	Unentitled (%)	Unaware (%)
Medical Insurance	39.1	59.4	1.6
Pension Insurance	8.3	89.9	1.9
Lowest life Security	2.3	95.6	2.1
Poverty Subsidy or Relief	2.2	96.0	1.9
Education Subsidy for children	5.4	92.8	1.9
Other Welfare	1.7	93.9	4.4

Source: Wang, 2011

2.2 Low Social Security Level

Now the entire level of the rural social security system of China is not high, and there are visible limitations in major types of insurance such as the pension insurance and the medical insurance, which cannot meet the keen demands of vast farmers for the social insurance well. Take the pension insurance in the partial regions for example, the newly adjusted standard of the rural lowest life security in Dezhou city of Shandong province in 2010 was 1,200 yuan per person every year, yet the standard in the contemporaneous cities was from 2,640 yuan to 2,880 yuan per person annually. When the lowest life security standard is 100 yuan per month for every farmer, its social security level is very limited. In the medical insurance, the financing level of partial counties and cities in Dezhou is limited, and the payout capacity of insurance capital is also limited accordingly. The compensation sum coming from counties (district), villages and towns to patients is far less than that farmers paid for the medical service. The reimbursement level permitted by the rural social security policy in 2010 was just 126.12 yuan medical payout per farmer, which indicates the relatively low social security level.

2.3 Limited Financing Channels

Many existing problems of the rural social security system of China have close relationship with the absence of the rational capital sources. The capital investment of Chinese government in the rural social security system is too low. The traditional capital sources of the rural social security mostly depend on the collective subsidy for families and the country, and the capital sources are excessively simplex. Especially since the household contract responsibility system, most of the rural collective economic organizations of China have not income sources and almost become an “empty shell”, and the power of the collective subsidy has gradually weakened. Relatively poor areas or population have had no capacity to take on the social security capital needed by the local society. From the perspective of the new-type cooperative medical service and the pension insurance chiefly implemented in the country currently, although the new-type rural cooperative medical insurance brings few burden to farmers, the new-type rural pension insurance is carried out principally by the means of “capital coming mainly from the personal payment and subordinately from the collective subsidy, along with the governmental supporting policies”, which brings so heavy a burden to farmers that a majority of farmers cannot shoulder such high insurance fees and accordingly farmers’ enthusiasm for taking out the insurance has been frustrated tremendously. Our investigation outcomes in Yibin city of Sichuan province show that just about 100 percent of farmers are willing to take out the rural pension insurance, but at the same time nearly 95 percent of farmers consider that the current pension insurance fees are too high to bear.

3. SOLUTIONS TO PROMOTING THE CONSTRUCTION OF CHINA’S RURAL SOCIAL SECURITY SYSTEM

If the facts of economic and social development of China combine with the demands of vast farmers for the social security, the main solutions of promoting the construction of the rural social security system can be concluded as the following 5 points at the present time:

3.1 To clarify the Construction Emphasis of the Rural Social Security System of China

Since reform and opening up, in conditions of the relatively small scale of household operation, the weakening strength of collective economy and the declining capability of social security, China has principally founded a social security system covering the vast farmers so that farmers could live and work in peace and contentment and the country could maintain stability and harmony, which creates a miracle of social security for farmers. This social security mode for Chinese farmers is called as the “big social security” by some scholars. The mode has extensive contents, including not only the development security such as both the rural public service construction and the poverty alleviation, but also the material life security like the new-type rural cooperative medical insurance, the new-style rural pension insurance, social assistance and social welfare, along with the spiritual life security involving the support of relatives and friends, the mutual help among neighbors, the care from the collective organizations, and the family guarantee.

Though the social security system comprises many items, as far as the construction of the rural social security system of China today is concerned, the construction emphasis must be clarified first. That is, the material life security whose core is the medical insurance and the pension insurance should be established as quickly as possible. Those two insurance items not only relate to the most fundamental subsistence right of Chinese vast farmers, but also are the base of their development rights and directly related to the vital interests of vast farmers. The medical service and the pension security are problems that vast farmers hope the government can solve in the first place in terms of our investigation in Chengdu and Chongqing. Meanwhile, in recent years, though China has made great progress in the rural poverty alleviation work, a phenomenon that “diseases make farmers re-enter poverty” has begun to appear in the rural regions in the new circumstances. Therefore, one of the important means to eliminate the rural poverty is to solve the medical service and the pension security problems. Furthermore, since 2003 and 2009, China has been popularizing the pilot work of the new-type rural cooperative medical insurance and the new-type rural pension insurance step by step in the rural areas, and has already acquired relatively mature experiences nowadays. Most of

farmers have eliminated their ideological obstructions and misunderstandings of the social security system. Hence, Chinese construction emphasis on the medical insurance and the pension insurance has a favorable foundation and an expansive foreground in the rural areas. At present, China should grasp the occasion and fully mobilize various strengths of government, farmers, the rural collectivity, etc., and strive after setting up a perfect medical insurance system and a basically perfect pension insurance system within five years.

3.2 To Increase the Governmental Investment in the Rural Social Security System

In recent years, Chinese government has continually increased investment in the rural social security according to the economic and social development conditions. As far as only the new-type rural cooperative medical insurance is concerned, China has improved the governmental subsidy standard for many times. The governmental subsidy standard has been increased from dozens of yuan per person every year at the beginning of the pilot work to 240 yuan in 2012. Next, China will continue to increase the central and local fiscal investment. By 2015, the governmental subsidy standard will have been above 360 yuan per person every year. Though the governmental investment has been continually increasing, it is apparently deficient compared with that of other counties in the world. For instance, in terms of the proportion of the fiscal support in the capital sources of the social pension insurance for farmers in some countries in the world, Germany and Austria are 70 percent, Finland is 75 percent, and Greece is 90 percent; in Poland, the fiscal subsidy for the rural social pension insurance reaches to 94 percent, and has been 5-6 percent of the national fiscal revenue and 2 percent or so of GDP; in the countries that carry out the universal security such as Australia, New Zealand and Iceland, the rural social security capital all comes from the fiscal subsidy. As a result, referring to the international experiences, China needs to increase the fiscal investment in the rural social security, perfect the transfer payment system from the central finance to the rural social security, clarify the fiscal investment responsibility between the central and the local government, increase continually the central and provincial fiscal investment, and found the long-acting mechanism of governmental fiscal investment in the rural social security.

3.3 To Set up the Unified Management System of Social Security

Nowadays, the administrative management system of Chinese social security still remains such problems as the undefined division of labor as well as the unsmooth and ineffective coordination. Therefore, the unified social security management organization should be founded nationally to achieve the unified management of social

security in the urban and rural areas. Now it can be considered to establish a special organization called as the social security management committee to take charge of social security and coordinate the mutual cooperation among departments referring to civil affairs, labor security and public health in the work of social security. The committee can have three branches: one is the macro-management committee of social security that chiefly performs the governmental macro-management function, for example, in charge of framing the development planning of social security, momentous polices and related laws and regulations, etc. and giving the necessary instruction, coordination and supervision to institutions of the social security career; the other is the management center of social security career that mainly performs the detailed operational function of social security career, for instance, executing laws and regulation, polices and systems framed by the macro-management committee of social security, and in charge of the daily operation management; another is the operation center of social security funds that specially takes charges of the operation of funds to realize their value preservation and revaluation. Meanwhile, to achieve the supervision of the social security system, the social security supervision committee that parallels the social security management committee can be founded. It emphasizes supervising the revenues, payment and operation conditions of social security funds and realizing institutionalization and standardization of revenues, payment and operation of social security funds.

3.4 To Do Well the Propaganda and Service Work of the Rural Social Security

Because now a portion of farmers are still devoid of the correct understanding of and adequate confidence in social security, especially the new-style rural pension insurance, and are not aware of the national social security polices, a variety of media should be utilized fully to enlarge the propaganda of the rural social security, let farmers know the related polices and knowledge of social security, and enhance farmers' consciousness of voluntary taking out social security. At the same time, the governmental social security service system should be perfected, and the unified service network channels in the urban and rural areas should be established. That is, the special or comprehensive service management institutions of social security is set up in the level of villages and towns (communities), and takes charge of all the local social security affairs including social security, social assistance, social welfare and social pension subsidy, etc. Meanwhile, all the social security work is brought into the construction of communities and villages, and the social security workroom is founded in the community committee and the village committee to take charge of the comprehensive work such as social security and social assistance. Besides, the social security workroom can be integrated

with the construction of the administrative affair center, the social donation operating point, the community public health center, the convenient service center, etc. so as to integrate and share resources and accordingly form the network management system of social security.

3.5 To Perfect the Supervision System of the Rural Social Security

An all-round and normative supervision system can improve the operation efficiency of the rural social security system and enhance the public trust in the rural social security system. It is also the main guarantee of the healthy and continuous development of the rural social security.

First, the supervision group should be enlarged, and the supervision action of farmers on the rural social security system should be emphasized. On the basis of increasing the governmental supervision, influence of the democratic supervision and the public opinion supervision should be continually exerted. To enlarge the supervision group, a quantity of farmer delegates should be accepted gradually to take part in the supervision of the rural social security system. The long-acting mechanism that farmers can participate in the democratic supervision should be explored so that the vastest direct beneficiary group could play a positive role. At the present time, the new-type rural cooperative medical association resulting from the unprompted action of farmers has been founded in some regions. It takes on the related propaganda, financing and supervision work, and has got a very good effect. Such experience is worthy of being summarized and popularized.

Second, the supervision conditions should be improved, the supervision means should be innovated in, and the supervision ability and efficiency should also be upgraded. The high-quality professionals should be actively introduced and the operation fund of supervision should be increased so as to perfect the talent condition and the capital guarantee. To innovate in the supervision means, the modern technical means should be fully utilized in the supervision. The information feedback system of supervising the complaints should be set up to improve the supervision efficiency.

CONCLUSION

The construction of the rural social security system has crucial strategic significance in the Chinese social development in the future. After decades of efforts, construction of the rural social security system of China has got the obvious achievements. A “safety net” of the rural social security for the vast rural residents has been preliminarily established and gradually formed a system involving from birth to drawing pension, from medical service to education service, from life security to employment security. However, many problems of the rural social security system still exist, which evidently

reflect those fields such as the narrow coverage of social security, the low social security level and the limited financing channels of social security funds. In the following construction, many measures should be taken to perfect the rural social security system of China. That is: the construction emphasis of the rural social security system should be clarified, and both the rural medical service and the pension insurance construction should be reinforced richly to let farmers have nothing to worry about; the governmental investment in the rural social security system should be increased, and the long-acting mechanism of the governmental fiscal investment in the rural social security should be erected; both the unified management system of social security and the social security management committee should be set up to realize the unification and high efficiency of the urban-rural social security management; both the propaganda and service work of the rural social security should be done well to improve farmers’ positivity of voluntary taking out the social insurance; the supervision system of the rural social security should be perfected to improve the operation efficiency of the rural social security system.

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