Observation and Reflection on the Dispute of Delaying Retirement Policy in China

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Abstract

There exist numerous of disputes about delaying retirement in China for a long time. Most discussions are made from two aspects: the necessity of delaying retirement and the possible impacts brought by delaying retirement. Most scholars advocate delaying retirement, while civilians have different opinions, which is caused by distrusting the government and unfair problems brought by dual-track approach of pension. So relevant departments should listen to reasonable suggestions so as to make a feasible policy.

Keywords: delaying retirement, pension security, fairness, progressive

1. Introduction

Aging before getting rich and the huge pension burden in China make the delaying retirement policy to be on the policy agenda in China. The policy, which is directly concerned the interest of the people, is hotly debated in the scholar circles and these debate bring out a proliferation of productions. However, the study concerns the opinions of those influenced by the policy seems relatively less. The paper studies the issue both from the scholars’ views and from the popular views. We review the academic points and analysis the popular opinion based on survey data. Throughout comparing both sides’ views, we found there is a gap between the experts’ thinking and the popular recognitions. The reasons behind the gap worth pondering on and deserve special careful consideration by the policymakers.

2. The New Development about Delaying Retirement Policy in China

Getting old before rich is a sharp problem in China, and the population over 60 years old had accounted for 16% until 2015. In early 1990s, some scholars in educational circles had pointed out this problem in different occasions, but relevant departments failed to pay attention. China government didn’t put forward the policy to delay retirement until 2004. Although scholars and other groups gave some responses, they seemed to be very calm, especially the other groups. Although some research reports were put forward at the end of 1990s, some suggestions were from the perspective of social development trend. This problem didn’t get due attention until China government carried out the sixth nationwide population census in 2010. It further demonstrated that the population structure in China had changed deeply, and aging come unexpectedly and the personal pension accounts had the crisis of empty account, which all made relevant departments realize that the existed pension security system couldn’t be continued. Under this circumstance, delaying retirement was put forward by the central government as a policy arrangement, which drove the step of the research of relevant policies. In 2012, the Ministry of Human Resources and Social Security pointed out that with the constant progress of the economic economy and the improvement of the average life in our country, delaying the age of retirement has become a big trend. In Nov., 2013, the file of the Third Plenary Session of the 18th CPC Central Committee further proposed to research and make progressive policy to delay retirement. In 2015, the national human resources and the social security work conference put forward to formulate and issue progressive program of delaying retirement in 2016, set a “mitigation period” of about 5 years, implement officially in 2022 and complete completely until 2045.

3. Academic Reviews

The central government has quite clear intention to delay retirement and has made the policy generally, that is,
adopting the program of “progressive”, and setting a “mitigation period” of about 5 years. It is visible that from the perspective of the high-level of decision-making, the measure of delaying retirement is imperative. The educational scholars’ response well and the mainstream point is advocating delaying retirement. Scholars in Tsinghua University issued the “Tsinghua Program” of delaying retirement in People Network in Aug., 2013. In a moment, many scholars made deep analysis on the problem of delaying retirement from different perspectives. Most scholars agreed with delaying retirement policy mainly discussed this issue from two aspects: the necessity of delaying retirement and the possible effects brought by it, while few scholars expressed different opinions, and others advocated postponing delaying retirement.

3.1 The Reasons for the Delaying Retirement

Scholars has many reasons for making delaying retirement policy, such as long life cycle, population aging and the international trend, empty pressure of pension account, utilization of human resources, intergenerational equity of endowment burden, fairness between men and women, etc., which can be divided into resolution type and promotion and development type. From the perspective of resolution, the most important thing is that the pension is facing huge payment pressure in current situation and in the future, that is what Su Chunhong and Li Qiyun said, “It is the direct reason for proposing delaying retirement for population aging to challenge the financial sustainability of endowment insurance system.” The Ministry of Human Resources and Social Security predicts that the pension gap will be up to RMB 6 thousand billion until 2025, while the world bank predicts that Chinese pension deficit will be up to RMB 9150 billion until 2075. Yang Huan and Yuan Lei think that “It seems to become necessary to delay retirement under the dual background that the endowment insurance in our country has deficit and the design of legal age of retirement is unreasonable. Over 60 years since the establishment of the retirement system in China, the legal retirement age has never been changed. By comparison, the life expectancy enhances over 20 years old than the early days of the new country, so it is unreasonable apparently to extend the old retirement system.” Liu Chen lists several factors that force to delay retirement comprehensively: (1) “The depth of aging is aggravated with the phenomenon of getting old before getting rich and low birth rate”; (2) “The average life expectancy is prolonged significantly, and the self-burden ratio of women is over high”; (3) “The population in labor age is in the corner of minus increasing, and the contradiction between the supplying and demanding of the future labor is enlarged”; (4) “The educational years are prolonged generally, and the initial labor age is postponed”, etc.

From the perspective of promoting development, some scholars think that delaying retirement benefit the state and the people. Yu Jieyun suggests that the public should treat it rationally, “delaying retirement is a policy that benefit the state and the people.” Yuan Zhongmei thinks that delaying the age of retirement “can not only enhance the future replacement rate of pension, but also prolong the first time of demographic bonus period of our country, which will be the inevitable choice to promote the long-term sustainable development of economic society.” Shao Guodong, Zhu Xiaoyu and Liu Wei think that delaying retirement “can fully play the advantage of the number and structure of labor resources, and benefit the economic growth of the state” on one hand, on the other hand, with the economic and social development and improvement of the average life, “the retirement career will be prolonged inevitably under the condition that the retirement age isn’t changed, which makes the individual self-requirement that is expenditure be increased. At this time, the ratio of working period and retirement career (that is work and retirement ratio) will be decreased so that the individual self-supplying can’t meet the requirements, and it is easy to be trapped in poverty of income when old. In order to avoid this condition, the delaying of the retirement age has become inevitable. Only the working period being delaying, and working years of people in the whole life is prolonged can meet people’s self-requirement.” By investigating seniors in Gansu and Zhejiang, Tian Yanfang thinks that comparing with regular retired senior citizen, the aged that are reemployed after retiring have low morbidity and slow aging, which also avoids the passive psychological effect of staying at home, declines the dead ratio and benefits the physical and psychological health. Zhou Erhua and Zhang Tianjiao further put forward that because of the reality and requirements of reemployment of a large amount of retired senior citizen, “their labor benefits are violated repeatedly, and aren’t guaranteed legally”. After delaying retirement, most senior citizen over 60 year old that have the requirements of continuing working are brought into the workers that should be protected by laws and their benefits can be better protected.

3.2 Possible Effects Brought by Delaying Retirement Policy

The possible effects brought by delaying retirement policy include positive and passive aspects, and the focus is that whether delaying retirement can solve the problem of pension deficit and delaying retirement has crowding-out effect to the employment of young people. At present, public opinions are divergent, and it is unable to agree on which is right.
(1) Delaying retirement can solve the problem of pension deficit

Many scholars point out that under the background of population aging acceleration, operation of the empty account of personal account, huge pension deficit, difficult payment of local finance, etc., delaying retirement can decrease expenditure and increase income, defuse (lessen) the continuous crisis effectively. Jing Wenhao and Xie Chunling point out that, “Scholars such as Xu Dianqing once made measurement to the effects of pension surplus as to delaying the age of retirement in 2001. The result of the measurement expressed that if the retiring age of all workers is enhanced to 65, the pension system will keep surplus.” Deng Dasong and Liu Changping analyze that the retirement age is enhanced by 1%, the pension payment deficit will correspondingly shrink about 2%, and if the retirement age is enhanced to 5 years old, the fund deficit will shrink 22.69%. Yang Huanle predicts that it will be implemented starting from 2016 that, “the endowment insurance has much accumulated surplus when the return rate of endowment insurance fund is 6%, so it can better solve the problem of the deficit of the endowment insurance fund”. The endowment insurance fund under this retirement program will still have accumulated surplus until 2050, and the scale is about RMB 6.5 billion, which is 1.55 times than the income of the social insurance in the same year.” If the family-planning policy is adjusted at the same time, Yu Hong and Zeng Yi conclude that, “the fund accumulated surplus will be up to RMB 123.8-177.69 thousand billion until 2060, and 139.93-286.85 thousand billion until 2070”, Even estimated conservatively, under the condition of the predicted return rate of 4%, delaying retirement can make up with the pension payment deficit, and lessen the pension payment pressure greatly.

However, some scholars put forward different opinions, and they think that implementing delaying retirement may lessen the crisis of the pension deficit, but it can’t solve the problem of pension deficit fundamentally. In order to research whether delaying retirement can solve the problem of the deficit of the endowment insurance fund, Yuan Lei builds the measurement model of the deficit of the endowment insurance fund, and makes multi-conditions stimulation analysis to different possible conditions. The result expresses that: “delaying retirement can postpone the time window of the coming of the deficit of endowment insurance funds, and lessen the scale of the deficit of the endowment insurance fund, but it can’t solve the problem of the deficit of endowment insurance fund. The resolution of the deficit of endowment insurance fund can’t just rely on delaying the age of retirement.” Zhou Chenggang thinks that, adopting delaying the age of retirement “can’t resolve the problem of payment problem of fund in the peak of retirement.” Li Lanfen and Ma Weijie point out that Chinese pension deficit has existed flaw since the beginning of the designing of the system. It is not injected funds in advance, that is there is no pension, so with the advancing of time, it has the condition that the payers today fail to provide the retired people yesterday. So, “the nature of the deficit problem of pension is in economic aspect, the root is in the system itself, the responsibility is in the management of the government. So it seems “taking the wrong way to adopt the ethical method of prolonging the working time of workers, shortening the retirement period and overdrawing the welfare of civilians to solve the problem.”

(2) Whether delaying retirement has crowding-out effect to the employment of young people

Liu Chen thinks it is a paradox to the problem with big responses in folk that delaying retirement can deteriorate the employment of young people. Delaying retirement may not worsen employment, and the actual condition of employment at present is that “structural unemployment and frictional unemployment are serious, and the mismatching caused by the deviation between the requirement of human resources of enterprise and the actual supplying of labors is the important reason of unemployment. While the post replacements between the senior citizen and the young people are not equal, and a large number of posts are reproduced naturally and the follow-up employees can’t sustain the post, which produces the job vacancy, the strange phenomenon of coexisting of “difficult employment” and “labor shortage” emerges”. While “from the perspective of the social security, delaying retirement age and the unemployment rate have no absolute relation that is thought in the “paradox”, promoting retirement and promoting employment in proper opportunity when relevant policies are perfected can be promoted mutually and both of them can be implemented without coming into conflict.” Liu Nina and Liu Cheng analyze and think that, “the saying of ‘delaying retirement can increase the employment pressure of young people’ is some exaggerated and unilateral, even if the senior citizen have ‘emptied’ job post for the young people, which can’t solve the ‘difficult employment’ of young people from the root. Over stressing this effect just avoid the primary contradiction of the structural disequilibrium of the supplying and demanding of the labor market at present. “Yue Zhang and Liu Erpeng further propose that, “the economic development of our country is still keeping rapid speed and the quality of the economic development has large space to be improved, so the labor force and the absorbing force that are produced are strong. We can’t view the number of the employment posts in the labor market with static eyes, and get that the entry and exit of the labor market are one-to-one relationship. It should consider the active role of delaying retirement age to the future economic
development under the condition that the aging situation is irreversible from the perspective of development.”

Many scholars also think that the pressure of employment given by delaying retirement exists objectively under the current situation. Tang Jun thinks that, “it is unwise to delay retirement to cope with aging. The employment condition at present is not optimistic, and the newly-born labor in China is 20 million each year according to the statistic of the Ministry of the Human Resources and Social Security, while only 10 million labor posts are created each year, among which 3 million are natural replacement, that are the posts that are emptied by retired people. So, delaying employment will inevitably produce unfavorable effect to the employment of young people.” On the basis of comparing with the impact of delaying retirement to the employment of young people in OECD countries and according to the actual condition of employment in China, Fan Qi and Feng Jinglun get the conclusion through model-building and prediction that, “the crowding-out effect of delaying retirement to young group is very big.” Scholars such as Li Fujun think that, “Relatively speaking, there are few labors with higher human resources in the current society, and different skilled talents, especially high-skilled talents are in urgent shortage. Qualities and abilities of most labors are near, which produces the serious phenomenon of ‘homogenization’ among labors. As to the same post, both the labors in the old age and young age can be qualified, if the senior citizen don’t retire, they can’t empty post to the young people, which expresses the significant replaceable relationship between the senior citizen and the young people.”

4. Popular Opinions

4.1 The People’s Attitude to the Delaying Retirement

Generally speaking, delaying retirement policy should be a proper choice no matter from the perspective of the economic social development or the reform of the endowment security system of the developed countries. But it had been opposed by the public before the specific policy of delaying retirement is issued and it is just an intentional policy arrangement of the government department, and the opposing proportion is high. For example, the students from Economic Department of Nankai University interviewed 164 citizens of Tianjin in a random questionnaire investigation in 2014, and the following chart shows the result:

![Figure 1. A survey in TianJing: why people oppose delaying retirement](http://news.nankai.edu.cn/zhxw/system/2014/05/09/000180454.shtml)

If analyzed just in perceptual intuition, the statistic displays that 60%-90% of the interviewees disagree with delaying retirement policy according to the social investigations of different social institutions, especially network media. The reasons of the interviewees that oppose are different. Some interviewees think that they will suffer losses if delaying retirement, and they will pay more but get less. In Mar., 2016, the social investigation center of China Youth Daily made an investigation on 169063 people with Sohu Investigation, and the result displayed that, “91.1% of the interviewees say that they disagree to delay retirement frankly”. Among which, “80.7% of the interviewees worry that the pension that they will get after retiring will become less.” Some people think that the existed endowment insurance policy is unfair, what it protects is the benefit of the policy-maker and the vested interest. Implementing delaying retirement will benefit the retired officers and
4.2 Why the People Resist Delaying Retirement

If the above objections has perceptual cognition, researches should be quite rational. In McGarry’s opinion, what effects the age of predicted retirement primarily is not income or wealth, but health, in other words, the healthy condition of employees decides their intentions and abilities to continue working. On the basis of McGarry’s research, according to the sixth population census scholars found that over 100 million people out of 177 million are in unhealthy condition. The world health organization has a concept named “Healthy life expectancy”. The Chinese average healthy life expectancy in 2003 was 64 years old, which is far lower than the level of western developed countries. The average ill period of Chinese retired people occupies high proportion in the left life. The ill period of men occupies 75.17% of the left life, and that of women is higher than men, about 78.48%. From the perspective of working labors’ healthy condition, the general healthy condition of Chinese is relatively low. In the process of flowing to the cities, labors sell their labor force with semi-commercial method, and their labor value is diminished. While piece work system and dormitory labor system realize the effective methods of controlling labors and excessive usage. Low salary, super heavy labor strength, bad working environment and living environment make their healthy condition worse and worse. Although white-collar workers in cities don’t need to pay physical power to maintain their work like ordinary workers, they have to face endless overtime work, which also damages their health. An investigation about the healthy condition of white-collar workers in 2012 displayed that over 2/3 of the interviewees are in unhealthy condition. A report of Beijing Normal University thinks that the phenomenon of overtime work in China is serious, workers who need to take overtime work often occupy 32.95%, and those who can get off work on time just occupy 12.15%. 90% of industries have to work over 40 hours a week, days of paid leave are far less than other developed countries. 70% of the workers are in “over tired” condition, which performs as fatigue, pain, neurasthenia, insomnia, alopecia, agitation, depression, etc. The huge working pressure has made China exceed Japan and become the biggest country of “death from overwork”. According to statistics, people who die from overwork in China each year are up to 600 thousand. Reports About the Healthy Condition and Welfare Of Employees In Chinese Enterprises In 2015 shows that about 60% of people who are investigated have all kinds of chronic diseases, and working pressure is the primary factor of the healthy risk of employees.

As mentioned above, the views of advocating delaying retirement in educational circles take absolute advantage in some degree. It is interesting that almost no one in these scholars’ objects that his research is not practical, and they think that they are benefiting the society and the public. However, the speakers say much, while the listeners hear little, and the civilians seem not to be appreciated. Perhaps we can question about the scientficity of the investigation questionnaire and think that the statistic makes mistakes. But the results of many investigating units are exotically accordance, among which some are central level media with authority. Then why do the ordinary people respond so greatly to the problem of delaying retirement? Perhaps it can give some enlightening thoughts for the formulation of the future policies and make delaying retirement policy that is formulating be more perfect.

Firstly, the trust of the civilians to the government is insufficient and is declined continuously. After the government putting forward the intention of delaying retirement, many netizens express that: “It was said 30 years ago that ‘family planning is good, and the government will provide for the senior citizen’; It was said 20 years ago that ‘family planning is good, and the government will help to provide for the senior citizen’; It was said 10 years ago that ‘You can’t depend on the government to provide for the senior citizen’; Now we are old, and the government says to promote delaying retirement policy, what should we do? “It is an obvious doubt to the government, and they think that the government doesn’t have undertaking in facing difficulties, but thinks to “throw away the burden”. When the personal account has huge deficit and the pension payment can’t be continued, the government doesn’t find reasons from itself, such as the historical debt problem, imperfect problems of the government levy, supervision and operation; It doesn’t try to find solutions, such as letting the profitable national enterprises to invest or the government subsidizes, but thinks to let citizens to pay the bill. In addition, what was implemented before reform and opening up was planned economy and the endowment insurance system under such kind of system is incomplete. For a long time, low salary system is actually that the government occupies the pension expenses of wide employees. In the late of 1990s, the government agreed with this, and the educational circles and the international organizations had their own opinions, but authorized departments never express clear suggestions. The more critical problem is that what the randomness of the government brings is the losses of the trust of the government. As to the government, it can’t change randomly in
arrangement and implementation of policies. If things go on like this, the government will lose confidence of people.

Secondly, the disagreement of the civilians on delaying retirement policy come from the long dual-track approach of pension. Under such system, employees in enterprises pay pension insurance by month to implement social pooling, while workers in public institutions don’t pay insurance pensions but they draw high salary. The replacement rate of pension of enterprise employees is just about 40%, while that of public officers is as high as 90%. If delaying retirement is implemented, the civilians pay more but draw less, and the retired staffs of institutions don’t pay but draw more. Such kind of reform is classical feeding the rich with the poverty, and the civilians are sure to oppose. Thus, some people express on the net that: “Pensions of institutions are not merged, reforms seem like ‘bullying’”.

Although the state issued the file of the Decision of the State Council to Reform the Endowment Insurance System of the Officers in the Public Institutions at the beginning of 2015, it failed to solve the problem of relative fair of pension treatment. According to the regulations in this file, the reform of the pension income of public officers is constituted by two parts including the basic pension and the occupational annuity, which are all guaranteed by government finance, while enterprises are not willing to or can’t afford to bear the annuity of employees. According to the incomplete statistics, so far, population that join in the enterprise annuity is less than 5%, and most can just rely on the basic pension. It will be more difficult to shorten the differences of retirement through enterprise annuity on the principle that reform doesn’t decline the treatment of public officers, on the contrary, which may further expand the differences. This kind of merging changing form just changes the mode, and the substantial is “a change informs but not in content”. So the civilians have to ask is this kind of merging significant if the merging just realizes the conformity in system, while makes up with the losses of the public officers with other methods?

So civilians express extremely big doubt as to delaying retirement policy that will be made in the future, and they think that the policy can benefit the makers and the people with vested interests, and the policy has the suspicion of benefiting privacy with the public, so they dare not to trust the government. In 2013, the social investigation center of China Youth Daily made investigations on 25311 people about the attitude of delaying retirement. 94.5% of the investigators express opposition clearly, and what should be noticed is that, among which “62.9% of the investigators advocate that public officers should be forbidden to delay retirement.” Even if in the investigation of this March, civilians still feel that most people who wish to retire early are ordinary workers, and delaying retirement is more beneficial to people who are in leading posts. 81.5% of the interviewees think that delaying retirement is more beneficial to the workers in public institutions.

5. Conclusions

There exist huge differences in delaying retirement policy between scholars and civilians. The reasons lie in two aspects: on one hand, the policy is not perfect, and there are many flaws in its formulation and promotion; on the other hand, the emergency of new media provides civilians platforms for the public to exchange their own suggestions and opinions and the network has become an important way for them to participate in the the discussion of state affairs, so relevant departments should listen to reasonable opinions and suggestions to make better delaying retirement policy.

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