KEY POINTS

- Critical factors for the successful establishment of a rural pension system in the PRC include sufficient number of public servants for rural pension services, capacity building, better operational standards and performance measurement, monitoring, and quality control.
- The strength of local operational management is also crucial for rural pension schemes service delivery.

SOCIAL PROTECTION BRIEF
Support to Rural Pension Reform and Administration in the People’s Republic of China

BACKGROUND

The lack of social protection for the elderly in rural areas of the People’s Republic of China (PRC) has, since the 1990s, been seen by the government as a critical issue. The central government introduced a rural pension scheme in 1992 which then ceased in 1999. Since that time, several pilot pension schemes have been introduced by local governments but these were unsuccessful due to several factors. Such factors include unsustainable design and financing, and a lack of organizational capacity to conduct pension administration and related services.

According to the National Bureau of Statistics of China in 2009, over 55% of the country’s population are rural residents, and almost two-thirds of the workforce is employed in rural areas. However, only around 10% of this rural workforce is covered by rural pension schemes.

THE RURAL PENSION REFORM STUDY

In 2009, the central government introduced a new rural pension scheme to improve old-age income security in 10% of counties within the PRC. The Asian Development Bank (ADB), through a technical assistance (TA) project1 in the same year, supported the pilot rural pension activities with the goal of establishing an effective institutional design for the PRC’s rural pension system. Extensive field surveys on existing rural pension pilot programs were conducted. The data from these surveys were used to assess the demographic features and income levels of local populations, and the economic development level of each county. An assessment of the quality of data found was conducted for monitoring purposes.

KEY RESULTS AND RECOMMENDATIONS

The project subsequently assisted in improving the design of the rural old-age insurance system based on extensive field studies and careful actuarial modeling.2

Findings were included in the report entitled *Report on the Reform and Development of Rural Old-Age Insurance System in the People’s Republic of China*. This report covered (i) the operational status and policy improvement required in pilot areas for the new rural old-age insurance system; (ii) actuarial modeling of the new rural old-age insurance system; (iii) financial sustainability analysis of the proposed system, taking central and western parts of the PRC as examples; and (iv) an analysis of the administrative arrangements for future development of the system.

The study supported the training of personnel responsible for the design of the old-age pension system and recommended the use of capacity building efforts to improve the administration of pension services in rural areas. This is a critical issue in the case of the PRC, since both the number of rural residents and the area that must be covered by the rural pension scheme are large.

The study found that in relation to building institutional capacity, policy makers need to address (i) the insufficient number of public servants who handle rural pension services and underdeveloped capacity of existing personnel; (ii) the lack of operational standards in pension administration and delivery, which causes inefficiency and pose higher operational and investment risks; and (iii) weak systems for performance measurement, monitoring, and quality control. These issues need to be addressed for the successful establishment of a rural pension system in the PRC.

**THE WAY FORWARD: SUPPORT TO RURAL PENSION ADMINISTRATION**

In 2010, and as part of efforts in evaluating effectiveness, ADB approved capacity development TA for the PRC to support pension administration and improve services in the rural areas. The TA was also designed to support the implementation of the pilot projects but focused on developing an improved financing strategy, the appropriate allocation of human resources, the integration of a segmented pension administration system through strengthening the institutional capacity of local governments, and providing policy recommendations.

The study conducted field investigations including quantitative and qualitative surveys in five cities, including Beijing, Zhuhai, Rizhao, Changchun, and Baoji. Findings of the detailed surveys elaborated upon the level of local operational management critical for rural pension schemes. Three important reports were prepared under the TA, including (i) evaluation of operational agencies for the service delivery of the new rural pension insurance; (ii) operational and business procedures to manage pension insurance services, including registration, premium review, personal account management, audit of benefits, and payment of benefits; and (iii) operational regulations enforced by the Ministry of Human Resources and Social Security in 2009. A set of recommendations were also prepared for financial strengthening, regulations, and compliance management.

The study further helped strengthen the institutional capacity of the bureau of human resources and social security at the provincial level, particularly in the provinces of Shaanxi, Guangdong, Shandong, Jilin, Jiangxi, Gansu, Sichuan, Qinghai, and Beijing, in order to better manage pension administration and service delivery. With increased fiscal support from the central government, the TA also contributed to the expansion of new pilot rural pension schemes which started in 10% of the counties within the PRC in 2009, and increased to 60% in 2011. By 2012, 100% of the counties in the PRC were reached. The two related studies proved successful in supporting the improvement of protection for the elderly in rural areas in the PRC.

---


---

**About the Asian Development Bank**

ADB’s vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region’s many successes, it remains home to approximately two-thirds of the world’s poor: 1.6 billion people who live on less than $2 a day, with 733 million struggling on less than $1.25 a day.

ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

**ADB Briefs** are based on papers or notes prepared by ADB staff and their resource persons. The series is designed to provide concise, nontechnical accounts of policy issues of topical interest, with a view to facilitating informed debate. The Department of External Relations administers the series.

© Asian Development Bank

The views expressed in this publication are those of the authors and do not necessarily reflect the views and policies of ADB or its Board of Governors or the governments they represent. ADB encourages printing or copying information exclusively for personal and noncommercial use with proper acknowledgment of ADB. Users are restricted from reselling, redistributing, or creating derivative works for commercial purposes without the express, written consent of ADB.

In this publication, “$” refers to US dollars.

**ADB Social Protection Briefs** aim to highlight achievements of ADB projects that support social protection initiatives in developing member countries.

Project Officers: Hiroko Uchimura-Shiroishi and Xiaofei Jiang

Brief prepared by ADB Social Protection Team
Sri Wening Handayani and Michelle Domingo-Palacpac