

Research on the Impact of Reducing the Basic Pension Insurance Rate of Enterprise Employees

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Abstract

Social security system is an important economic and social system. The social insurance premium rate directly relates to the scale of social security financing. The CPC Central Committee and the State Council attach great importance to improving the social insurance premium rate policy. At the Third and Fifth Plenary Sessions of the Eighteenth Central Committee of the CPC, it was proposed that the social insurance premium rate should be reduced appropriately and timely. In 2015, the State Council decided to appropriately reduce the rates of unemployment, work-related injuries and childbirth insurance. In 2016, it is proposed to reduce the proportion of basic endowment insurance units for employees in enterprises by stages. Reducing the proportion of employees' basic endowment insurance contributions will have a positive impact on enterprises and countries. On the micro level, it helps enterprises, especially small and medium-sized enterprises, to reduce their burdens; on the macro level, it helps to increase the number of employees of enterprises and reduce the unemployment rate of the whole society. At the same time, it is also conducive to the promotion of national macroeconomic development.

Keywords

Rate reduction; Enterprises; Basic old-age insurance.

1. Introduction

Under the background of the increasing pressure of population aging, the problem of providing for the aged has become the focus of attention of all walks of life. For a long time, China's population structure characteristics, pension insurance system model and other reasons make the basic pension insurance premium rate higher, which brings serious burden to enterprises, especially small and medium-sized enterprises. Under the new normal economic development in China, it has become a major trend of the reform of the basic old-age insurance system in China to stimulate market vitality, improve the competitiveness of enterprises and reduce the basic pension insurance premium rate for employees of enterprises. This paper analyses the current situation of the basic pension insurance premium rate for employees of enterprises in China, points out the reasons for the high premium rate, and on this basis, puts forward the influence of reducing the basic pension insurance premium rate for employees of enterprises and corresponding supporting measures, which is of great importance for China to cope with the challenge of population aging and improve the social security system. Significant practical significance.

2. The Current Situation of Basic Pension Insurance Rate for Employees in Enterprises in China

At present, the basic endowment insurance funds for employees of enterprises in China mainly come from the endowment insurance fees paid by units and individuals in proportion to their contributions to the endowment insurance. Units pay basic pension insurance premiums in the proportion of 8% of individual pay and 20% of unit pay. Compared with other countries and regions in the world, the basic pension insurance premium rate of employees in enterprises in our country is on the high side, as detailed in Table 1. On April 4, 2019, the General Office of the State Council issued the Comprehensive Plan for Reducing the Rate of Social Insurance. On May 1, 2019, the policy of lowering social insurance premium rate was carried out in an all-round way. Among them, the basic old-age insurance premium rate is related to enterprises, institutions and institutions in the unit contribution ratio of more than 16% of the provinces can be reduced to 16%. Table 1 shows the comparison between the old-age insurance premium rate of our country and that of other countries and regions after the reduction of the premium rate.

Table 1. Basic Pension Insurance Rates (Units %) in Some Countries and Regions

Data source: World Social Security Report.

| Countries and regions | Pension insurance contribution rate | | | Countries and regions | Pension insurance contribution rate | | |
|-----------------------|-------------------------------------|----------|-------|-----------------------|-------------------------------------|----------|-------|
| | Employee | Employer | Total | | Employee | Employer | Total |
| Austria | 10.25 | 12.55 | 22.8 | Switzerland | 4.2 | 4.2 | 8.4 |
| Belgium | 7.5 | 8.86 | 16.36 | Britain | 11 | 12.8 | 23.8 |
| Bulgaria | 8.8 | 13.2 | 22 | Argentina | 11 | 12.71 | 23.71 |
| Czech | 6.5 | 21.5 | 28 | Brazil | 9 | 20 | 29 |
| Finland | 4.1 | 16.8 | 20.9 | Chile | 12.55 | 1.3 | 13.85 |
| France | 6.65 | 8.3 | 14.95 | Columbia | 3.88 | 11.63 | 15.51 |
| Germany | 9.95 | 9.95 | 19.9 | Mexico | 1.13 | 5.15 | 6.28 |
| Greece | 6.67 | 13.33 | 20 | Canada | 4.95 | 4.95 | 9.9 |
| Hungary | 9.5 | 24 | 33.5 | America | 6.2 | 6.2 | 12.4 |
| Iceland | 0 | 5.34 | 5.34 | India | 12 | 3.67 | 15.67 |
| Ireland | 4 | 10.75 | 14.75 | Japan | 7.67 | 7.67 | 15.34 |
| Italy | 8.89 | 23.81 | 32.7 | China | 8 | 16 | 24 |
| Luxembourg | 8 | 8 | 16 | Taiwan, China | 3.9 | 4.55 | 8.45 |
| Netherlands | 17.9 | 5.65 | 23.55 | The Republic of Korea | 4.5 | 4.5 | 9 |
| Norway | 7.8 | 14.1 | 21.9 | The Philippines | 3.33 | 7.07 | 10.4 |
| Portugal | 11 | 23.75 | 34.75 | Singapore | 20 | 14.5 | 34.5 |
| Spain | 4.7 | 23.6 | 28.3 | Thailand | 3 | 3 | 6 |
| Russia | 0 | 20-26 | 20-26 | Vietnam | 5 | 11 | 16 |
| Sweden | 7 | 10.21 | 17.21 | Egypt | 10 | 15 | 25 |

Observed from the table above, we can see that after the rate reduction, compared with most countries and regions, the basic pension insurance premium rate paid by employers and employees in China is still on the high side.

3. Reasons for the High Basic Pension Insurance Rate of Employees in Enterprises in China

3.1. It Is Related to The Mode of Raising Pension Funds in China

Before the 1990s, China implemented the pay-as-you-go system. After the 1990s, China began to implement the partial accumulation system which combines the pay-as-you-go system with the fund accumulation system. This system model determines the levy rate according to the principle of "collecting and expenditure with slight balance", which makes the pension fund not only meet the needs of current payment, but also save some funds to meet the needs of future payment, that is, to ensure the balance of income and expenditure of the pension in a certain period of time. In order to expand the sources of endowment insurance funds, the government has issued a policy of joint payment of endowment insurance funds by the state, enterprises and individuals, and established a higher rate of endowment insurance premiums.

3.2. It Is Related to the Implicit Debt of China's Old-Age Insurance System

Before the 1970s, the old-age insurance system of our country implemented the old-age insurance of units, and the old-age security of employees was independently undertaken by units. With the reform of state-owned enterprises in the 1990s and the change of pension insurance system from pay-as-you-go system to fund accumulation system, the retired "elderly population" has no fund accumulation of individual accounts, but they should enjoy pension treatment during the period of "equal contribution". These retired old people's pension benefits need to be compensated by pension funds paid by employees. In order to meet the needs of pension fund payment and maintain the balance of income and expenditure of pension funds, the policy of increasing the current pension insurance premium rate has been adopted.

3.3. It is Related to the Change of Population Structure in China

Since the implementation of the basic national family planning policy in the 1970s, China's birth rate has declined rapidly, the number of new-born people has been decreasing, the number of elderly people has gradually increased, and the pressure of population aging has continued to increase. At present, the number of the elderly population in China has reached 240 million, and the number of the elderly population is on the rise. In order to cope with the pressure of population aging and ensure that pension funds are issued in full and on time, a relatively high pension premium rate is needed to maintain.

4. The Impact of Reducing the Basic Pension Insurance Rate of Employees in Enterprises

Faced with the increasingly fierce market competition, the development pressure of enterprises is generally greater. Reducing the basic pension insurance premium rate of employees will have corresponding effects on enterprises, pension insurance coverage, social and economic development, total pension and other aspects. On the one hand, it can have a positive impact on reducing the burden of enterprises, improving the competitiveness of enterprises, expanding the coverage of old-age insurance, increasing social output and stimulating national economic growth; on the other hand, reducing the rate of old-age insurance premiums will reduce the total amount of pension funds to a certain extent.

4.1. Reducing Enterprise Burden and Improving Enterprise Competitiveness

The payment of basic endowment insurance fees for employees by enterprises is one of the provisions of the labor contract, which is conducive to maintaining the legitimate interests of both sides of the labor force. The enterprise itself is the market main body for profit. Under the condition of certain income, too high basic pension insurance premium rate for employees will

increase the cost of employment, make the profit margin of the enterprise smaller, and make the enterprise overburdened. Reducing the rate of endowment insurance contribution of enterprises can reduce the cost of enterprises, stimulate the vitality and enthusiasm of enterprises, and put more capital elements into production and operation, so as to increase the profit space and enhance the competitiveness of enterprises. In the long run, reducing the rate of pension insurance for employees in enterprises is not only conducive to lightening the burden of enterprises, but also conducive to activating the market economy and realizing the sustainable development of enterprises and market economy.

4.2. Expanding the Coverage of Old-Age Insurance and Maintaining the Sustainability of the Old-Age Insurance System

Reducing the basic endowment insurance premium rate of employees in enterprises is conducive to reducing labor costs, increasing profit margins of enterprises, and increasing the enthusiasm of enterprises to pay the endowment insurance premiums actively for employees, which is conducive to increasing the number of endowment insurance participants and expanding the coverage of endowment insurance. From the perspective of collection rate, the contribution rate of endowment insurance is closely related to the consciousness of enterprises participating in insurance. Reducing the basic endowment insurance premium rate of employees in enterprises is conducive to improving the consciousness of enterprises participating in insurance, reducing the phenomena of enterprises defaulting on payment and concealing the expenses of endowment insurance, and improving the collection rate of basic endowment insurance, thus promoting the maintenance of our country. Sustainable development of the old insurance system.

4.3. Increasing Social Output and Stimulating National Economic Growth

The goal of enterprises is to maximize profits. Excessive pension insurance costs will increase the labor cost of enterprises and occupy the profit space of enterprises. This will reduce the use of labor production factors, may make decisions on layoffs and increase unemployment of social members. After the rate reduction, the cost of employment of enterprises will decrease, to a certain extent, it will expand the scale of enterprises, increase the number of employed workers, and promote the rise of employment rate in society, which is conducive to social stability and national economic growth.

4.4. Reducing the Total Amount of Pension Funds

The income source of pension fund in China is mainly composed of individual contribution and enterprise contribution, but the proportion of enterprise contribution is obviously higher than that of individual contribution. Enterprise contribution is the main source of income of pension fund in China, which has a significant impact on the balance of income and expenditure of pension fund. Reducing the basic pension insurance premium rate of employees in enterprises will reduce the income of pension funds, especially in the context of the pressure of population aging, the balance of income and expenditure of pension funds is facing greater challenges. Because of the differences in economic development level, demographic structure and historical debt, there are differences in the balance of pension fund. Therefore, reducing the basic pension insurance premium rate of employees in enterprises may further increase the difference of pension fund in different regions.

5. Supporting Measures to Reduce the Basic Pension Insurance Rate of Enterprise Workers

Reducing the basic endowment insurance premium rate of employees in enterprises is an important measure in the field of endowment insurance system reform. It is worth noting that

although the rate of endowment insurance premium paid by enterprises for employees has been reduced to a certain extent, the endowment insurance level of employees can not be reduced. Under the background of the further increase of the aging population in China, we should consider how to guarantee the future pension level of workers on the premise of reducing the rate of premiums. Therefore, corresponding supporting measures can be taken to ensure that the total amount of pension is adequate and that the pension is paid on time and in full.

5.1. Strengthen the Responsibility-Sharing Mechanism Between the Central and Local Governments

Rationally dividing the responsibility of raising and paying pension funds between central and local governments is an important measure to be taken after lowering the basic pension insurance premium rate for employees in enterprises. A reduction in pension rates does not mean a reduction in total pensions. Therefore, the central and local governments should reasonably divide their responsibilities and jointly guarantee the adequacy of the total pension. The central government can allocate some state-owned assets to basic pension insurance to enrich the basic pension fund. At the same time, local governments should also mobilize their own enthusiasm, put the supervision of the basic old-age insurance system into practice, and ensure the actual participation rate and contribution rate of the basic old-age insurance.

5.2. Increase the Intensity of Fiscal Transfer Payments

While lowering the basic pension insurance premium rate for employees in enterprises, the government should also ensure the pension level of employees. Therefore, the government should increase the intensity of financial transfer payments. At present, most countries in the world support the normal operation of social security system by means of financial allocation and transfer payment. Social security expenditure accounts for a relatively high proportion of total fiscal expenditure in western developed countries, while social security expenditure accounts for a relatively small proportion of total fiscal expenditure in China. Therefore, China should learn from the experience of developed countries, increase financial expenditure to support social security funds, and ensure the adequacy of pension funds by increasing financial investment.

5.3. Vigorously Develop the Enterprise Annuity Plan

Enterprise annuity is an important supplement to the basic old-age insurance system and the second pillar of the "three pillars" system of old-age insurance. It plays an important role in the old-age insurance system of our country. Under the background of accelerating population aging, it is necessary to actively develop enterprise annuity plan for improving the basic old-age insurance system in China. Many small and medium-sized enterprises have reduced their economic burden by reducing the rate of fees, which has made them more profitable. On the one hand, the government should take more active tax preferential measures to encourage small and medium-sized enterprises to establish enterprise annuity; on the other hand, it should strengthen the investment and operation management of enterprise annuity fund, realize the market-oriented operation of enterprise annuity, improve the level of enterprise annuity value preservation and appreciation, and give full play to the Supplementary Role of Enterprise Annuity in Basic Old-age Insurance.

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