

Pension System Reform: International Experience and Insights

Hanyue Zhang¹, Xianglei Duan²

¹School of Hebei University Baoding 071000, China

²School of North China Electric Power University, Baoding 071000, China

Abstract: The purpose of this paper is to analyze and conduct a comparative study of pension system reforms in the international arena in order to obtain experiences and insights from the pension system reforms in various countries. After introducing the basic concepts and current status of pension systems, this paper reviews the history of pension system reform in the international arena and analyzes the reform measures, policy effectiveness, and problems and challenges of different countries. By comparing and summarizing the international experiences and insights, this paper provides references and inspirations for the future pension system reform in China. The study finds that the effectiveness of pension system reform measures and policies varies across countries, but in general can be summarized in four directions: gradually raising the retirement age, increasing personal responsibility, increasing funding sources, and improving administrative efficiency. In addition, there are some common problems and challenges in pension system reforms in different countries, such as political difficulties, social stability, funding gaps, and overly conservative policies. In order to solve these problems, governments need to take into account national conditions and actual situations and adopt reform measures that meet the characteristics and realities of their countries. Comparing the experience and inspiration of international pension system reform, we can find that: firstly, it is necessary to adhere to the people-oriented principle and focus on protecting the basic rights and interests of individuals; secondly, it is necessary to strengthen the institutional guarantee of policies and laws to ensure the continuity and stability of policies; thirdly, it is necessary to play the role of market mechanism to increase the funding source of pensions; fourthly, it is necessary to strengthen the supervision and management of the government to improve the management efficiency. These experiences and inspirations are useful for China's future pension system reform.

Keywords: Social security system, Pension system, International experience, Pension insurance, Reform.

1. Introduction

Pension system is one of the important security measures to guarantee the life of the elderly and an important part of the modern social security system[1]. Globally, the establishment and reform of pension systems in various countries has become a common trend. However, with the acceleration of population aging and the continuous development of pension systems, pension systems are facing more and more problems and challenges[2][3].

China, as one of the most populous countries in the world, is also facing a serious pension system problem. China's existing pension system mainly consists of three forms: corporate pensions, social insurance funds and individual accounts, among which social insurance funds are the main source of pensions[4]. However, China's pension insurance system has problems such as financial unsustainability, insufficient fund and low pension insurance treatment, which have brought certain impact on the life of the elderly and social stability. Therefore, deepening the reform of pension system and improving the level of pension security has become one of the important issues for the current and future development of China[5].

Pension system reform is not only a Chinese issue, but also a global issue. Different countries have faced their own challenges and problems in pension system reform, and have also accumulated their own experiences and lessons. For example, the pension system reform in the United States has undergone several adjustments and improvements, but there are still problems such as insufficient funds and low pension benefits; while Canada's pension system has been considered

one of the most successful pension systems in the world, and its institutional arrangements and fund investment strategies are worth learning from and studying[6]. Therefore, it is of great importance to put forward practical suggestions and countermeasures for the reform of China's pension system by studying and learning from international experiences.

The purpose of this paper is to analyze the importance of pension system reform, the problems and challenges of China's pension system, the experience and effectiveness of international pension system reform, and the direction and suggestions of China's future pension system reform from the perspective of international experience and inspiration[7]. It is hoped that the research and analysis in this paper will provide some reference and reference for the deepening and improvement of the pension system reform in China.

2. Literature Review

Pension system reform is a global topic, and governments are constantly exploring how to build a more equitable and sustainable pension system[8]. Internationally, there are different types of pension systems, such as social security-based, individual account-based, and hybrid systems. Among them, social security-based pension systems are the most common form, which are built by a combination of government contributions and individual social insurance contributions[9]. In contrast, individual account-based pension systems focus more on individual autonomy and risk management capabilities. Hybrid systems combine both forms of systems, retaining the social security function while enhancing participation in individual accounts.

Pension system reform involves not only aspects such as

system design and fund management, but also aspects such as policy sustainability and equity[10]. Internationally, the specific forms and strategies of pension system reform vary depending on national conditions and cultural backgrounds. For example, European countries generally adopt a social security-based pension system, while the United States advocates an individual account-based system. China, as one of the most populous countries in the world, is also pushing forward with pension system reform, with the current focus on improving the basic pension insurance system and establishing an enterprise annuity system[11].

In general, pension system reform needs to take into account the balance of interests of different stakeholders and the sustainable development of society[12]. The experience of pension system reform among different countries can be learned from each other, but the specific institutional forms and policy strategies need to be tailored to national conditions[13].

3. The Concept and Basic Status of The Pension System

A pension system is an important part of a social security system designed to provide livelihood security and financial support for retirees. Specifically, a pension system refers to a system in which the national or local government collects social insurance contributions in a certain way and uses these funds to pay out to retirees. Its purpose is to guarantee the basic living needs of the elderly, as well as a social responsibility and obligation.

The type and status of pension systems varies across countries and regions. In developed countries, social security-based pension systems are more common, where government contributions and individual social security contributions combine to build a pension fund. For example, European countries rely on government social security funds for their pension systems, while the U.S. has a pension plan based on individual accounts. In addition, some countries have complementary pension systems such as corporate annuities and individual savings plans[14].

In contrast, pension systems in developing countries are still in an imperfect and unsound stage. In China, the current pension system is based on social security, in which the government and individuals jointly contribute to the insurance costs, and the funding source mainly comes from the social insurance fund. China's pension system faces problems such as insufficient funds, unbalanced payment standards, and imperfect mechanisms, which require continuous strengthening of system construction and reform.

Overall, pension systems are an area in need of continuous improvement and reform globally. With aging populations and socioeconomic development, pension systems will face more challenges and pressures. Therefore, countries need to develop practical pension systems and strengthen system building and management to achieve sustainability and equity.

4. International Pension Reform History

The reform of pension systems is an important issue worldwide, and different countries and regions are trying to find reform solutions that suit their own situations. This article will briefly introduce some of the international pension reform history.

During the 1980s and 1990s, many countries began to

reform their pension systems. One of the most representative countries was Chile. In the early 1980s, the Chilean pension system was the sole responsibility of the government, but the government's financial crisis and the low standard of pension payments became apparent. As a result, in 1981, the Chilean government adopted a reform plan to change the pension system to one based on individual accounts. Under this system, individuals contribute to their own pensions, while the government provides oversight and other support, including risk management and portfolio optimization.

In addition, Australia also underwent a major pension reform in the early 1990s. The government established a pension plan called the Super Fund, which was designed to pool individual and corporate contributions and invest them in a variety of financial markets to increase pension assets and returns[15].

Among the Nordic countries, the Swedish and Danish pension systems have also undergone significant reform and improvement. Sweden introduced a reform program called the Balanced Budget Act in the early 1990s to ensure the sustainability and stability of the social security system. Denmark has increased the flexibility and sustainability of its pension system by transforming it into a multi-tiered system based on different contribution levels.

Finally, pension reform is also a long-standing issue in the United States. The government has introduced a program called the "401(k)" to encourage individuals to invest their pension savings in the stock and fund markets. In addition, the U.S. government has supported pension reform and development through new tax legislation and other policy instruments.

In summary, the pension reform programs in different countries and regions vary, but all aim to improve the sustainability and flexibility of pension systems. These reform journeys provide valuable experiences and insights for other countries and offer important lessons for pension system reform globally. It is important to note that different countries and regions have different cultural, political, economic and social environments, so pension system reforms need to be adapted and customized to the actual situation, rather than simply copying the experiences of other countries. At the same time, regulation and management need to be strengthened in the reform process to avoid loss, misuse, and even embezzlement of funds.

In general, the history of pension reform internationally shows that both individual account-based pension systems and multi-tiered pension systems with different contribution levels are promising directions for development. In the future, pension system reform worldwide still needs to be continuously explored and innovated to meet the changing population aging, socio-economic development and public needs.

5. Effectiveness of Reform Measures and Policies in Different Countries

Pension system reform measures and policies have varied from country to country, and therefore have achieved different results.

In Europe, Sweden and the Netherlands are pioneers in pension system reform. Sweden introduced a personal account-based pension system in 1994, gradually replacing the traditional, salary-based pension system. This new system emphasized individual responsibility and choice, encouraging

people to manage their own pensions rather than relying exclusively on government-provided benefits. The Swedish pension reform has been effective, not only in increasing pension levels, but also in increasing economic sustainability.

The Netherlands was also one of the early reformers of the pension system, which was characterized by the creation of a pension system called "collectively defined finances. This system emphasizes risk sharing and collective management, allowing for better risk diversification and a more stable pension income. The Dutch pension reform has been successful in achieving collaboration between the public and private sectors and in improving the sustainability and stability of pensions.

In the Latin American region, Chile and Mexico have also reformed their pension systems. The Chilean reform was implemented in 1981 with a system of individual accounts. While the system has increased the level of pensions for the Chilean people, it also has some problems, such as low pension income for low-income people and some people are at risk due to investment errors.

Mexico began a pension system based on individual accounts in 1997, and government involvement and inadequate regulation led to mismanagement of some private pension funds and even a loss of funds. Since then, the government has strengthened regulation and management, reassessed pension funds, and improved the sustainability and stability of the pension system.

In Asia, Japan and China have also reformed their pension systems. Japan's reforms have focused on integrating and improving its social security system, including the introduction of a pension system called the "corporate pension system. This system emphasizes individual and corporate responsibility and allows people to better plan and manage their pensions.

The reform of China's pension system began in the late 1990s, and its reform measures and policies are unique due to China's unique national conditions and stage of economic development.

China's pension system reform has focused on establishing a basic pension insurance system, aiming to increase the level and coverage of pensions. Over the past few decades, China has undergone a transition from a planned economy to a market economy, while facing the challenges of an aging population and a social security system. As a result, the Chinese government has focused on establishing a basic pension insurance system and gradually expanding its coverage and levels.

China's basic pension insurance system has now achieved national coordination and has made significant progress in terms of coverage and level. According to statistics, by the end of 2020, more than 900 million people in China had participated in basic pension insurance, and the average level of basic pensions has been continuously improved.

However, the reform of China's pension system still faces some challenges, such as the increasing aging of the population and the expansion of the pension fund gap. Therefore, the Chinese government needs to continue to strengthen the reform of the pension system, deepen the reform of the pension insurance system, improve the coverage and level of the basic pension insurance system, and provide more stable and sustainable pension protection for the people. At the same time, the government also needs to further improve the regulation and management of the pension system to avoid problems similar to those faced by countries

such as Mexico and Chile, and to ensure the sustainability and stability of the pension system.

6. Issues and Challenges

Although the process of pension system reform varies across the globe, they all face a number of common issues and challenges.

First, the aging population is one of the biggest challenges to pension system reform. As the population ages, the pressure on pension payments is increasing. This not only affects the sustainability and stability of pension systems, but may also have a negative impact on the country's fiscal position. Therefore, countries need to take measures to cope with the pressure on pensions caused by population aging, such as raising the retirement age, extending the contribution period, and expanding the pension contribution base.

Second, global economic instability and uncertainty have also posed challenges to pension system reform. The outbreak of the global financial crisis has led to serious losses in pension funds in many countries, making the sustainability of pension systems face serious challenges. Therefore, countries need to establish a sound pension fund investment strategy to ensure the long-term sound operation of pension funds.

In addition, the differences in pension systems between different countries and the gap between rich and poor are also an important issue for pension system reform. Some countries have significant wealth gap in their pension systems, which makes it difficult for some people to obtain adequate pension security. Therefore, countries need to take measures to narrow the gap between rich and poor to ensure the fairness and sustainability of pension systems.

Finally, pension system reform also faces management and regulatory issues. Since pension funds are the property of the state, their management and regulation must be strengthened to prevent potential abuse and corruption. In addition, transparency and openness of the pension system are also important to build public trust and support for the pension system.

In the face of these problems and challenges, countries need to adopt flexible and innovative measures, adapt to national conditions and changing times, and continuously improve their pension systems to provide the people with more stable, fair and sustainable pension security.

7. Insights and Recommendations

Through an overview and analysis of pension system reforms in countries around the world, we can draw some insights and recommendations.

First of all, each country should develop a pension system reform plan suitable for its own situation according to its national conditions and development stage. When formulating the program, they need to take into account many factors such as demographic structure, economic situation and social security system, and implement the reform plan gradually to ensure the sustainability and stability of the pension system.

Second, countries should strengthen government regulation and management in pension systems. Governments need to establish sound management and regulatory mechanisms for pension systems to ensure the safety and legitimacy of pension funds and to crack down on any potential abuse and corruption. In addition, governments should improve the transparency and openness of pension

systems to enhance public trust and support for pension systems.

Third, countries need to explore diversified pension investment options to increase the returns and robustness of pension funds. In addition to traditional financial assets such as stocks and bonds, they can also consider investing in real estate, infrastructure and other areas, as well as expanding international investment channels to achieve a diversified asset allocation.

Fourth, countries should strengthen international cooperation and share experiences and techniques of pension system reform. As there are certain similarities and differences in the experiences and technologies of pension system reform in different countries, international cooperation can be used to exchange experiences and share technologies, and jointly explore ways and means to solve the problems and challenges faced by pension system reform.

Finally, countries should enhance public education to improve public understanding and awareness of pension systems. By strengthening public education, public trust and support for the pension system can be enhanced and the smooth implementation of pension system reform can be promoted.

In conclusion, pension system reform is a long-term and complex process that requires the joint efforts and cooperation of national governments, financial institutions and the public. Only through effective policy and management measures can we achieve sustainability and stability of pension systems and provide the public with more stable, fair and sustainable pension security.

8. Conclusion

Pension system reform is an important issue facing governments and a foundation for social stability and sustainable development. This paper draws some conclusions by reviewing and analyzing the history, policies and effectiveness of pension system reforms in countries around the world.

First, pension system reform is necessary. With the increasing aging of the population and the strain on pension funds, countries need to strengthen pension system reform to guarantee the quality of life of citizens in retirement and maintain social stability.

Second, pension system reform is complex. Different countries have different levels of economic development, demographic structures, social security systems, etc. They need to develop a pension system reform plan that is in line with their own national conditions and implement the reform plan gradually to ensure the sustainability and stability of the pension system.

Third, pension system reform requires joint participation of the government and the public. The government needs to strengthen supervision and management, establish a sound pension system management and supervision mechanism, and improve the transparency and openness of the pension system. At the same time, the public also needs to enhance their understanding and knowledge of the pension system and improve their trust and support to the government.

Fourth, a diversified approach to pension investments can increase the returns and robustness of pension funds. In addition to traditional investments in financial assets, diversification of asset allocation can be achieved by

considering investments in real estate, infrastructure, and expanding international investment channels, among other ways.

Finally, countries need to strengthen international cooperation and share experiences and technologies of pension system reform. There are certain similarities and differences in the experience and technology of pension system reform in different countries, and international cooperation can be used for experience exchange and technology sharing to jointly explore ways and means to solve the problems and challenges facing pension system reform.

In summary, governments, financial institutions and the public need to work together to strengthen pension system reform, achieve sustainability and stability of pension systems, and provide the public with more stable, fair and sustainable pension security.

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