

A Study on Implementation Problems of Basic Pension Insurance System for Urban and Rural Residents - a Case Study of Town B in County Q

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Abstract: The Basic Pension Insurance System for Urban and Rural Residents is a vital livelihood policy that guarantees rural elderly residents' basic living needs, promotes urban-rural integration and maintains social equity. Rural pension security is crucial to grassroots governance stability, rural revitalization and social security system improvement. Nevertheless, the system faces prominent implementation dilemmas at the grassroots level. Taking Town B of Q County as the research object, this paper adopts questionnaire surveys and interviews to explore the system's operational problems, including insufficient policy cognition, unreasonable participation structure and low resident satisfaction. Such issues stem from defective institutional design, inadequate publicity, weak grassroots administration and residents' subjective constraints. Accordingly, this paper proposes optimization strategies from institutional improvement, targeted publicity and service upgrading, aiming to promote the sustainable and high-quality development of rural pension insurance and enhance social stability.

Keywords: Basic Pension Insurance for Urban and Rural Residents; Implementation Dilemma; Institutional Optimization; Grassroots Governance

1. Introduction

1.1 Research Background

China faces accelerating population aging and growing rural elderly care pressure. The government launched and unified rural and urban resident pension schemes into the Basic Pension Insurance System for Urban and Rural Residents in 2014, which is financed by individual contributions, collective subsidies and

government allowances.

Despite expanding coverage, the system still has prominent grassroots deficiencies, including low-level premium participation, insufficient public policy awareness, and poor institutional connectivity. Based on field research, this paper analyzes these practical dilemmas and puts forward targeted optimization strategies, which contributes to improving rural elderly security, promoting integrated urban-rural social security and advancing common prosperity.

1.2 Research Significance

1.2.1 Theoretical Significance

Guided by the Life Cycle Hypothesis, Public Choice Theory and Equity Theory, this paper empirically analyzes practical obstacles and contributing factors of the resident pension insurance system in rural areas from a well-fitting analytical perspective. It enriches existing academic research on rural basic pension insurance and provides theoretical underpinnings for further institutional refinement.

1.2.2 Practical Significance

This study has two practical implications. First, analyzing the system implementation in Town B of County Q offers references for protecting rural residents' pension rights and improving people's livelihood. Second, it identifies flaws in institutional design and puts forward suggestions, so as to optimize the basic pension insurance system for urban and rural residents and improve the rural old-age security system.

1.3 Research Methodology

1.3.1 Questionnaire Survey

This study conducted a questionnaire survey among rural residents in Town B, Q County. The anonymous questionnaire covered personal and household information, insurance participation, policy evaluation and optimization suggestions

with logical skip settings. Adopting online group distribution and offline household interviews across five typical villages, the research yielded 262 valid responses from 311 distributed questionnaires, representing an effective rate of 84.2%. All valid data were systematically sorted and coded for empirical analysis.

1.3.2 Semi-structured Interview

This study designed two sets of interview outlines for rural residents and grassroots social security staff respectively. The interviews focused on insurance participation experience, policy implementation, fund operation and publicity difficulties. A total of 30 villagers (focusing on left-behind elderly residents) and 30 township administrative staff were interviewed to supplement practical issues uncovered by questionnaires and enrich the research data.

1.4 Theoretical Foundation

1.4.1 Life Cycle Hypothesis

Proposed by Modigliani, this theory holds that individuals coordinate their lifelong income and expenditure to maximize utility. Feldstein further supplemented its relevant effects in the field of social security. Residents' insurance participation behaviors vary with age and income. The basic pension insurance for urban and rural residents adopts a pay-as-you-go model, and population aging continuously increases the pressure on pension funds. This theory provides a theoretical basis for studying existing problems and optimizing payment standards and subsidy mechanisms in Town B.

1.4.2 Public Choice Theory

Founded by Buchanan based on the economic man hypothesis, Public Choice Theory analyzes various problems in public decision-making. According to the survey, grassroots implementation deviations, residents' cognitive limitations and insufficient institutional incentives jointly restrict policy implementation. This theory interprets practical dilemmas from multiple perspectives and supports institutional improvement.

1.4.3 Equity Theory

Put forward by Adams, Social Equity Theory states that people judge fairness by comparing their inputs and returns, which is widely applicable to social security research. The pension insurance system in Town B faces insufficient fairness in links such as insurance participation access, policy implementation and

benefit enjoyment. This theory helps analyze relevant deficiencies and optimize the old-age security system.

2. Current Implementation of Basic Pension Insurance System in Rural Areas

2.1 Basic Profile of Town B, County Q

Located in the northeastern part of County Q and bordering City J, Town B enjoys superior transportation access with expressways and Yellow River Bridge running across its territory, facilitating cross-city migration for local laborers. Covering a total land area of 64.1 square kilometers and 64,000 mu of arable land, the township governs 55 administrative villages with registered permanent population of 26,912. The locality faces severe population aging: residents aged above 61 account for 26.74% of total population, and 68% of working-age residents aged 17-60 migrate out for off-site employment, causing scattered insurance participation across regions. Driven by logistics, agricultural product processing and manufacturing industries, Town B hosts over 60 industrial projects and 15 industrial enterprises above designated size, dominated by micro and small enterprises offering limited high-quality jobs mismatched with villagers' skill sets. Non-local migrant workers take up 44% of enterprise employees, alongside continuous outflow of native young laborers. Bidirectional population mobility complicates statistical work and daily administration of resident pension insurance.

2.2 Institutional Operation of Resident Pension Insurance in Town B

Town B launched the New Rural Pension Scheme in 2011. The current policy sets eight payment brackets, alongside tiered subsidies and extra pensions for prolonged contributions. Premiums for people with severe disabilities are covered by the government, and the annual cap for collective and social contributions is 16,000 yuan. Pension funds are shared by provincial, municipal and county governments at a ratio of 7:1:2 and managed at the provincial level. The county's pension fund maintained stable revenue and expenditure. Pension benefits consist of basic pension, individual account pension and advanced-age allowances. The balance in individual accounts is inheritable upon death, and a funeral subsidy is provided. Three supporting regulations have also been put into

effect.

The town's human resources and social security office has only three staff members, who are concurrently responsible for social insurance, medical insurance, employment and other services. Premiums are collected by tax authority in the first 11 months of 2024.

2.3 Overview of Survey Samples

The survey was conducted in 5 administrative villages via online questionnaires and offline field visits. A total of 311 questionnaires were distributed, among which 262 were valid, with an effective rate of 84.2%. We also conducted interviews with 30 villagers and 3 social security staff, and held discussions with village cadres to supplement information.

Most respondents were middle-aged. A large proportion have low educational attainment and work in farming. Most families face heavy financial burdens with low income, and income level is positively correlated with education background.

2.4 Statistical Results of Survey Data

Residents generally lack a full understanding of relevant policies. The sample participation rate stands at 82.1%, while the number of contributors in the town has been declining year by year. Over 70% of participants choose the lowest payment bracket, and the payment default rate is 7.3%.

The average monthly pension has increased over the past five years yet remains insufficient to support daily life. Respondents are satisfied with payment channels and window services, but only 38.9% are content with the pension amount, and nearly 20% express dissatisfaction with the benefit standard.

3. Core Implementation Problems in Town B

3.1 Resident Level: Insufficient Policy Cognition and Single Information Access Channels

Rural elderly support mainly depends on family support, land income and urban-rural resident pension insurance. However, local residents generally have weak policy cognition, with only 74% of respondents achieving a basic understanding. Residents mostly acquire policy information through neighborhood chats and oral notifications from village cadres. The information they obtain is fragmented and

outdated, and they are unfamiliar with new regulations such as payment grade adjustment, supplementary payment and pension increment for prolonged contribution.

Most residents understand the policy superficially and participate in insurance blindly following others, mostly choosing low payment grades. Some residents misjudge the pension benefits, and the lower actual returns than expected lead to doubts about the system. In addition, few villagers are proficient in the policy, and elderly residents have weak comprehension and memory. Unverified rumors further aggravate cognitive deviations.

3.2 Irrational Enrollment Structure, Dominant Low-tier Premium and Weak Incentives for New Enrollment & Continuous Contribution

Full insurance coverage has not been realized in the town. The sample insurance participation rate is 82.1%, and the completion rate of insurance tasks in 2024 is 87.14%. A large number of young and middle-aged laborers work and participate in employee pension insurance in other cities, resulting in a continuous reduction in local contributors. Left-behind elderly residents often interrupt their payments, with a sample default rate of 7.3%.

The payment grades show a low-end solidification trend. 85.6% of participants choose the two lowest grades of 350 yuan and 500 yuan, while less than 10% choose high grades above 1,000 yuan. Restricted by limited income, heavy medical expenses and the long payback period of high-grade payment, residents are unwilling to upgrade their payment grades. Furthermore, more than half of participants have a payment period of less than 10 years. Young people generally start paying insurance near middle age, making it difficult to implement the policy of more benefits for longer contributions.

3.3 Low Resident Satisfaction Restrained by Substandard Pension Benefit and Administrative Service

Online payment has become the mainstream, but elderly residents cannot operate smart devices, while offline convenient payment channels are reduced, causing payment difficulties for the elderly. Most residents recognize the pension eligibility rule at the age of 60, but disagree with the 15-year minimum payment period, and one-time supplementary payment upon

retirement tends to cause negative emotions. The average monthly pension has increased to 264.78 yuan in five years, which only covers 30% to 50% of daily expenses. Over half of the participants are dissatisfied with the current benefit level. Grassroots service windows have problems such as low efficiency, ambiguous policy explanation and cumbersome cross-departmental procedures. The poor service experience further reduces residents' overall satisfaction with the policy.

4. Root Cause Analysis

4.1 Defective Top-level Institutional Design on Premium Brackets, Pension Adjustment and Subsidy Incentives

The gradient of payment subsidies is unreasonable. Subsidies no longer increase with high-grade payments, and the pension increment for long-term contribution is too low, resulting in limited incentive effects. Pension benefits are dominated by basic pensions with a small proportion of individual account pensions, so upgrading payment grades brings little benefit improvement.

Pension funds have single investment channels and weak value-adding capacity, and the growth rate of pensions lags behind price increases. There are loopholes in the connection of various pension insurance types, and the large benefit gap between different insurance schemes triggers equity concerns. In addition, fund information disclosure is inadequate, and nearly 40% of residents lack confidence in the system.

4.2 Rigid Publicity Pattern and Inadequate Targeted Policy Promotion

Policy publicity relies on printed materials and official platform reposts, with a single form and no regular popularization, only concentrated in the payment period. There is no hierarchical publicity for migrant workers and left-behind elderly residents, and online channels cannot effectively cover the elderly group.

Publicity content only lists policy clauses without benefit calculation guidance and auxiliary tools. Elderly residents struggle to understand the policies, leading to persistent cognitive deviations.

4.3 Understaffed Grassroots Administration, Backward Informatization and Cumbersome Business Flow

Lack of inter-departmental coordination leads to cumbersome cross-departmental procedures and repeated errands for residents. Grassroots social security staff are insufficient in number, hold multiple concurrent jobs and lack professional training, resulting in limited policy interpretation ability.

Defects exist in early manually entered data, and the information system is updated slowly. The rigid service mode cannot meet the needs of elderly residents, leading to poor overall service quality.

4.4 Restricted Enrollment Choices Driven by Household Income, Traditional Pension Concepts and Short-sighted Rationality

The traditional concept of "raising children for old age" is deeply rooted in rural areas, reducing residents' initiative to participate in insurance. Residents focus on short-term income and expenditure, deeming high-grade payment low-cost-performance. Young people generally delay insurance participation, and the herd mentality further promotes low-grade payment.

The overall local income level is low, and many families cannot afford high insurance premiums, forming a solidified pattern of low-grade payment.

5. Optimized Pathways for Improving Resident Pension Insurance Implementation in Town B

Combined with the practical difficulties and underlying causes of basic pension insurance for urban and rural residents in Town B, this chapter puts forward feasible optimization countermeasures from three perspectives: institutional design, policy publicity and grassroots administration. It aims to remedy institutional deficiencies, improve insurance participation quality and public satisfaction, and promote the high-quality and sustainable development of rural pension security systems.

5.1 Improve Top-level Institutional Design to Strengthen Inherent Institutional Attractiveness

Fundamental institutional defects restrain premium upgrading and long-term contribution, requiring optimization on incentive framework, cross-system connectivity and institutional credibility.

5.1.1 Construct Multi-tier Progressive Subsidy Incentive System

Institutional flaws are the core factors restricting residents from choosing higher payment grades and making long-term continuous contributions. Optimizations should be carried out in incentive mechanisms, policy connection and credibility building to strengthen the guarantee effect of the system.

5.1.2 Eliminate Institutional Barriers to Realize Seamless Inter-system Connection

To address insufficient incentives and weak fund appreciation capacity, a multi-dimensional incentive mechanism is optimized. First, a differentiated progressive subsidy model is established with the subsidy ceiling lifted and tiered increasing subsidy standards adopted to widen the benefit gap between high and low payment grades. Meanwhile, payment reductions are offered to low-income disadvantaged groups to ease their participation burden. Second, the mechanisms for rewarding long-term and early contributions are upgraded. The fixed small pension increment is replaced by year-based tiered subsidies, which rise annually for contributions exceeding 15 years. Preferential policies on contribution years are provided for residents under 45 who participate in insurance early to encourage young people to make pension plans in advance. Third, market-oriented investment reform of pension funds is advanced to diversify investment channels beyond bank deposits and government bonds. This improves the capacity of funds to maintain and increase value, hedges against inflation and steadily raises pension benefits.

5.1.3 Build Transparent Information Mechanism to Restore Institutional Trust

To solve the problems of information asymmetry and low public trust, institutional transparency is enhanced. Information on fund revenues and expenditures, fiscal subsidies and yield rates is disclosed on a regular basis, and annual fund operation reports are released. Dedicated consulting channels are set up with professional staff to provide benefit calculation and policy consultation, clearing up public doubts about participation. Innovative positive incentives including participation signing systems and selection commendation activities are implemented to strengthen residents' sense of honor and willingness to keep paying contributions.

5.2 Develop Targeted Diversified Publicity to Transform Outdated Pension Perception

Overcome monotonous promotion, inaccurate information delivery and ingrained traditional old-age concepts via categorized customized communication to eliminate systematic policy misreading.

5.2.1 Implement Age-based and Occupation-targeted Precision Promotion

Indiscriminate publicity is abandoned, and tailored measures are adopted according to age and occupation. For young people, publicity focuses on the advantages of long-term participation and compound interest to guide them to make scientific pension plans. For middle-aged participants, online calculation tools are provided to recommend optimal payment plans and solve their puzzles. For the elderly, publicity content is simplified to focus on intuitive information such as pension distribution and annual benefit increases, combined with one-on-one household explanations. Differentiated publicity materials are customized for migrant workers, individual business owners and flexible employees, delivering targeted policies on off-site participation, insurance transfer and suitable payment plans.

5.2.2 Enrich Localized Publicity Carriers

Rural publicity forms are innovated to break the limitations of traditional paper leaflets. Policy booths are set up at rural markets for regular on-site Q&A and policy popularization. Pension policies are adapted into popular rural cultural performances to boost publicity effectiveness. Village night schools and roadside lectures are launched. Policies are interpreted with real cases and daily conversations in spare time, covering working-age residents and the elderly to ensure thorough understanding of policies.

5.2.3 Modernize Traditional Old-age Security Mindset

The outdated idea of relying on children for old-age support is eliminated through regular policy lectures, which highlight the stable guarantee function of social pension insurance and reduce residents' over-reliance on family support. Pension knowledge is popularized in schools to change traditional rural concepts via home-school interaction. In addition, the supplementary role of commercial pension insurance is publicized to guide residents to build a diversified pension system combining basic resident pension insurance and commercial pension insurance.

5.3 Upgrade Grassroots Administrative Capacity and Convenient Service System

Address inter-departmental fragmentation, underqualified staff and outdated service workflow to optimize user experience and satisfaction.

5.3.1 Establish Cross-department Collaborative Governance Framework

A joint meeting system covering human resources and social security, civil affairs and finance departments is established. The one-window acceptance, internal circulation and time-limited completion service mode is implemented to clarify departmental rights and responsibilities. A cross-departmental data sharing platform is built to realize real-time connection of data on insurance participation, subsidies and land acquisition, avoiding repeated errands for residents. A complete evaluation and supervision system for government services is improved with the satisfaction evaluation mechanism fully implemented to drive the improvement of grassroots services.

5.3.2 Boost Professional Competency of Administrative Workforce

Standardized service manuals are compiled to regulate operational procedures and time limits for all services. Regular training, seminars and assessments are carried out to improve the professional ability of new staff. Star rating, quarterly assessment and annual selection systems are implemented. Service quality and public comments are linked to performance appraisal to motivate staff to improve professional competence and service awareness.

5.3.3 Refine Convenient Service for Vulnerable Groups

Targeting the difficulties of special groups, green channels for government services are opened with one-on-one agency services provided. Appointment-based home services are offered for the elderly, disabled and seriously ill residents to handle insurance participation, qualification verification and information modification. Emergency service mechanisms at service windows are improved to deal with emergencies properly and comprehensively optimize residents' service experience.

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