Evaluation and Suggestions on China’s Endowment Insurance System for Enterprise Employees--An Empirical Analysis Based on Welfare Pluralism

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Abstract
Under the guidance of welfare pluralism the paper researches the endowment welfare system for enterprise employees by taking X corporation in China as an example. By means of analysis of real case, the paper, from dimensions of coverage, security performance, continuity and efficiency, evaluates the performance of endowment welfare system for employees, discusses the problems existing in the process of implementation of the system, and proposes suggestions to improve the system.

Keywords
welfare pluralism, Retirement, Evaluation, Improvement.

1. Research Background and Object
Under the New Normal of economic development, the Chinese government has incessantly pushed forward with the economic restructuring and maintained a sustained and stable development of the economy. According to the data of Statistical Communique on the 2015 National Economic and Social Development published by National Bureau of Statistics, China’s gross domestic product (GDP) in 2015 reached 67.6708 trillion yuan, an increase of 6.9% over the previous year, with a per capita GDP of 49.351 thousand yuan, an increase of 6.3% (provided by National Bureau of Statistics, 2016). As an important constituent part in economic development, enterprises usher in an opportunity period of development. In 2015, the number of new registered market entities reached 14.798 million with a rise of 14.5% over the last year (provided by Comprehensive Department of State Administration for Industry & Commerce, 2016).

An improved welfare system serves as an effective instrument to attract, retain and encourage excellent employees to work for company in the long term. The Thirteenth Five-year Plan for National Economy and Social Development indicates, “We should establish a more equitable and sustainable social security system. And we need to improve basic endowment insurance system for urban employees featuring the combination of social pool and individual retirement account, building a multi-layered endowment insurance system embracing occupational annuity, enterprise annuity and commercial insurance.” With the increasing stress of retiring life, employees have a more urgent demand for welfare of endowment security. However, some problems can be found in the process of implementation of the existing endowment insurance system and enterprise supplementary endowment insurance system. Therefore, how to optimize and improve the current policies on social security and how to satisfy employee’ need of welfare after retirement are issues that the government and enterprises have to handle appropriately.

The research object of the paper is welfare system of staff endowment insurance. In a broad sense, staff welfare refers to all kinds of rewards except from salary. The staff endowment welfare in the survey
adopts the concept of welfare in broad sense. Statutory welfare indicates the endowment insurance system provided by the government while non-statutory welfare refers to supplementary endowment insurance system offered by enterprises, namely, the enterprise annuity system.

The research adopts the method of case analysis by taking X Corporation as an example. The corporation is one of the major providers of comprehensive financial service in China who offers bank products and services to various corporation and retailers through overall business portfolio, extensive distribution network and advanced technical platform. Meanwhile, it conducts the businesses in financial market and property management and extends its business scale to the fields such as investment bank, fund management, financial lease and life insurance. By the end of 2015, the corporation was in possession of 23,000 branches at home and abroad with a total asset of approximately 18 trillion yuan, gaining net profits of 180 billion yuan throughout the year.

2. Welfare Pluralism

As an important part of research on social policies, social welfare has drawn attention from all sectors of society, and such a proposing of theory marked a great progress in social welfare theory. Rose believes that social welfare is a critical issue to be researched and that social welfare derives from three sectors, namely, families, the market and the government. As providers of social welfare, each one of the three sectors makes contribution to another two, and the welfare programs provided by the three sectors, once integrated altogether, form a welfare system for society. And the three kinds of welfare are called a portfolio of welfare pluralism in society. In modern society, the aggregate of welfare composes of welfare produced in families, welfare purchased from the market, and welfare provided by the government. Furthermore, Johnson has added voluntary agencies to the sectors of welfare pluralism proposed by Rose, which enriched the welfare pluralism. Peng Huamin has proposed the transition of welfare triangle system, researched the arrangement and changes of three systems including employment system, family institution and social welfare system in the discussion of social exclusion of welfare triangle. Family serves as the fundamental constituent unit and one of the basic systems of society. The paper, from the perspective of welfare pluralism, conducts research in the dimensions of the government and enterprises.

3. Policies on staff endowment insurance of foreign countries and the enlightenment.

Under the condition of market economy, staff welfare systems of foreign countries enjoy a long history of development and a relatively improved mechanism. The survey on advanced experience of retirement welfare system of foreign countries can provide beneficial reference to the improvement of the Chinese system.

3.1 Germany

The German system of endowment insurance consists of statutory endowment insurance, enterprise supplementary endowment insurance, voluntary insurance and endowment insurance for specific communities. The first backbone of the system is statutory insurance which is a public endowment insurance system compulsorily required by the government. The basic annuity dominated by the government is a system accounting on the cash basis. Its capital derives from the payment of social insurance which is paid by both the employer and the employee by 40% respectively and an allowance of 20% from the government. The second backbone refers to the plan for occupational endowment insurance, or supplementary endowment insurance, which is carried out on the basis of fund accumulation system and paid jointly by the employer and the employee. It serves as an effective way for enterprises with relatively good economic performance to motivate employees, address their worries about retiring life, and attract and retain talents. The government encourages establishing system of occupational pension through which enterprises can enjoy tax preference by means of book
reserve fund. The third backbone is private commercial insurance whose substitution rate can reach 50% or more. People pay for insurance expense by personal income, which is encouraged by the government and through which they may gain a certain tax preference.

3.2 The United Kingdom

The United Kingdom carries out an endowment insurance system with an all-round security in which the most important one is national basic endowment insurance system. It is composed of “national pension plan” and “minimum income guarantee system” with the purpose of providing the nationals with the most fundamental endowment insurance. In this structure, the British people have the right to get benefits and then attain the minimum level of endowment insurance. The minimum income guarantee system is a support from the government for the income of disadvantaged groups. It makes it possible that these people can enjoy the minimum wage set by the government. The second largest part is various endowment insurance related to income with a target lying in providing the staff with higher income on the basis of their original salary. This system is operated on a non-accumulative cash basis. The process of operation is completed with the help of national insurance system. In addition, there are completely voluntary forms of pension deposit, including voluntarily supplementary payment, independent and voluntary payment and other private insurance.

3.3 Enlightenment

The developed western countries are continuously improving their old-age security systems, during which the governments play a fundamental part. At the same time, the roles of enterprises and individuals were also given full play in the course of completing their systems. By establishing and perfecting retirement welfare system, reasonable retirement benefits of citizens were guaranteed.

4. The appraisal of implementation of social endowment insurance and the analysis of emerging problems

Social endowment insurance is a social security system established by the country according to specific laws and regulations in order to satisfy the fundamental living needs of employees after they reach the statutory labor age at which they have to quit working or after they leave from their posts due to the loss of labor capacity resulted from aging. China has made a rapid progress in urban employee endowment insurance. From 2007 to 2015, the number of citizens who participated in the endowment insurance plan rose by 152.24 million, an increase rate of 75.60%. The number of enterprise staff members who purchased endowment insurance grew by 148.88 million, an increase rate of 81.65%. Besides, more accumulation was made in pension insurance fund. The figure went up from 739.1 billion yuan in 2007 to 3.53 trillion yuan in 2015, with an increase of 2.795 trillion yuan and an increase rate of 378.22%. In the same time, the ratio of financial subsidies in the proportion of financial revenue accounted for 17.82% in 2007 to 20.49% in 2015 through calculation, which illustrates that China has laid more emphasis on endowment insurance system with an increasing investment on the field. All the above figures show the development of China’s endowment insurance for urban employees which greatly promoted the improvement of endowment insurance system.

The indicators evaluating the development of endowment insurance include coverage, security performance, continuity and efficiency. By taking practical execution of endowment insurance system of X Corporation as the example, the survey evaluates the operation of endowment insurance system by means of “applying the minority to the majority” and “make a painstaking examination on the object”.

4.1 Evaluation on coverage of endowment insurance

The indicator of coverage can be seen through the rate of participation in basic endowment insurance for urban employees and the rate of enjoying benefits of basic endowment insurance for urban employees.
4.1.1 Rate of participation in basic endowment insurance for urban employees.

The calculation formula of the indicator is the number of staff members paying for basic endowment insurance for urban employees/the number of staff in the corporation. In accordance with the Article X of Law of Social Insurance, employees shall join in basic endowment insurance whose expense shall be jointly afforded by the employer and the employee. X Corporation pays the fee of endowment insurance for its employees according to the requirements of national laws. In line with the statistical data in the annual report, all of employees in X Corporation have joined in endowment insurance with a participation rate of 100%.

4.1.2 Rate of enjoying benefits of basic endowment insurance for urban employees.

The calculation formula of the indicator is the number of employee drawing pension from basic endowment insurance for urban employees/the number of corporation staff over retiring age. In accordance with the Article XVI of Law of Social Insurance, individuals who participate in basic endowment insurance shall receive basic pension monthly if they have paid for the insurance for 15 years when reach the legal retiring age. According to statistics, all retired staff of X Corporation enjoys the benefits of basic endowment insurance in light of statutory stipulation, with the rate of enjoying benefits of the insurance reaching 100%.

In conclusion, the coverage index of endowment insurance of X Corporation is 1, which is higher than the national level.

4.2 Evaluation on security performance of endowment insurance

The indicator of security performance can be reflected through the substitution rate of basic endowment insurance for urban employees. The calculation formula of the indicator is the average pension of employee basic endowment insurance/the average annual salary of the staff. The substitution rate refers to the proportion of pension of a retired employee in his or her income before retiring. It shows the payment performance of endowment insurance and is a key indicator to measure the security performance for the aged. According to statistics, the substitution rate of basic endowment insurance for the staff in X Corporation reached 34% which was far lower than the national level in the same period. Analytically, the phenomenon mainly resulted from the enterprise property and the higher market price. Since the wage of the staff in X Corporation was higher than the average level in society, their substitution rate of endowment insurance after retiring was relatively low and the security performance after retiring was comparatively worse, which needed to be improved by other old-age security systems.

4.3 Evaluation on continuity of endowment insurance

The indicator of continuity is mainly embodied by the dependency coefficient of basic endowment insurance for urban employees, and its calculation formula is the number of employee drawing pension from basic endowment insurance for urban employees/the number of employee paying for basic endowment insurance for urban employees. According to statistics, the dependency coefficient of basic endowment insurance for urban employees of X Corporation was about 0.35 which was lower than the national average index of about 0.60 in the same period. Analytically, the situation was mainly derived from the fact that X Corporation, as a knowledge-intensive enterprise, had recruited a great number of young employees. From 2013 to 2015, staff members under 30 years old accounted for 18.4%, 20.5% and 21.88% respectively in total number of the staff with the proportion increasing annually. Meanwhile, staff members from 41 to 50 accounted for 48.2%, 45.1% and 42.64% respectively with the proportion decreasing year by year. Therefore, it indicates a relatively good continuity of endowment insurance if the dependency coefficient of the insurance is lower than social average level. However, the imminent peak of retirement in the corporation brings it a rigorous test in old-age security.
4.4 Evaluation on efficiency of endowment insurance

The indicator of efficiency mainly manifests by the elasticity of substitution rate on payment rate in basic endowment insurance for urban employees, and its calculation formula is substitution rate of basic endowment insurance for urban employees/ payment rate of basic endowment insurance urban employees. According to statistics, the indicator is 0.526 which is far higher than national average index, which is mainly caused by the relatively low substitution rate of endowment insurance. Under the condition of the same payment rate, the corporation has indicator of efficiency of endowment insurance. Hence, it is urgent to make efforts in promoting substitution rate of endowment insurance so that the multi-layered old-age security system of the corporation can be improved.

5. The Evaluation of Supplementary Endowment Insurance System of X Corporation and the Analysis of Emerging Problems

Enterprise annuity refers to the supplementary endowment insurance system voluntarily established by the enterprise and the staff on the basis of the latter’s legitimate participation in basic endowment insurance. Since 2007, China has made a fast progress in enterprise annuity in terms of the number of involved enterprises and employees and the fund accumulation. From 2007 to 2015, the number of involved staff members grew by 13.87 million with an increase rate of 149%. The number of involved enterprises rose by 43.5 thousand with an increase rate of 136%. Fund accumulation increased by 800.7 billion yuan with a growth rate of 527%. All these made enterprise annuity experience a leapfrog development and contributed to the improvement of endowment insurance system. In order to encourage employees to serve for their enterprises as long as possible, it is necessary to properly promote their material benefits after retirement so as to strengthen the cohesion, competitiveness and appeal of enterprises. Additionally, X Corporation has set up normative operation mechanism of enterprise annuity and formulated Scheme of Enterprise Annuity of X Corporation which had been performed since 2013.

5.1 Difficulty in drawing.

Problems in practical operation of notarization of interest allocation. When a sum of enterprise annuity is issued in one-off payment, the inheritable enterprise annuity of dead employee should be transferred to his or her own account in principle. If the account is invalid, the family members need to provide notarization of allocation to specify the shares of the legacy. However, it is difficult to draw annuity due to complex judicial procedures such as notarization.

Case I: You XX died in November, 2011, with a sum of balance of enterprise annuity of 788.73 yuan remaining in the account. The involved unit has repeatedly negotiated with the daughter and persuaded her to apply for a notarization to draw the annuity from the account. However, when she came to the county notary office she was told that she had to pay 400 yuan for notarization. Thus, since there was little she can get from the account of enterprise annuity after the payment of notarization fees and the procedures was quite complex, she was not willing to apply for a notarization and claimed a waiver of drawing.

5.2 Financial crisis in operation

In the regular inspection on operation, it is found that the financial risk in enterprise was increased due to the dishonest handlers who dare to defy the prohibitions of corporation.

Case II: Zhang XX, a staff member of an institution in H Province, drew 600 thousand yuan of enterprise annuity from the account of institution after getting the permission. However, Zhang extracted 1000 yuan from the sum of money, and on the second day he filled it up with 1000 yuan and deposited it in the account of provincial institution. Even though both the account titles and the account numbers were found mistaken in electronic and paper documents involving in the procedure of payment, no anomaly has been found by business division in the process of the approval of payment or
by financial department in the process of examination on the payment procedure. Therefore, the ineffective internal control of payment will result in relatively high risk of fund security.

5.3 Inconvenience in the check of personal accounts

Although socialized management of enterprise annuity has been operated, the functions of management system of annuity account needs to be further improved, for sometimes the data required in work cannot be calculated and checked by the system.

Case III: Presently, in real management process, it is necessary for the corporation to play the leading role in coordinating the handlers of financial affairs and improve the management system of enterprise annuity account in its functions including the check of annuity information, annuity payment data and data summary by stages and classifications, which will enable the account-management system of enterprise annuity to serve the management of annuity in a more efficient manner.

5.4 Deficiency in the mechanism of information disclosure

The mechanism of information disclosure in the process of investment and operation is imperfect. Firstly, information disclosure mechanism is relatively obscure in the stipulations on content and form. It only requires representing the financial situation and operation results and does not demand to illustrate information such as the execution of budget of enterprise annuity, details of income and expenditure in funds, and investment returns of annuity. Secondly, subjects are not active in voluntary disclosure of related information, and the risk of principal-agent relation exists in the investment and operation of enterprise annuity without mandatory systematic rules. It is the mandatory and the beneficiary who are always in the disadvantaged position while the inconsistency of identifications and interests of the mandatory, trustee, book-keeper and investment manager makes the investment manager conduct selective reports or conceal information, which will by all means damage the interests of beneficiaries.

6. Advices on Improvement of Endowment Insurance System for Enterprise Employees

Improving staff welfare system is a tremendous and arduous project. Through the analysis given above, some aspects need to be strengthened and improved by the government and enterprises which are the two regards on which the research gives suggestions to complete the system.

6.1 National endowment insurance system

6.1.1 The level of overall plan.

We need to promote the level of overall plan since the excessively low level will bring about the disunity in the same type of insurance, levy policies, scale of cashing as well as transfer and renewing. Beside, for the sake of their own interests, insurance-levying institutions in various regions will introduce self-interested policies, which further influences the trans-regional flow of involving staff. To address the issue, the first advice should be to establish a mutual recognition mechanism for social insurance policies among provinces. After the transfer of personal endowment insurance program, the receiving department of social insurance needs to recognize the policies of original region on some remaining problems relating to the immediate interests of involving employees and to help them continue the program. The second suggestion is that the department in charge of social insurance should set up a corresponding coordinating institution in order to actively communicate and coordinate between the similar complex and tough situations so that they will be resolved as soon as possible.

6.1.2 The confirmation of payment base of premium.

All kinds of insurance need to introduce consistent policies on the confirmation and adjustment of payment base of premium, the time limit of payment, and procedures of transfer and renewing, which will help to make enterprise management and audit of social insurance more convenient. A consistent
explanation on related problems of various insurance should be brought forth, such as the retirement age of female labor and checking standards of payment.

6.1.3 Optimization of business procedures.

It is necessary to integrated business processes and decrease handling procedures so as to reduce management cost in enterprise social insurance. On the one hand, handling departments at all levels need to enhance awareness of shouldering responsibility. Handlers should deeply think of how to guarantee the seriousness and importance of archive management for the sake of employees’ immediate interests, and then lay great emphasis on the issue and take it seriously. On the other hand, handling sectors at all levels need to strengthen their executive force. Besides, they should put other related regulations into practice and promote the working quality by means of strictly implementing the system.

6.2 Enterprise supplementary endowment insurance system.

6.2.1 The organizational development of enterprise annuity.

The Council of Enterprise Annuity, as the head institution of operation in investment and management of enterprise annuity, plays a vital role in management process of enterprise annuity. Therefore, the team development of the Council of Enterprise Annuity must be intensified and professional quality of handlers needs to be promoted. Moreover, it is important to insist on seeking progress while maintaining stability and on philosophies of prudent investment in value and responsibility, to actively perform the entrusted obligations, and to ensure the value maintenance and appreciation of funds.

6.2.2 The building of supervision and management systems of enterprise annuity.

Firstly, owing to insufficient legal force in supervision and management and lack of corresponding legal supervision system, it is necessary to further advance the development of related laws and regulations. Secondly, the coordinating mechanism of supervision among governmental departments has not streamlined, which requires the further development of synergistic mechanism. Thirdly, the supervising technology is backward, which requires more powerful measures in application of information technology and statistics to supervision. Fourthly, various enterprises should be encouraged to take part in the assessment on investment performance. The department supervising enterprise annuity should adopt effective measures to encourage enterprise to actively participate in the evaluation on investment performance, fully mobilizing enterprises’ enthusiasm of participation, carrying out performance evaluation according to distinct realities, constantly enriching the items of evaluation and promoting a healthier and faster development of enterprise annuity market.

6.2.3 Improvement in information disclosure mechanism of enterprise annuity.

We should intensify information disclosure system of enterprise annuity from source. It is a must to reinforce the legislation on information disclosure of enterprise annuity so as to compulsorily require, by legal means, various participation subjects in the market to make all data of enterprise annuity public in time and in an accurate and integrated way. Besides, we should place the investment operation process of enterprise annuity under extensive social supervision in order to help enterprise annuity market develop in a healthier and orderly way.

References