

Suggestions for Innovating China's Pension Policy and Service Industry under the New Normal

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Abstract: As China's aging population deepens, pension issues have become a major topic of national and social development. Based on an in-depth analysis of developed countries' pension policies and diversified pension models, this paper addresses the current issues such as insufficient pension service supply and pension funding gaps in China, proposing a series of practical policy suggestions. The study draws on foreign diversified pension models and their security systems and, combined with the rapid development of China's economy, especially the tertiary industry, discusses how the government can guide pension industry policies, bridge pension funding gaps, and promote innovative development in the pension service industry. These suggestions aim to provide theoretical support and practical guidance for the reform of China's pension system, pushing China's pension undertakings to a higher level, with significant social significance and practical value.

Keywords: Active Aging, New Economic Normal, Data Analysis, Pension Funds, Pension Service Industry

1. Introduction

With the deepening of population aging, China is entering an internationally recognized aging society. According to the "National Population Development Plan (2016-2030)", it is estimated that by 2030, the population aged 60 and above in China will reach 360 million, and the scale of China's pension industry will reach 22 trillion yuan [1]. Meanwhile, due to significant changes in China's social development under the background of the new normal of the economy, transitioning towards more stable and sustainable growth, and focusing on economic structural diversification while also pursuing social development diversity, new challenges have been posed to the structural optimization and healthy development of the pension industry. Under the new normal of the economy, how to promote the more scientific, stable, and sustainable development of the pension industry to better adapt to the economic and social development trends is of great significance for promoting China's economic development and social harmony.

1.1. Opportunities Brought by the Development of the New Economic Normal to China's Pension Industry

Since the reform and opening up, China's economic development has entered a sustained period of high-speed growth, which has provided sufficient material foundation for pension security work and created favorable conditions for its exploration and systematic development. The goal of the development and reform of the pension industry is to rely on the construction of an inclusive and diversified pension service system to meet the increasingly diverse high-quality pension needs of the elderly. Therefore, it is only when China's economy is steadily growing that effective promotion of the optimized development of the pension industry can be ensured. Currently, as the pension industry is still in its infancy and rapidly developing stage, policy support, material investment, structural optimization, etc., are needed to improve the industrial structure [2]. In other words, China's economic development characterized by "innovation-driven" and "transformational upgrade" can provide an important foundation for the pension industry, thus better guaranteeing and enhancing the healthy life and social development of the elderly, and better achieving the goals of ensuring that the elderly are taken care of in terms of sustenance, medical care, and safety.

At the same time, with economic transformation, there are increasing demands from the demand side of the market for the quality and levels of the pension industry. With economic development and the increase in residents' income levels, people's demand for pension services and products is also continuously increasing, including high-quality pension services, healthy pension products, etc., providing new momentum for the development of the pension industry. Advocacy for technological innovation-driven by the new normal of the economy also brings new opportunities for the development of the pension industry, including intelligent pension equipment, remote medical care, intelligent health monitoring, etc. The application of these technologies can improve the efficiency and quality of pension services, which also means that the market demand for the pension industry under the background of the new normal of the economy will be more extensive and diverse.

Furthermore, the new normal of the economy will also provide favorable conditions for optimizing and reforming the supply side of the pension industry. China's social structure has undergone significant changes with the reform of the economic system. With the development of the new normal characterized by "better quality" and "better structure", corresponding plans and policies have been formulated by the state to promote the development of the aging cause and the construction of the pension system. Through continuously improving pension regulations, strengthening diversified social security, and improving the health support system, the integration and mutual promotion of the aging cause and the pension industry can be promoted.

1.2. Challenges Faced by China's Pension Industry and Pension Funds Under the Background of the New Economic Normal

However, it needs to be acknowledged that China's pension industry has not yet matured, and its policy development process has remained in a rapid development stage since 2012. From the perspective of national-level policies, the corresponding policies issued mainly focus on support and guidance, guiding capital into the pension industry, while the service operating entities are transitioning from a single specialized entity to diversified development. Due to the "new normal" of economic transformation facing "growing pains," the development of the pension industry will inevitably face certain challenges.

From the perspective of the development status of China's pension industry service system, many regions exhibit phenomena such as low industrial hierarchy, low industry concentration, and single models. The care for the elderly and the provision of aging services in many areas remain at the material level, with little involvement in spiritual aspects such as leisure and tourism [3]. These

phenomena greatly restrict the industrial balance of pension services, leading to an unbalanced development status of the pension industry service system. Facing the vast blue ocean of the pension industry, the level and quality of services largely depend on the construction and improvement of the pension service system. In other words, only by continuously improving a scientific and sustainable pension service system can the pension industry be provided with inexhaustible development momentum.

At the same time, although the country has introduced a series of policies to support the development of the pension industry under the background of the "new normal," there are still problems in practice such as incomplete institutional mechanisms and inadequate policy implementation. For example, while policies have driven the rapid development of a large number of private pension institutions, due to lingering secular views on such institutions in society, consumer demand has not been fully unleashed. Moreover, due to the absence of regulatory mechanisms and incomplete competitive mechanisms, the pension industry lacks unified industry standards, and some pension service infrastructure is backward, unable to meet the high-quality and multi-level needs of the masses for pension services. There are even instances of vicious competition in some pension institutions unable to scale up development ^[4]. Therefore, even though the government provides preferential support in areas such as land and taxes, it still cannot effectively implement specific policies, affecting the healthy and long-term development of the pension industry.

With the increasing elderly population, related pension needs have also become more diversified and complex. After retirement, the elderly mainly rely on pensions and the social security system for economic support, thus placing higher demands on the level and sustainability of pension provision. With changes in population structure, pension expenditures have correspondingly increased, while the relative decrease in the labor force paying into the pension system may pose challenges to the sustainability of pensions, burdening public finances. Therefore, facing the pension problems brought about by an aging society, reform of the pension system is imperative to better adapt to changes in population structure and economic development needs.

2. Model and Data Analysis

2.1. Data Sources

To accurately predict the trend of aging population in China, this study consulted multiple relevant literature and collected various data resources. The data collection involved national-level statistical data and historical time series data, aiming to ensure the breadth and depth of analysis. Before constructing the predictive model, it is crucial to assess and preprocess the data. Below is a detailed description of the main data sources relied upon in this study.

The National Bureau of Statistics website serves as the primary data source for this study, providing reliable and abundant data. This includes census data from previous years, changes in age structure, trends in birth and death rates, migration statistics, and other officially published population data. Annual population sample survey data are particularly helpful in understanding short-term aging trends, while census data provide the foundation for studying long-term trends. These data have undergone multiple rounds of verification and updates, ensuring the accuracy of the analysis.

2.2. Data Analysis

According to the United Nations standards, the starting age of the elderly population is generally set at 60 or 65 years old. Therefore, the formula for calculating the proportion of elderly population is:

$$\text{Proportion of elderly population} = \frac{\text{population aged 60 (or 65) and above}}{\text{total population}} * 100\%$$

China's population aged 65 and above exceeded 7% of the total population in 2000, entering an aging society [5]. According to mainstream model predictions, China's population aging will continue to deepen, especially in the next decade, when the proportion of the elderly population will significantly increase, bringing profound impacts on the labor market, social security system, healthcare services, and consumption structure. For example, studies based on the OLS model have predicted that the number of people aged 65 and above in China will reach 159.36 million in 2020 and 185.26 million in 2027 [6]. Another study based on the GM grey system model predicts that since 2000, both the number of people aged 65 and above and the dependency ratio have been increasing. By 2018, the number of people aged 65 and above in China reached 166.58 million, accounting for 11.9% of the total population [7]. However, according to data from the National Bureau of Statistics, as of 2020, the total population aged 60 and above in mainland China was 264 million, accounting for 18.7% of the total population, and the total population aged 65 and above was 190.6 million, accounting for 13.5% of the total population. Since entering the aging society in 2000, the proportion of the elderly population has increased by 8.4 percentage points [8]. Obviously, a comparison with authoritative data from the National Bureau of Statistics reveals that the degree of aging in China is far greater than the predicted results. This may be due to insufficient consideration of internal and external factors affecting the aging population, reflecting the complexity and severity of China's aging problem.

3. Experience and Implications of Advanced Countries' Elderly Care Industry

3.1. Business Elderly Care Model in the United States

The United States possesses a mature business elderly care model, characterized by market-led mechanisms, individual choice, and public-private cooperation. In this model, private enterprises and non-profit organizations offer various types of elderly care services and employ diversified financing approaches.

A key feature of this model is the emphasis on differentiation and personalization of elderly care products and services. For instance, elderly care facilities often provide services tailored to individuals based on their health conditions, financial capabilities, and lifestyle preferences. These services range from independent living apartments, assisted living facilities, nursing homes, mature communities, to chain-style elderly care centers.

In terms of financing mechanisms, the United States adopts a multi-channel approach to raise elderly care funds, including personal savings, pension plans, long-term care insurance, and family assets. For example, the 401(k) plan, widely used in the United States, allows employees to allocate a portion of their income pre-tax into designated retirement accounts, which are then invested through channels such as the stock market to generate returns. Additionally, the U.S. government encourages individual retirement planning and insurance coverage through tax deductions, subsidies, and long-term care insurance, aiming to alleviate the financial burden on the elderly.

3.2. Tax-funded Integrated Healthcare and Elderly Care Model Represented by the United Kingdom

The integrated healthcare and elderly care model in the United Kingdom is built upon a robust tax-funded system, providing solid financial support for elderly care services.

At the core of the UK's elderly care model is a holistic approach to welfare, focusing on the overall quality of life and happiness of the elderly. Community centers and senior activity organizations offer opportunities for community engagement and social activities, which help reduce feelings of loneliness and social isolation among the elderly while providing mutual aid and psychological

support. These social activities are seen as effective means to prolong healthy aging, promoting social integration and psychological well-being among the elderly.

It is worth noting that the integrated healthcare and elderly care model in the UK is not without challenges. As the aging issue intensifies and the demand for care grows, fiscal pressures are on the rise. The UK government continues to explore new financing methods and strategies to maintain the sustainability and quality of elderly care services. Key reform directions include promoting the development of private elderly care insurance markets and encouraging individual and family participation in elderly care financing.

3.3. Social Elderly Care Model Represented by Germany

Germany's elderly care system has garnered widespread international attention for its unique design, which combines elements of social insurance and social services, emphasizing fairness and risk-sharing. This model embodies the principles of a social market economy, emphasizing the shared responsibilities and collaboration among the state, enterprises, and individuals.

In terms of pension calculation, Germany adopts a points-based system, where retirement benefits are determined based on accumulated points calculated from individual contribution years and relative income levels. This method ensures that the amount of pension correlates positively with individual contributions, reflecting both fairness principles and maintaining the incentive function of pension insurance. Furthermore, the German government ensures basic pension protection by setting a minimum level of pension benefits, preventing the occurrence of elderly poverty.

The German elderly care insurance system also places a strong emphasis on sustainability. Faced with the challenges of population aging and economic changes, the German government continuously adjusts the pension system to ensure its long-term stability and financial sustainability. Measures such as adjusting the retirement age, implementing active labor market policies, and expanding the coverage of private pension insurance are implemented to address potential future pension shortfalls.

In summary, China can draw lessons from countries such as the United States, the United Kingdom, and Germany when formulating elderly care policies. The United States excels in encouraging the development of the elderly care service market, diversifying elderly care service choices, and establishing corresponding fiscal incentive measures. The UK's tax-funded integrated healthcare and elderly care model and practices emphasizing social support are also worth learning from, especially in terms of the concepts of holistic care, personalized services, quality supervision, and fiscal financing. Germany's social elderly care model emphasizes security, diversified services, and fiscal sustainability, achieving multi-level goals of social elderly care security through the participation of the government, the market, and individuals, and has successful experience in addressing the basic pension fund gap. Therefore, when designing China's future active aging society, it can draw on the beneficial experiences of these countries as references for China's elderly care policy reforms.

4. Summary and Policy Recommendations

Although China is rapidly entering an aging society, the development of the elderly care industry still appears immature compared to advanced countries, with many areas needing guidance and improvement. Against the backdrop of China's new economic normalcy, the importance of the elderly care industry transcends mere economic considerations, becoming a significant societal issue of concern for the government, society, and families alike. With the continuous deepening of population aging, addressing the elderly care issue effectively, including resolving the pension gap and actively promoting the development of elderly care services, has become a core element and urgent task in constructing an active aging society.

4.1. Government Policy Guidance and Construction of an Active Aging Society

Given China's unique "strong government" role, the development of the elderly care industry cannot be entirely market-led but requires strong government leadership at the macro level. Firstly, from a macro-policy perspective, the government should formulate clear plans for elderly care system construction and guiding policies for upgrading the elderly care industry structure. This involves specific paths for the scale and chain development of the elderly care industry, as well as concrete measures such as providing tax incentives for nursing and elderly care service institutions. The government needs to establish clear industry standards and development directions to ensure the healthy and orderly development of the elderly care industry.

Secondly, in terms of fund-raising, the government should encourage diverse capital, such as insurance funds, to enter the elderly care industry to effectively bridge the pension gap. Moreover, qualified elderly care institutions should be included in medical insurance coverage to alleviate the medical expenses burden on the elderly and their families. This measure not only helps improve the quality of elderly care services but also promotes social equity and harmony.

Additionally, the Chinese government also emphasizes humanistic care in promoting the development of the elderly care industry. Influenced by Confucian culture, Chinese elderly people value family and filial piety, hoping to reunite with their families and enjoy family happiness. Therefore, in developing the elderly care industry, besides providing medical care and health management services, the government also focuses on meeting the needs of elderly people for family reunion. For example, the government can promote the location of elderly care institutions near childcare institutions or establish comprehensive service models, including the participation of elderly people in good health, professional caregivers, and children. This model not only expands the employment market for professional service personnel but also allows elderly people to feel their own value and happiness in their later years. In conclusion, the government should establish a sound regulatory policy system for the elderly care industry, including formulating relevant policies and regulations, clarifying regulatory responsibilities, and standardizing market order, to ensure the quality of basic elderly care services and the rights of the elderly. Only then can the market provide high-level elderly care services on this basis.

4.2. Government Guidance + Social Capital Model to Actively Address Pension Challenges in a Severely Aging Society

According to data from the National Health Commission and the Chinese Academy of Social Sciences, China is expected to enter a severely aging society by 2035. At the same time, China's basic pension insurance funds are expected to be exhausted around 2035. In the future, establishing an active aging society in China and inadequate pensions are major challenges facing the country. Faced with the pension gap, firstly, the government can guide social capital into the elderly care industry through policy support, tax incentives, and financing subsidies. The government can formulate relevant policies to encourage enterprises and social capital to invest in the construction and operation of elderly care service institutions, thereby increasing the supply capacity of elderly care services. At the same time, the government can establish a special elderly care industry fund to provide financing support for elderly care service institutions, reduce investment risks for enterprises, and attract more social capital into the elderly care industry. Secondly, the government can optimize the market environment for elderly care services by setting relevant policies and laws, enhancing the enthusiasm of social capital to enter the elderly care industry. For example, simplify approval procedures, reduce thresholds, and encourage and support social capital to participate in investment and construction of elderly care service projects.

4.3. Seizing Economic Opportunities and Vigorously Developing the Elderly Care Service Industry

Against the backdrop of China's entry into a new economic normal, the elderly care service industry, as an important part of the tertiary industry, faces tremendous development opportunities. With the continuous optimization and upgrading of China's economic structure and the deepening of population aging, the demand for elderly care services is growing, yet the development of the elderly care industry in China is still not mature enough. Therefore, at this stage, it is necessary to focus on the development of the elderly care service industry and fully seize the development opportunities brought about by the new normal.

Firstly, under the new economic normal, the government should increase support for the elderly care service industry, allocate financial funds and social resources to strengthen the training and professional competence improvement of elderly care service personnel, build a professional and high-level elderly care service team, and improve the level and quality of domestic elderly care services.

Secondly, the content and level of elderly care services will be further expanded, integrating with industries such as medical health and technological innovation, to improve the quality and intelligence level of elderly care services. By increasing support for research and innovation in the elderly care industry, encouraging elderly care institutions to carry out innovative service businesses, and using technological means to improve the efficiency and experience of elderly care services, different needs of the elderly can be met. This will promote the sustainable development of the elderly care service industry and lay a solid foundation for the healthy development of China's elderly care industry.

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