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China's Pension Reform:

Towards Scandinavian-style universalism?

Fafo

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Executive summary

- The Chinese welfare state is at a crossroads transforming from highly fragmented social programs and arrangements to a more comprehensive welfare state.
- Pension reforms are an important part of the move towards wider and better social protection in China
- New insurance schemes have been introduced for previously uncovered parts of the population, and a fragmented system with four different schemes for different groups is being merged into two.
- There are now two major pension schemes in China: the Unified Pension System for Enterprise Employees, and the Unified Urban-Rural Resident Basic Pension System.
- Main challenges are: Is the system headed for fiscal disaster? And can it provide sufficient social protection?
- Scandinavian style universalism is not in sight. There is, however, a basic element at very low level for those who are covered by the state pension programs and have paid contributions.
- New data from a recent Fafo survey shows that coverage has increased from 26 percent in 2004 to 52 percent in 2014. For rural residents coverage increased from 8 percent in 2004 to 47 percent in 2014
- Yet, considerable inequalities remain and pension coverage for rural people and migrants is shallow.
- Rural people and migrants are less satisfied with government performance with regard to elderly care, compared with urban residents
- Support for the idea that government should take responsibility for providing for the elderly in China is strong and has increased over the past decade.
- China needs to raise retirement ages, increase government revenues, and will probably have to somewhat increase benefit levels of the basic pension schemes.

Introduction[1]

China's pensions system is facing immense challenges. Rapid ageing, changing family structures, urbanization and the inevitable slow-down in economic development makes pension reforms an urgent and daunting task for the Chinese government. The entire Chinese welfare state is at a crossroads transforming from highly fragmented social programs and arrangements to a more comprehensive welfare state. The government has aimed at building and restructuring welfare programs including old-age pensions and the healthcare system.

This Fafo report provides an overview of China's pension system and its reforms, and it provides fresh data on how Chinese citizens view issues related to old-age security. [2] This report is based on existing literature and public documents. We also present new results from a recent Fafo survey on popular perceptions of welfare and inequality in China. Sections of the brief have previously been presented by one of the authors in a conference paper (Dalen, Fløtten and Hippe 2015).

The following section provides broad background information on China's development towards establishing a basic welfare system. We then move to China's pensions system, describing in more detail the reforms of the system and providing an update of its key features as of 2015. In order to provide context and relevance for a Norwegian audience, we compare China's experience with Scandinavian pensions systems and reforms. Furthermore we present new data on Chinese people's experiences with and views on old-age security and pensions, based on a national survey conducted in 2014. Finally we draw conclusions about the main challenges facing China's pensions system.

Towards a Chinese welfare system

Mao era social welfare arrangements have been labelled a 'mini welfare state' (Ringen and Ngok, 2013). Most social benefits were delivered by urban workplace units ("Danweis") and social benefits and services were related to lifelong employment. A sharp urban-rural divide was inherent in the system. Those outside the *danwei* based welfare arrangements – including most rural residents, who made up the majority of the population - were covered only by some limited social relief programs, administered and financed by local authorities.

[1] We thank Jon Pedersen for useful comments and quality assurance.

[2] Another reform push of major importance is going on within the healthcare sector. Recent developments in China's healthcare reforms have been covered in a 2014 Fafo brief commissioned by the Embassy (Flatø 2014).

This welfare system collapsed after the culture revolution as China headed for a market economy. But the road towards a socialist market economy was taken on without a corresponding development of modern welfare and social policy systems. As far back as 1992, reform and opening up-policy in China was guided by the formula xiaolu youxian, jiangu gongping (efficiency comes first, with proper attention to equity). This principle was advanced in the context of the watershed doctrinal shift to a "socialist market economy" during Deng Xiaoping's tour of the southern regions. After the reform and opening up-period, many saw real improvements in their living conditions. However, inequality of opportunity and access to public goods (as education, health care, long term care, employment and social benefits) was widespread, and discontent was on the rise within large groups in society.[3] The rural-urban welfare divide persisted; in addition came increasingly large income-based inequalities.

After the turn of the century the emerging discussion on social conditions coupled with an increased understanding of the growing social divide, prompted a need to counter a market economy with welfare state programs. A more extensive social policy was deemed necessary to increase general welfare and to uphold social stability. These problems were recognized in the 'Central Committee resolution on major issues regarding the building of a harmonious society', passed in the Sixth Plenary Session of the Sixteenth Central Committee of the CCP. Included in the efforts to reach a "harmonious society" was coordinated development, social equity and justice, cultural harmony and the ideological and ethical foundations of social harmony, and the need to improve public administration to build a vigorous and orderly society.[4] In the 11th five year-plan (2006-2011) it is stated that "greater attention should be paid to social justice" and social justice is particularly underlined in article 39, on "raising the people's standard of living".[5] The new focus on equity and social justice was a characteristic of the Hu and Wen administration. Hu Jintao even released a new update of Deng's slogan from 1992 namely – gengjia zhuzhong gongping (pay even more attention to equity).[6] This slogan sat the stage for substantial reforms of the Chinese welfare system focusing integration, basic rights and universality.

[3] Chen Guidi and Wu Chuntao book «Will the Boat sink the water – a survey of rural farmers» was published in 2004 and led to an increased debate on inequality between urban and rural citizens

[4] "China publishes Resolution on Building of Harmonious Society," available at Xinhua http://news.xinhuanet.com/english/2006-10/18/content_5219143.htm published 18th October 2006 (accessed 15th of May 2015)

[5] "China publishes Resolution on Building of Harmonious Society," available at Xinhua http://news.xinhuanet.com/english/2006-10/18/content_5219143.htm published 18th October 2006 (accessed 15th of May 2015)

[6] Hu Jintao stamped this new formulation with his personal authority at the fifth Plenary meeting of the Sixteenth Central Committee held between 8th and 11th October 2005.

Reforming China's pensions system

During the period of planned economy the Chinese state carried the entire cost of the urban pension system. No pension system existed in the rural areas and the rural population was only covered by very limited local welfare systems. This dual system was abolished during reform and opening up, and after 1993 a fragmented multilevel social security system was implemented, often with local experiments over different pension schemes (Hong & Kongshøj 2013). The need for further development and strengthening of the pension system in China was evident.

Rooted in the State Council document No. 26, *Establishment of a Unified Pension System for Enterprise Employees*, China established a contributory pension system for urban enterprise employees in 1997. Both employees and employers are required to make contributions to the pension system. Workers contribute based on their individual wage, at a rate of up to eight percent, while employers contribute a percentage of the total wages paid to their workforce, usually around 20 percent. The pensions system for enterprise employees can be considered to be the corner stone of the Chinese pension system. Membership in the system is mandatory for contracted workers.[7]

In addition to the urban workers basic pension, a pension system for public service workers existed up until 2015[8], differing in contributions and replacement rates. The old-age pension system for civil servants was set up as early as 1952. Pensions were entirely financed by the state and the replacement rate was high. In February 2008, the State Council executive meeting passed the *Pilot Plan for the Pension System Reform for Workers of Public Service Units,* and implemented pilot projects to incorporate these employees in an integrated pension system. As of January 2015 the government decided to abolish the system where government employees has received far better pension benefits that other workers and move to equalize the systems, where public sector employees also have to contribute to their own pensions.

At the 17th national congress of the communist party in October 2007, then president Hu Jintao set out a goal to make the pension program national in scope – reaching full coverage by the year 2020. Such broad pension coverage was to be achieved through including new groups in the workers basic pension and by introducing two new pilot pension schemes, namely, the "New Rural Social Pension Scheme" (2009) and the "Urban Social Pension Scheme" (2011). Both schemes are voluntary and have basic similarities; they are mainly financed through individual contributions and government subsi-

[7] The scheme may have a resemblance to the Bismarckian statutory earnings related pensions systems in Europe designed for wage earners.

[8] The government and public service employees generous pension system was abolished as of February 2015

dies, the monthly contribution to individual accounts is up to the individual,[9] and the more the individual contributes the more the government will contribute. According to the decisions of the third plenary session of the 18th CPC Central committee, the state council passed the opinions of the state council on establishing the “Unified Urban-Rural Resident Basic Pension System” in February 2014, integrating the two systems to one combined basic pension scheme for both urban and rural citizens.

China’s current pensions system

Over the course of reforms new pensions schemes covering previously un-insured population groups have been introduced. This year the schemes are merged into two major programmes; one covering workers in the formal sector and one covering persons without formal employment. As of late 2015, the Chinese pensions system mainly consists of two different schemes: 1) the *Unified Pension System for Enterprise Employees,* and 2) the *Unified Urban-Rural Resident Basic Pension System*. Table 1 summarizes key features of the public pensions schemes.

The *Unified Pension System for Enterprise Employees* is a two tire pillar consisting of a (pay-as-you-go) social pooling element and individual accounts. Companies contribute 20 percent of their total wage bill to the social pool, while workers contribute 8 percent of their wage that goes into their individual accounts (which can be said to be a notional defined contribution scheme). To receive a pension, members have had to contribute for at least 15 years when they reach retirement, and the replacement rate is supposed to be 40-50 percent combining the defined benefit element and the individual defined contribution element. The eligibility criteria is 15 years of contribution to the schemes, but a transitional agreement was reached in 2012 that members who have reached 60 will not have to pay any contributions, but still receive basic pensions. Members between 45 and 59 will receive basic pensions when they turn 60 if they pay up the balance of their 15 years’ worth of contributions, securing all members the ability to obtain basic pensions from 60 years. Individual defined contribution-accounts in the Chinese system are subject to recalculation at pension age, based on life-expectancy the same way as found in the Scandinavian schemes.

Under the Old-Age pensions system for civil servants, which was abolished in 2015, employees in government intuitions (including hospitals, schools and institutes) have enjoyed a replacement rate of 80-90 percent of their salary. This system has not been based on contributions, but it could be considered an occupational system for state employees. The system is on its way to be reformed and government employees are now

[9] Members in urban areas can chose any of 10 levels of contributions per year (100-1000 RMB) members in urban areas can chose any 5 levels of contributions per year (100-500 RMB). As in many other case in china, this may also be subject to local conditions and the levels may vary somewhat.

supposed to be part of the statutory system for other wage earners. However, a new system of 4 percent employee contribution and 8 percent employer contribution is to top up the statutory scheme. This could be seen as a new occupational system for government workers.

With the *Unified Urban-Rural Resident Basic Pension System,* the pension system moves towards a universal basic pension. The basic system provides pensions for those who do not have formal jobs in urban areas. It is based on the *new rural social pension scheme* from 2009 (for rural residents above age 16 who are not students and are not enrolled in another pension plan) and the *new urban social pension scheme* introduced in 2011 (for urban people without jobs). Anyone meeting the age requirements can contribute regardless of earnings. They are mainly financed through individual contributions and government subsidies, the monthly contribution to individual accounts is up to the individual,[10] and the more the individual contributes the more the government will contribute. Coverage is now much wider in terms of the population covered. But basic benefits are rather low, at only 55 yuan per month in addition to savings in individual accounts.

The Chinese system has no regular universal flat rate pension system. A significant number is outside the social security system altogether and will be dependent on social assistance (MLSS) or support within the household during old age.

Table 1: China's major pension schemes 2015

Name	Based on	Target group	Financing	Benefits
Unified Pension System for Enterprise Employees	1997: Unified Pension System for Enterprise Employees (UPSEE)	Mandatory membership for employees with labor contracts (incl migrant workers). Voluntary membership for self-employed.	Pay-as-you-go (employer contributes 20% of total salary) + individual accounts (workers contribute 8 percent of salary).	40-50 percent of salary
	1952: Old-Age Pension System for Civil Servants	Government employees (incl teachers, cadres etc.)	As above + top-up 4 percent employee contribution and 8 percent employer contribution.	80-90 percent of salary (set to decrease)
Unified Urban-Rural Resident Basic Pension System	2009: New rural social pension system	Voluntary membership All rural residents	Individual contributions and government subsidies	55 RMB per month + savings in individual accounts.
	2011: New urban social pension system	Urban residents outside formal labor market		

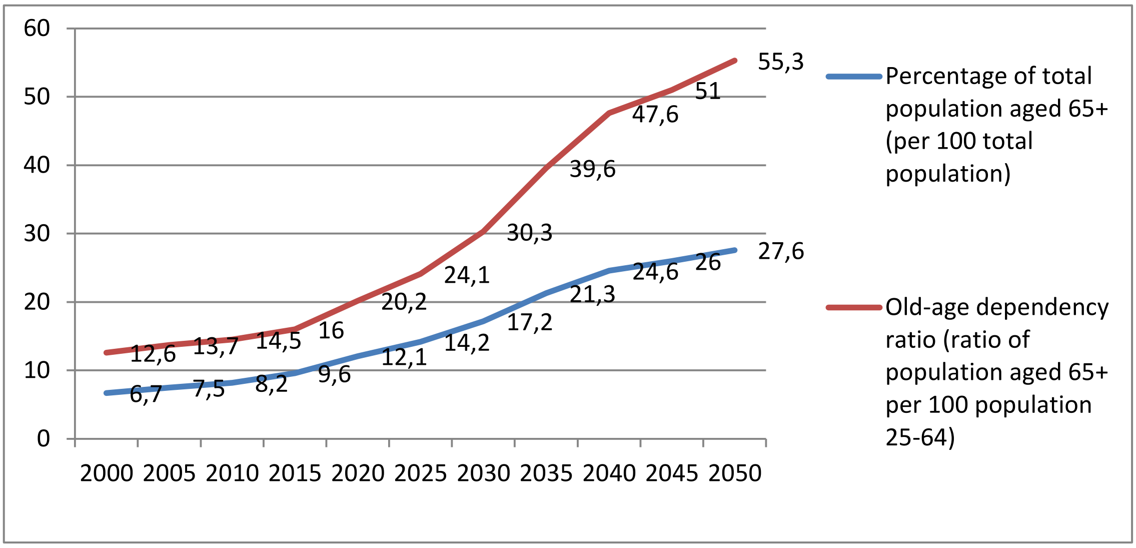
[10] Members in urban areas can chose any of 10 levels of contributions per year (100-1000 RMB) members in urban areas can chose any 5 levels of contributions per year (100-500 RMB). As in many other case in china, this may also be subject to local conditions and the levels may vary somewhat.

Prospects and challenges

Despite reforms, China's pensions system is still facing a number of threats to its sustainability, including demographic, social, political and economic challenges.[11] The future prospects of China's newly reformed pension system hinges on two main questions: Is the system headed for fiscal disaster? And can it provide sufficient protection for old people in China?

The debate on fiscal challenges is related to ageing as well as to the schemes' financing models. First, ageing is an inevitable upcoming challenge for China's old-age security system. China's one-child policy led to a rapid fall in birth rates, which coupled with increasing life expectancy has led to an acceleration in ageing. The UN estimates that the percentage of the population aged 65 years or more will increase from around 10 percent today to around 28 percent in 2050. The sudden fall from having a relatively high fertility towards one of the world's lowest means that China will see an immense imbalance in the number of old people compared with the working-age population. By 2050 it is projected that the ratio of plus 65-year-olds to the working-age population will be as high as 55, meaning that there will be less than two people of working age for supporting each elderly person. Figure 2 shows China's current and projected ageing and old-age dependency ratio.

Figure 1: Ageing and old-age dependency in China, 2000-2050



Source: United Nations Population Division, World Population Prospects 2015, UN, New York, 2015

11 For a brief overview of the challenges and opportunities in China's pensions system, see (Cai and Cheng 2014).

A wide range of experts and policymakers worry that China will "get old before it gets rich" – in other words, that China will not have the financial capability to care for all its old people. It has been thoroughly documented that the funds that are going in the pensions system is less than the sums being paid out in pensions. Unless something is done, the funding gap will swell towards fiscal disaster for the pensions system. "Empty accounts" is a widespread problem, whereby local governments spend money from individual pension savings account to pay current pensions, leaving nothing for the workers who are putting money into the savings accounts when they retire. However, it is possible to address these challenges.

In order to ensure that the pensions system is economically sustainable, China can improve the efficiency of the pensions system and the productivity of the labor force. There is considerable room for doing so in China, as efficiency and productivity is currently relatively low. Moreover, the government can increase its revenues, for example by raising taxes. Recent calculations by Wang, Beland and Zhang show that the Chinese state will be able to bear the fiscal burden created by pensions until 2020, and that a fiscal burden can be avoided between 2021 and 2050 if fiscal revenue increases by at least 6,18% a year on average during that period (Wang, Béland, and Zhang 2014).

In any case, the prospect of having a swelling proportion of retirees in the population makes it a necessity to delay retirement for Chinese workers. China's statutory retirement age is relatively low—60 for men and 50 or 55 for women—and has not changed since the 1950s. Changing the retirement age has been on the reform table for years, but the issue is highly contentious. In March 2015 Beijing set a timeline for retirement age reforms. China's minister in charge of human resources and social security, Yin Weimin, announced that detailed plans for China's statutory retirement age would be unveiled in 2017. Measures would take five more years to take effect. In an effort to mitigate public unease about raising the retirement age, increases would be implemented in "small, gradual steps" of a few months per year (Wong, 2015).

Another challenge is posed by the demand side of the system. Demands for more equality and more generous benefits may be expected especially with regard to the basic pension scheme. There is a wide gap between the pension schemes for urban workers, on the one hand, and the basic scheme for rural residents and urbanites outside the formal labor market, on the other. Contributions to the urban workers' scheme are much higher, hence the benefits paid out are much more generous. In 2012 the average monthly benefits of retirees in the urban employees' pension scheme was RMB 1721, whereas for the rural basic pension scheme average payments were only RMB 74 per month. Moreover, the schemes vary considerably between regions. Local governments are responsible for implementing the schemes, and both contributions and benefits may therefore vary widely.

For the rural and urban basic pension schemes, benefits are much lower than the poverty line, which in 2013 was at RMB 243 in urban areas and RMB 107 in rural areas on average (Chen and Turner 2015). The China Health and Retirement Longtitudinal Study (CHARLS) conducted by Beijing University in 2011-2012 found that 22,9 percent of individuals above age 60 had consumption below the poverty line, compared with 15,1 percent among those between age 45 and 59. The consumption poverty rate was much higher for elderly with a rural hukou (28,9 percent) than for those with urban hukou (9,5 percent) (CHARLS Research Team 2013).

Large inequalities and insufficient benefits may cause political pressure for increasing out-payment. Yet, demand for pensions is based on relatively modest expectations in China. This makes increased demand in pensions a less daunting challenge than what is the case for the healthcare sector, which sees limitless demand for expensive treatment.

Chinese and Scandinavian pensions compared

In China, as in other countries, social policy reforms are driven by increased globalization, technological and digital change, urbanization, social fragmentation, increased inequality and growing proportions of older people in the population. Against this backdrop most countries are currently reforming their welfare policies. China is, however, in an especially interesting position. When building a comprehensive welfare state, more or less from "scratch", the country enjoys a unique opportunity to learn from other countries and to copy elements from different welfare regimes.

In designing a socially just welfare system with a higher degree of universalism than before, the Chinese leadership has looked, among others, to Scandinavia to study welfare state reform (Kongshøj 2015:85).[12] In this situation it is interesting to study similarities and differences in actual welfare policies and current reforms between China and the Scandinavian countries.

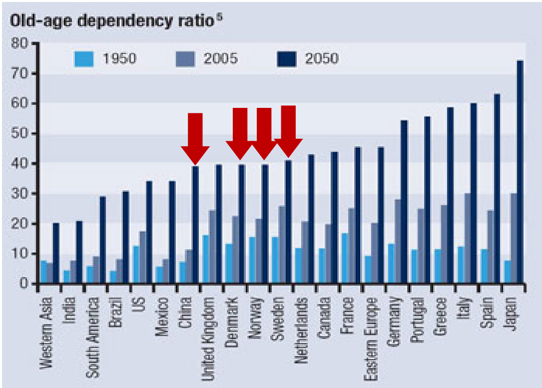
The Chinese pension path is of course very different from the Scandinavian, not only by having a shorter history, but also through having produced a different institutional design. It is however striking that the countries have seen common timing and political emphasis of pension reform is however striking. The past two or three decades the Scandinavian countries have conducted extensive pension reforms (Goul Andersen &

[12] As an illustration, the report 'Constructing a Social Welfare System for All in China' by the Development Research Centre of the Chinese State Council, an official think-tank reporting directly to the Chinese State Council, can be mentioned. The report repeatedly highlights specific Nordic policies as it lays out a vision for a more inclusive Chinese welfare system (Liu & Kongshøj 2014). Another illustration is that researchers from the Central Communist Party School in Beijing12 have cooperated with the Fafo Research Foundation on studies of Norwegian welfare schemes. Several scholars from the Party School have also been guest researchers in Norway to gain insight in the structure and functioning of the Norwegian welfare model.

Hatland 2015:264). In an international perspective one could compare the current Chinese system to the Scandinavian along five dimensions.

First, one must recognize that there is no regular flat rate universal pension for all citizens in China, and a Scandinavian styled **universalism** is not in sight. Although China's system is becoming more universal with regard to how many people it covers, it is far from universal in the sense of providing equal benefits that provide genuine social protection in old age. There is, however, a basic element at very low level for those who are covered by the state pension programs and have paid contributions. In other words there is a redistributive element in the earnings related system and there is not a direct link between contributions and benefits.

Figure 2: Dependency ratios compared



Source: The Economist

Second, in both Scandinavia and China the demographic development calls for high labor force participation among the elderly. In China, the pension age will probably increase. In Norway and Sweden the pension age has basically been removed or lowered, but alongside reforms of the pension system encouraging older people to stay in the labor force. In Denmark the pension age will increase the coming years.

Still, ageing poses a more sudden challenge in China. China's one-child policy is a fundamental difference, leading China to move very rapidly from a relatively high fertility rate towards one that is lower than in the Scandinavian countries.

Another difference between the countries is that the potential for using other measures to handle the demographic challenge, in addition to raising the retirement age, is higher in China. There is still considerable potential for increasing efficiency, productivity and tax revenues in China.

Third, a broader coverage of statutory earnings related pensions are on its way in China and these are partly based on individual defined contribution accounts. The new Unified Pension System for Enterprise Employees does have strong resemblance to a Scandinavian pension design, with state statutory earnings related programs offering typically 50 percent compensation rates after 40 years of membership and contributions.

Fourth, occupational pensions financed and funded in the labor market play a more important role in Scandinavian and Europe as state systems are reformed. It is interesting to note that the former generous system for public employees is rolled back in China. This system could be seen as a version of the high quality occupational systems for public employees found in Scandinavia and Europe. The fact that government work units will "top up" the public pension arrangement resembles Scandinavian solutions where it is common for both public and private employers to offer additional pensions schemes on top of the public one. There is little information about occupational programs for private sector wage earners in China, probably because of already high employer social security contributions and the lack of independent social partners and systems of collective bargaining.

Fifth, as a result of the Scandinavian pension reforms, economic risk has been shifted from the state and the employers to the individuals. In China, the introduction of a pension system implies *less* risk for the individuals. Those who previously were outside the pension system do now have pension rights. At the same time, some government and state employees have experienced lowered pension rights.

From comparing the Chinese system with the Nordic pension models it is clear that despite striking similarities, it is not a viable option for China to simply take over Scandinavian solutions to pension challenges. The situation with regard to institutions, demography and labor marked is vastly different. Therefore the challenges that must be overcome, as well as the measures which can be used to deal with them, are markedly different in China and Scandinavia.

People's views on pensions

How do Chinese people experience and view the country's pensions system? A survey conducted in 2014 provides new data on popular views about old-age social protection in China. The survey was conducted in the latter half of 2014, as cooperation between The Fafo Research Institute in Oslo, Research Center of Contemporary China at Peking University and Harvard University. 2565 respondents answered a nationwide survey on attitudes towards welfare, distributive justice and fairness. Two previous rounds of the survey have been conducted in China in 2004 and in 2009. Results from these surveys have been published extensively (Whyte 2010, Han & Whyte 2008, Han & Whyte 2009).

Wide coverage

The surveys show that pension coverage in China has indeed widened considerably over the past decade. By 2014 52 percent of the population reported that they were covered by social old-age pension insurance, compared with only 26,3 percent in 2004. Rural residents have seen a dramatic increase in coverage, from 8,4 percent in 2004 to 46,6 percent in 2014. Results are summarized in Table 2.

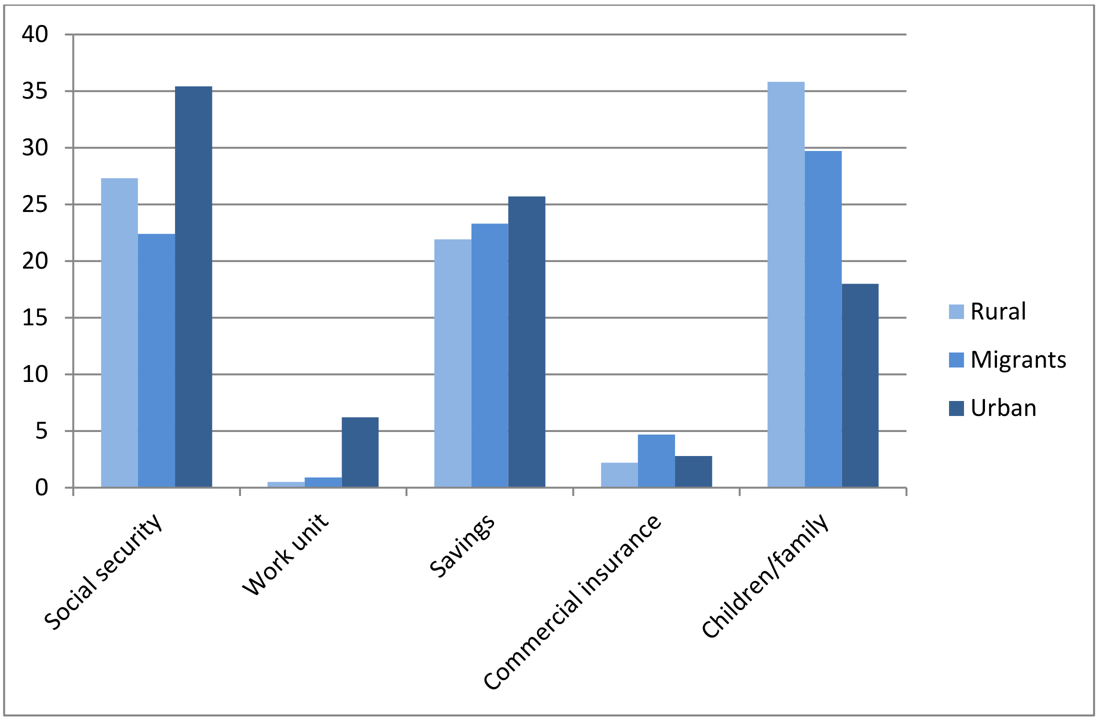
Table 2: Social old-age pension coverage by residency (2014, 2009, 2004)

	2014	2009	2004
Rural	46,6 %	13,5%	8,4%
Migrant	31,5 %	16,1%	6,2%
Urban	62,6 %	60,9%	54,8%
Total	52,0 %	30,0%	26,3%
N	*2293*	*2849*	*3131*

Unequal protection

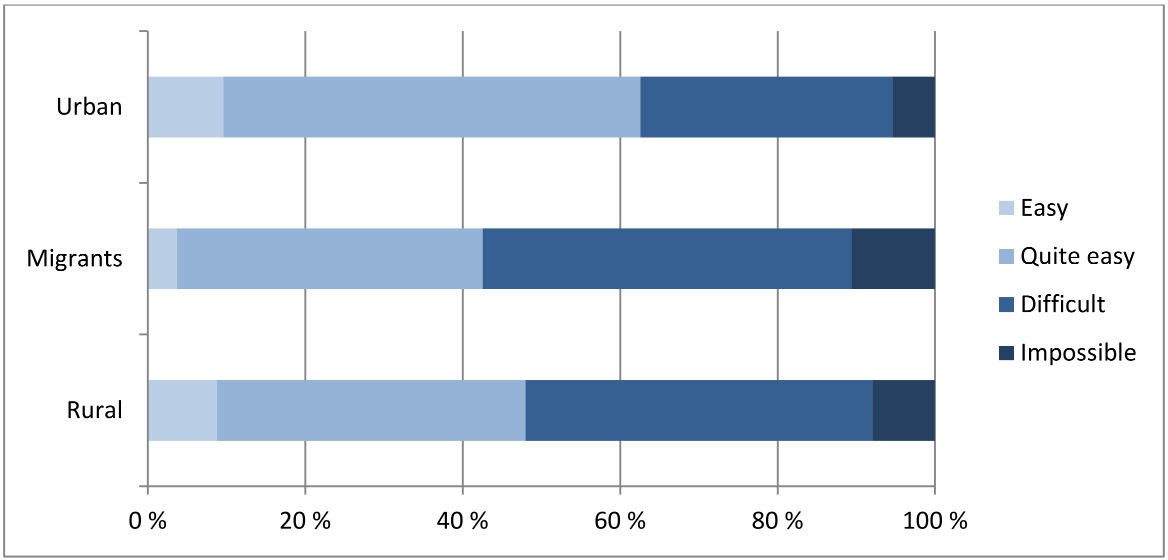
Although coverage is by now very wide, large inequalities remain with regard to the benefits provided by the different pension schemes. Residency based inequalities in old-age security is strongly reflected in a question on who people think they can rely on when they get old. Urban people rely heavily on the government's social security arrangements (36 percent), whereas only 27 percent of rural residents and 22 percent of migrants say they will mainly rely on social security. Among rural people it is still most common to rely on children or other family members to provide for them in old age: 36 percent of rural farmers and 30 percent of migrants said they mainly rely on family, compared with only 18 percent for urban residents.

Figure 3: Who do you feel that you can rely on when you get old? (2014)



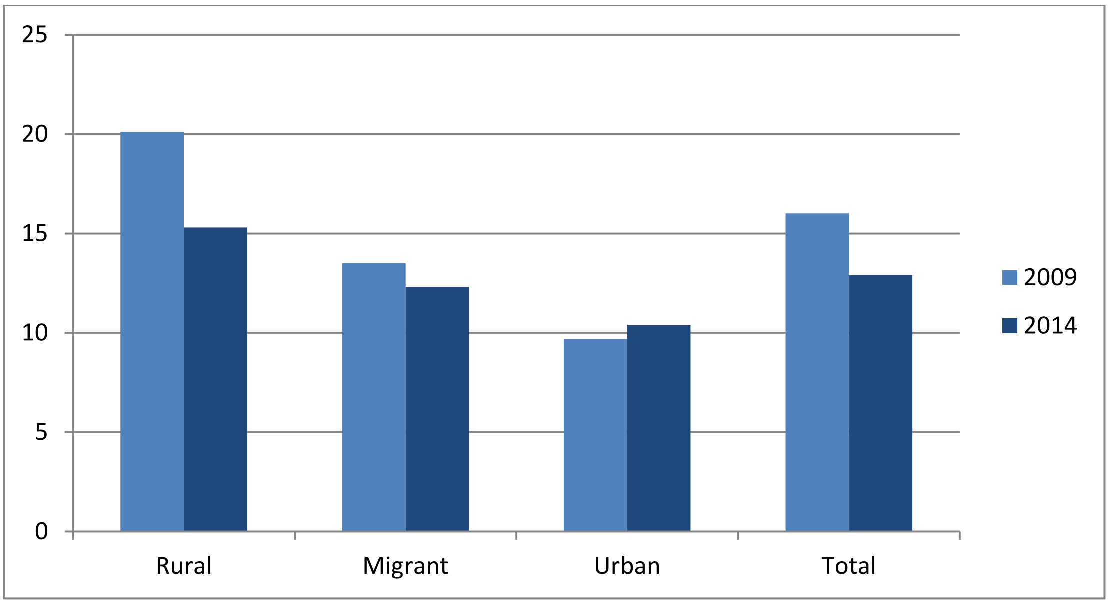
Inequalities in pension coverage are also evident from a question on how easy people think it is to obtain pensions. Among urban residents, 37 percent said it was difficult or impossible to obtain pensions. For rural residents 52 percent said obtaining pensions is difficult or impossible. Migrants are the worst-off group: As many as 57 percent said it was difficult or impossible for them to obtain insurance in 2014.

Figure 4: How easy is it for you to obtain pensions? (2014)



It is preliminary to analyze the effect of reforms on pension payments, since reforms are recent and most enrollees have still not retired. But our survey does provide some information about how much people worry about how their life will be in old age (Figure 6). The percentage of people who are very worried had been reduced only slightly during the past five years, from 16 percent in 2009 to 13 percent in 2014. Rural residents worry more than urbanites, which is not surprising given their more shallow pensions and health insurance coverage. However, the difference between rural and urban residents has been reduced over the past 5 years. In 2009, 20 percent of rural residents said they were very worried about their life when they get old, but in 2014 the number had been reduced to 15 percent. Among urbanites around 10 percent said they were very worried both years.

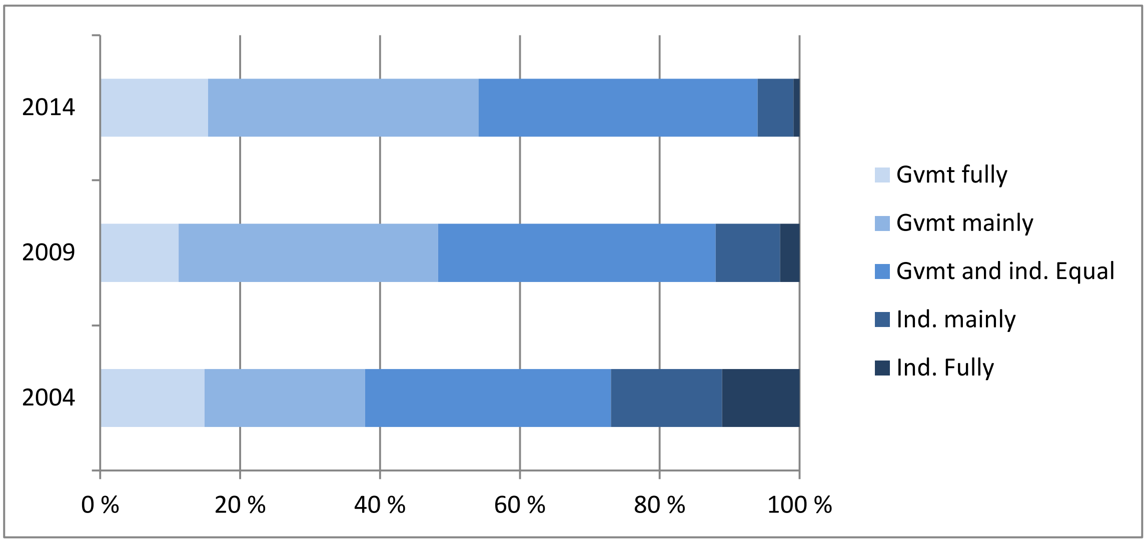
Figure 5: Percent who are "very worried" about life in old age, by population group (2009 and 2014)



Opinions on old-age policy

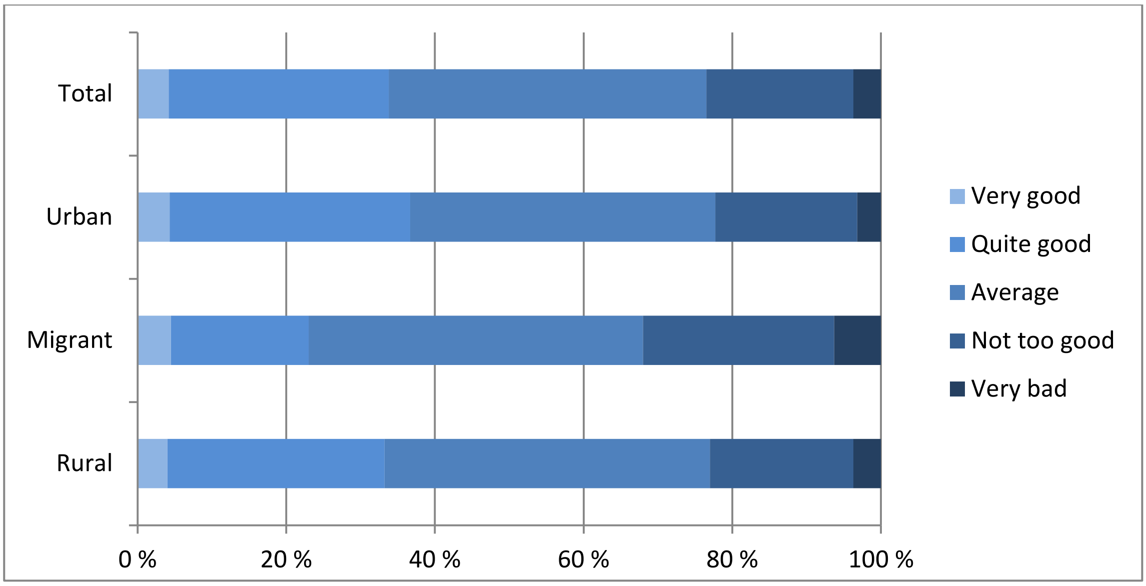
There is considerable and increasing support for the idea that government should take responsibility for providing for the elderly in China. Figure 7 shows that 54 percent of the population said government should be fully or mainly responsible for taking care of the elderly in China in 2014. Only 6 percent believe this should be an individual responsibility, whereas 40 percent think the government and individuals should equally share the responsibility. Ten years earlier only 37 percent said the elderly care should fully or mainly be the government's responsibility, whereas 26 percent said elderly care should mainly or fully be an individual responsibility.

Figure 6: How much responsibility should government and individuals take for elderly care? (2014, 2009, 2004)



We also asked people to evaluate the government's performance with regard to taking care of the elderly. Here, results have changed little of the time, but we find interesting differences between populations (Figure 8). Rural people are more critical about the government's performance than urban people, and migrants are the most critical. In 2014, altogether about 24 percent said the government's performance on this issue is poor (replied "not too good - *bu tai hao* - or "very bad" – *hen cha*), whereas 34 percent said the performance is "very good" or "pretty good", and the rest are neutral.

Figure 7: Your evaluation on the Government's performance: Care for the elderly (2014)



Our survey shows little public support for raising the retirement limits. A majority think the retirement age should not change at all, and the percent who think retirement ages should be even lower than they are today is significantly higher than the percentage who think people should work longer before retiring. Rural people and migrants are more sceptical about heightening the retirement age. Figure 9 and Figure 10 show how people feel about changing the male and female retirement age, respectively.

Figure 8: Do you think the male retirement age should be changed? (2014)

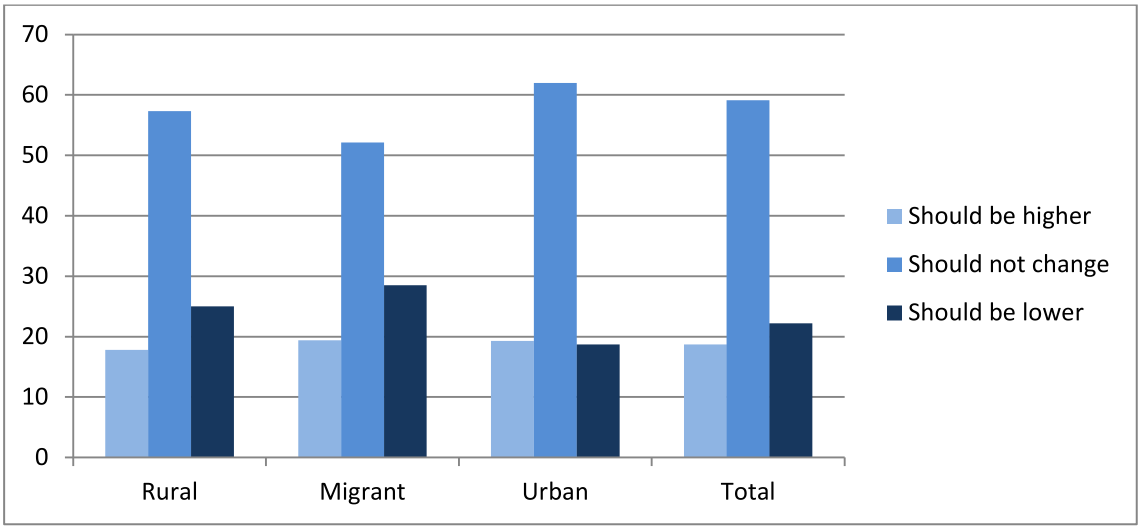
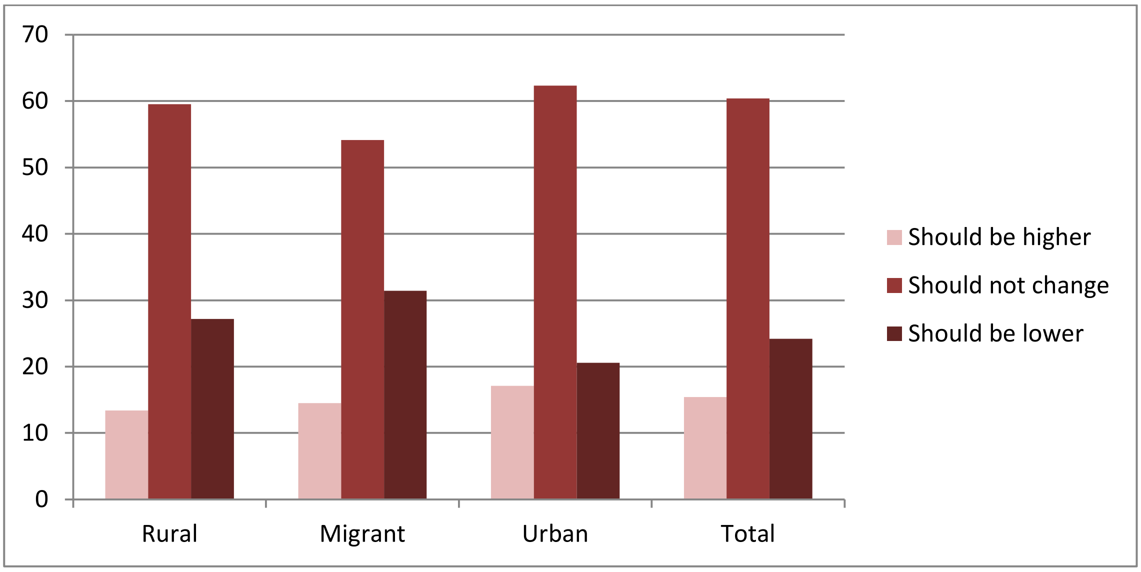


Figure 9: Do you think the female retirement age should be changed? (2014)



Conclusions

China's pensions system is becoming wider and more comprehensive. New insurance schemes have been introduced for previously uncovered parts of the population, and a fragmented system with four different schemes for different groups is being merged into two.

New survey data show a considerable increase in the proportion of the population covered by public pension insurance, particularly among rural residents. By 2014 52 percent of the population had social old-age pensions insurance. People worry less about their life in old age. A majority of Chinese people support the idea that government should take responsibility for old-age security, and support for this idea has become increasingly widespread over the past decade.

Yet, China is still very far from having a Scandinavian-style universal welfare system with high equality and generous benefits. Inequalities remain between rural residents, migrants and urban residents with regard to the level of pension they can obtain. A central feature of China's current pensions system is that it is very wide in scope, but very unequal with regard to the benefits provided, with the new pension schemes offering only minimal benefits. This may be reflected in the fact that the new survey shows that rural people and migrants are considerably less satisfied with the government's performance with regard to old-age care, compared with urban residents.

China's retirement age will increase gradually over the following decade, as has already happened in many other countries. Our data confirm that the prospect of heightened retirement age is very unpopular in China, posing a challenge to the efforts to do so. In Scandinavia retirement limits were higher to begin with, making the issue more difficult to deal with in China. However use of incentives that allow people to obtain higher pensions by working longer may be of interest also to the Chinese government.

On the positive side China has other tools at hand than the Scandinavian countries when it comes to increasing productivity, efficiency and tax revenues. Such measures have all to a larger extent already been exhausted in the Scandinavian settings.

Pension and health system reforms in China have followed a similar path, aiming at wide coverage first but with minimal benefits, which are to be increased gradually. This strategy is a novel one, as most developed countries have started off with deep coverage for limited segments of the population (usually dependent on work) which has gradually been widened to include new population groups. An important research field for the future will be to study how being enrolled in the schemes affect people's expectations towards the government and their perceptions about welfare norms and entitlements.

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