

Analysis on the Prospect of China's Old-age Financial Development

-- Based on the Perspective of "house-for-pension"

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Abstract

Since 2000, China has gradually entered an aging society and aging degree is deepening, the pension situation increasingly serious, the traditional social pension security system already can't satisfy people's demand for pension, explore a new efficient pension system is imminent, and a great innovation in pension financial as pension industry, reduce the pressure on pension and pension system plays a vital role. This paper mainly starts from the perspective of "house-for-pension scheme", and explores the future development direction of China's pension finance by studying the development status and existing problems of "house-for-pension scheme" in China.

Keywords

social pension security system , house-for-pension scheme , pension finance.

1. Introduction

"Retirement with housing" is also called "reverse housing mortgage" or "reverse mortgage". It refers to a way for the elderly to mortgage or rent out their own property right house in order to obtain a certain amount of pension on a regular basis or accept the services of an apartment for the elderly. Housing pension is a common pension model in western developed countries. It originated in the Netherlands, but the most mature and representative one is the United States.

Foreign scholars have carried out related researches on housing anti-mortgage loan. Burns & Widdows (1990) and Hogarth (2004) argue that the rational use and management of property as an income-generating asset will benefit the economic status of the elderly after retirement and reduce their dependence on public finance. Miceli & Sirmans (1994) pointed out that anti-mortgage loans had many advantages in theory, but it was difficult to implement in practice. The main obstacle to the success of the anti-mortgage business is the risk that borrowers and lenders take on each other.

Chinese scholars began to pay attention to housing reverse mortgage as a financial innovation tool since the 1990s. At present, domestic researches on housing reverse mortgage mainly focus on the combination of the operation of western developed countries and the pilot practice in China to discuss the market demand and institutional guarantee of this business in China. Its research status includes the following aspects:

First, study on the practice of the house-for-pension pilot in China. For example, Wang Shihe (2015) discussed the reason why Chinese residents' participation in the house-for-pension model is not high in combination with the pilot practice of house-for-pension model in China. Liu Ting and Zhang Xiaonan (2015) analyzed the main practice of "house-for-pension" in China, and summarized the practical difficulties faced by the implementation of "house-for-pension" in China. By summarizing the main modes of "house-for-pension" in foreign countries, the problems existing in the trial process of "house-for-pension" in China are concluded, and

corresponding policy Suggestions are put forward. Mo Kaiwei (2016) specifically studied the details of the house-for-pension pilot period in China and discussed the reasons why it got into trouble during the pilot period, thus summarizing the key points of the general adaptation of the innovation of pension financial products in China. Li Tang Ning (2016) pointed out that the scope of the house-for-pension pilot in China would be expanded, indicating that the house-for-pension pilot in China was still in the exploratory stage and the development prospect of the house-for-pension pilot was still wait-and-see. Liu Jingyuan (2016) studied the actual situation of the house-for-pension pilot in China in detail, and pointed out that it met the two core needs of the elderly, that is, "home-for-pension" and "increased pension income".

Second, research on the house-for-pension policy in China. For example, you Chennan (2016) made a comprehensive analysis of China's "house-for-pension policy" from the perspectives of concept definition, implementation status and bottleneck reasons, taking aging as the background of The Times, and created a relatively socialized old-age security model. Shi Changjun (2017) combined with the main ways, relevant policies and future development trend of China's pension security, adhering to the concept of GSP, and based on improving the level of social management and social welfare related to pension, put forward relevant policy Suggestions.

Third, draw lessons from the experience of other countries to provide for the aged with housing, and put forward policy Suggestions for China's relevant pilot work. For example, Jiang Xuemei (2015) made a comparative study with the United States, Japan and Singapore based on the actual situation of the house-for-pension pilot in China, so as to learn from the successful experience of foreign countries and put forward relevant Suggestions for the subsequent pilot work in China. Chen Youhua and Shi Yini (2016) draw lessons from the experience of the United States and put forward feasible Suggestions for the development of the house-for-pension system in China.

2. The Development Background of "house-for-pension" in China

2.1. Current Situation of Population Aging in China

Population aging refers to the dynamic process in which the proportion of the elderly population increases correspondingly due to the decrease of the number of young population and the increase of the number of elderly population in the total population. Internationally, the proportion of the population over 60 to 10% of the total population, or the proportion of people over 65 to 7% of the total population is usually regarded as the criterion for a country or region to enter an aging society. According to the classification criteria established by the United Nations "Population Aging and Its Socio-Economic Consequences" in 1956, when a country or region has an elderly population of 65 years and over accounting for more than 7% of the total population, it means that the country or region is aging .

As is known to all, China has always been a country with the largest population in the world, since China's reform and opening up, China's economic and social has achieved rapid development, people's living standards continue to improve, continue to improve medical and health conditions, life expectancy in China is rising and declining mortality, together with 1980 on the implementation of family planning policy, makes our country, the falling birthrate rising proportion of elderly people. Since 2000, the characteristics of China's population change are as follows:

2.1.1. The Elderly Population is Growing Rapidly and the Aging Process is Fast

As shown in Figure 1, in 2000, the proportion of the population aged 65 or above in China was close to 7%, indicating that China has officially entered an aging society and the aging process is accelerating. Before 2010, the aging process in China showed a steady growth trend, with a

slow growth rate. The aging degree increased from 6.96% in 2000 to 7.69% in 2005, with an increase of 0.73 percentage points in five years. It then rose from 7.69% in 2005 to 8.87% in 2010, an increase of 1.18 percentage points in five years. However, since 2010, the aging process has been accelerated, with the aging degree rising from 8.87% in 2010 to 12.57% in 2019, an increase of about 4 percentage points in just nine years. It can be seen that the aging of China's population is growing faster.

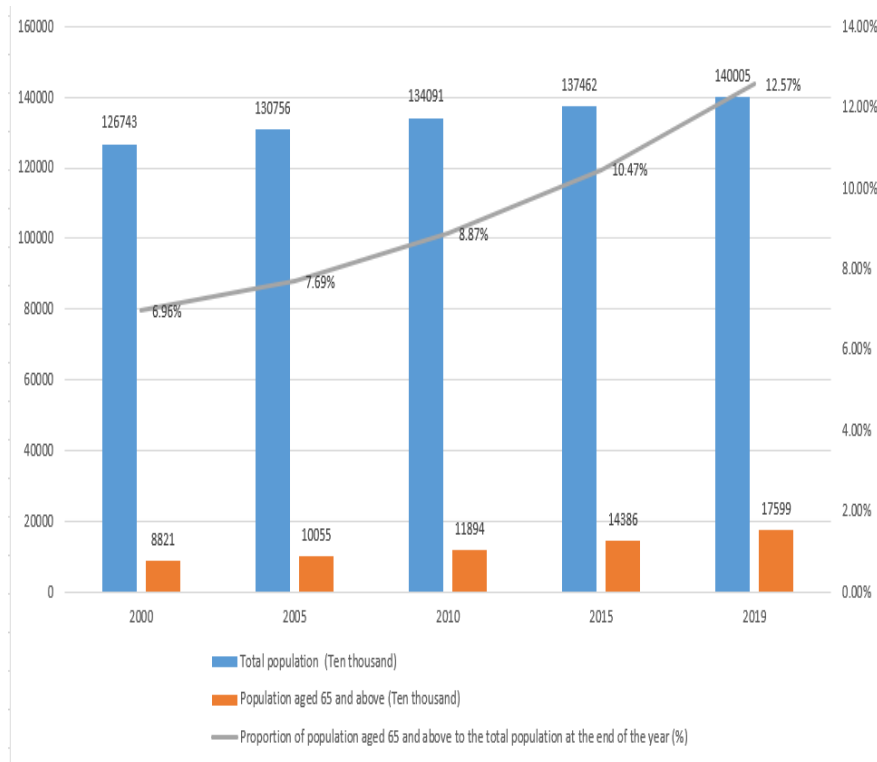


Figure 1. Changing trend of the population aged 65 and above and its proportion in the total population in China from 2000 to 2019

Source: National Bureau of Statistics, PRC

2.1.2. Low Birth Rate Goes Hand in Hand with High Growth Rate of the Elderly Population

According to the data from the Statistics Bureau of the People's Republic of China, it can be seen from Figure 1 that from 2000 to 2019, the population aged 65 and above in China increased year by year, from 88.21 million in 2000 to 175.99 million in 2019, with a total increase of 87.78 million person-times, accounting for an increase of more than 5 percentage points from 6.96% to 12.57% of the total population. The population aged 0-14 also showed a downward trend year by year, from 290.12 million in 2000 to 234.93 million in 2019, and the proportion of the total population dropped from 22.89% to 16.78%. This situation of high aging rate and low birth rate intensifies the process of aging society in China.

Table 1. Age structure of China's population from 2000 to 2019

China's population age structure unit from 2000 to 2019: population number (Ten thousand); Specific gravity (%)							
Year	Total Population	0-14 years old		15-64 years old		65 years old and above	
		number	proportion	number	proportion	number	proportion
2000	126743	29012	22.89	88910	70.15	8821	6.96
2001	127627	28716	22.50	89849	70.40	9062	7.10
2002	128453	28774	22.40	90302	70.30	9377	7.30
2003	129227	28559	22.10	90976	70.40	9692	7.50
2004	129988	27947	21.50	92184	70.92	9857	7.58
2005	130756	26504	20.27	94197	72.04	10055	7.69
2006	131448	25961	19.75	95068	72.32	10419	7.93
2007	132129	25660	19.42	95833	72.53	10636	8.05
2008	132802	25166	18.95	96680	72.80	10956	8.25
2009	133450	24659	18.48	97484	73.05	11307	8.47
2010	134091	22259	16.60	99938	74.53	11894	8.87
2011	134735	22164	16.45	100283	74.43	12288	9.12
2012	135404	22287	16.46	100403	74.15	12714	9.39
2013	136072	22329	16.41	100582	73.92	13161	9.67
2014	136782	22558	16.49	100469	73.45	13755	10.06
2015	137462	22715	16.52	100361	73.01	14386	10.47
2016	138271	23008	16.64	100260	72.51	15003	10.85
2017	139008	23348	16.80	99829	71.82	15831	11.39
2018	139538	23523	16.86	99357	71.2	16658	11.94
2019	140005	23493	16.78	98914	70.65	17599	12.57

Source: National Bureau of Statistics, PRC

2.1.3. Pension Payments are Out of Balance and the Funding Gap is under Great Pressure

As shown in Figure 2, since 2000, the income and expenditure of the basic endowment insurance fund for urban workers in China have been on the rise year by year. However, the growth rates of the two are not matched. As shown in Figure 3, from 2000 to 2007, the income of the basic pension insurance fund for urban workers changed in the same direction as the growth rate of expenditure, and the income growth rate was slightly higher than the growth rate of expenditure, and the pension income and expenditure were slightly balanced. After 2007, the growth rates of the two countries fluctuated in a chaotic way, resulting in the imbalance of pension income and expenditure. Especially after 2011, the growth rate of basic pension package expenditure of urban workers was higher than the growth rate of income, and the pension gap appeared and gradually increased. In addition, although the accumulated balance of the basic endowment insurance for urban workers has been rising year by year for 19 years, the current balance first increases and then decreases, which also indicates that the pension fund of Chinese residents begins to be insufficient in the later period. Finally, as shown in Figure 4, since 2000, the proportion of the expenditure of basic pension insurance for urban workers

in China in GDP has also been increasing year by year, which indicates that the consumption of residents' pension is increasing year by year and the pressure of pension is increasing.

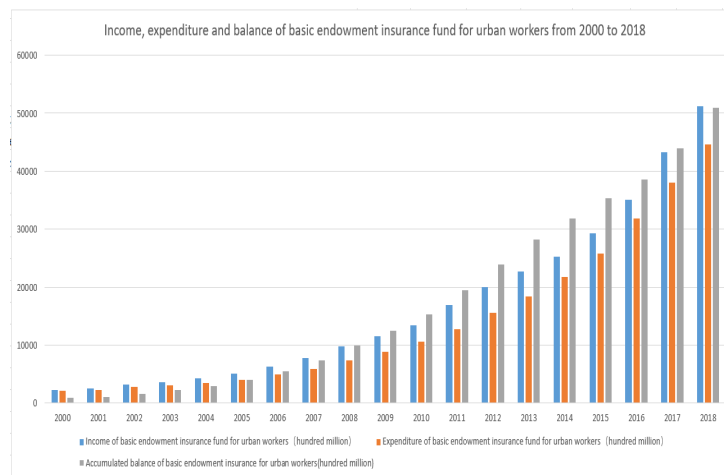


Figure 2. Income, expenditure and balance of basic endowment insurance fund for urban workers from 2000 to 2018

Source: National Bureau of Statistics, PRC

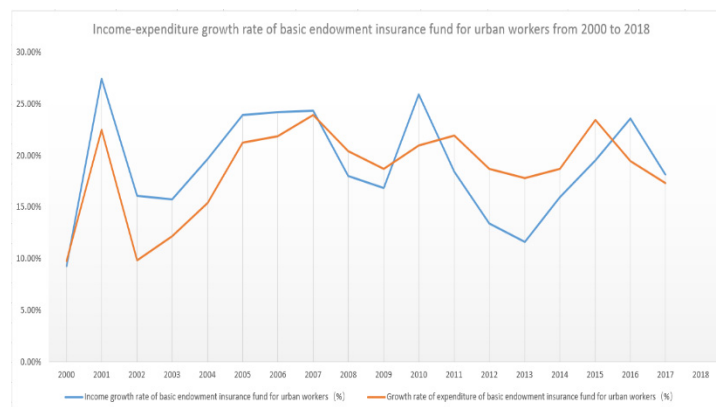


Figure 3. Income-expenditure growth rate of basic endowment insurance fund for urban workers from 2000 to 2018

Source: National Bureau of Statistics, PRC

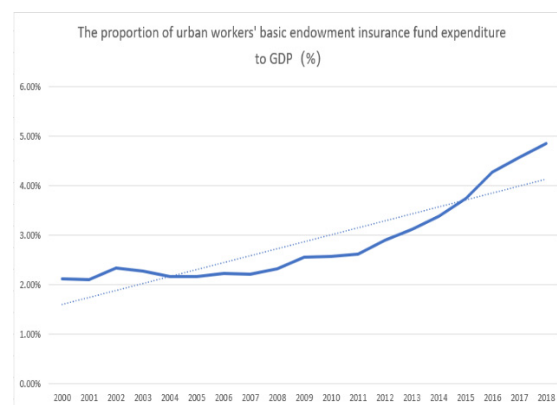


Figure 4. The proportion of urban workers' basic endowment insurance fund expenditure to GDP from 2000 to 2018

Source: National Bureau of Statistics, PRC

In conclusion, under the background of the increasing aging of the population and the increasing pension gap, the traditional pension mode and system are obviously not sustainable enough, so it is particularly important to innovate the pension mode and increase the pension reserve. The pension finance is to combine the pension and finance, increase the pension reserve and provide a variety of pension services by using financial "money to generate money". As a typical product of endowment finance, the house-for-pension system is of great significance to solve the pension problems of some old people.

2.2. house-for-pension Model in China

According to the "Guiding Opinions of the China Insurance Regulatory Commission on the Implementation of the Pilot Reverse Mortgage Pension Insurance for the Elderly's Housing", housing pension, also called reverse mortgage pension insurance, is an innovative commercial pension combining housing mortgage and lifetime pension insurance. Insurance business, that is, the elderly who have the complete property rights of the house, mortgage their real estate to the insurance company, continue to have the ownership, use, profit of the house and the right of disposal with the consent of the mortgagee, and receive pensions in accordance with the agreed conditions until their death; After the death of the person, the insurance company obtains the right to dispose of the mortgaged real estate, and the proceeds from the disposal will be used in priority to repay pension insurance related expenses.

Housing-based pension has been introduced into China for many years. Although the market share is still low, its forms have been rich, and the typical ones are as follows: First, in April 2005, Nanjing Tangshan Liuyuan Apartment launched a business called "give me your house, I will take care of your retirement". Second, in October 2007, the Shanghai Provident Fund Management Center launched the "Autonomous pension with housing" model. Third, in October 2007, Beijing Shoushan Fuhai International Pension Service Center and Zhongda Henderson Real Estate Agency Co. Ltd jointly launched the "Pension Service Bank" business. Fourth, the "Happy Room to Treasure" product launched by Happiness Life in March 2015.

3. The Development Status of house-for-pension in China

3.1. Relevant Policies of house-for-pension in China

On September 13, 2013, the State Council issued several Opinions on Accelerating the Development of the Elderly Service Industry (Guo Fa [2013] No. 35), the official first mention of the "development of a pilot housing reverse mortgage pension insurance for the elderly", June 2014 On July 23, the China Insurance Regulatory Commission issued the "Guiding Opinions of the China Insurance Regulatory Commission on the Implementation of the Pilot Reverse Mortgage Pension Insurance for Elderly Housing". From July 1, 2014 to June 30, 2016, it will be available in Beijing, Shanghai, Guangzhou, and Wuhan. The four cities have carried out pilot work on housing for the elderly, and the insured population is elderly people over 60 years old who have completely independent property rights in houses. In July 2016, the China Insurance Regulatory Commission issued the "Notice of the China Insurance Regulatory Commission on Extending the Pilot Period and Expanding the Scope of the Pilot Reverse Mortgage Pension Insurance for Elderly Housing" (Circ fa [2016] No. 55), which included The trial period was extended to June 30, 2018, and the scope of the trial was extended to municipalities, provincial capitals (autonomous region capitals), cities separately designated in the state plan, and some prefecture-level cities in Jiangsu, Zhejiang, Shandong, and Guangdong provinces.

3.2. The Practice of house-for-pension in China

At the time being, the development of housing-based pensions in my country is mainly divided into two stages. One is the exploration of housing-based pensions by financial institutions across the country before the release of the pilot notice by the China Insurance

Regulatory Commission. The main representatives are Nanjing's "house-for-care" model, Shanghai's model of "self-elderly pension with housing" and Beijing's model of "elderly housing bank"; The second is the exploration of housing pensions conducted by relevant insurance institutions after the pilot notice issued by the China Insurance Regulatory Commission. The main representative is the "Room to treasure happiness" product developed by Happy Life. Among them, Nanjing's "house-for-care" model has only a few elderly people to consult and understand in the more than one year, and they did not sign a single, and soon the attempt was forced to stop. In the past few years, there were very few successful applicants. In the end, the attempt was quietly stopped. Beijing's "Retire Housing Bank" also announced its cessation after two years of experimentation. On March 27, 2015, the China Insurance Regulatory Commission approved the insurance clauses of Happy Life's "Room to treasure happiness Senior Housing Reverse Mortgage Pension Insurance (Section A)", and the Happy Life Insurance version "house-for-pension" was officially launched. As of the end of September 2017, a total of 117 households across the country have insured "Room to treasure happiness" products, a total of 167 orders, of which 75 households have been insured, a total of 106 orders, 83 households have received pensions, and the rest are still in the process Medium; A total of 10.23 million yuan has been paid out. The insured elderly received an average monthly pension of 10,993 yuan, and the highest pension was received by an elderly in Shanghai with a monthly pension of 31,795 yuan. It is not difficult to see that the results of the two exploration phases are quite different. The previous examples of Nanjing, Beijing, and Shanghai with housing for the elderly ended up in a short period of time, while the insurance version of "House for the elderly" developed by Happy Life Insurance was insured. There are only more than 100 households, but it also confirmed the feasibility of the development of housing for the elderly in my country, and formed the embryonic form of China's "house-for-pension".

4. The Main Problems in the Development of " house-for-pension " in China

The house-for-pension scheme has experienced more than 10 years of development in China, and there are not a few cases of failure. Even if happiness Life "Happy House Noble" has made some achievements, there are still some problems in its development process, mainly as follows

4.1. Low Market Share

First of all, the nature of house-for-pension itself determines that most of its target groups are widowed and empty-nesters over 60 or 65 years old, with a relatively small number of participants. Secondly, after thousands of years of development of the Chinese nation, the concept of "raising children to support the elderly" has been deeply rooted in people's minds. The elderly are often willing to leave their property, including their houses, to their children, who are responsible for supporting their own old age. However, the house-for-pension model breaks the traditional pension model. The old people's houses are no longer left to their children and grandchildren, but mortgaged to financial institutions. Under the influence of this traditional concept, house-for-pension is likely to lead to the tension of family relations, and the elderly are not willing to mortgage or sell their houses emotionally. Therefore, house-for-pension has been developing for several years in China, but the number of successful contracts signed is very limited, with a low market share.

4.2. The Financial Institutions that Carry out "house-for-pension" have Insufficient Credibility

At present, the implementation subject of the house-for-pension scheme in China is general financial institutions, whose operating goal is to maximize profits. However, the house-for-pension scheme usually requires a long period of time, during which the risk of financial

institutions cannot be accurately estimated due to interest rate fluctuations, housing depreciation, longevity of the elderly and other factors. Financial institutions aim at making profits, and residents cannot determine where their interests will go when the profits of financial institutions suffer. In addition, because China is still in the pilot stage of the house-for-pension policy, the government's insufficient support and publicity for the policy and implementing institutions leads to residents' skepticism and wait-and-see attitude. "Endowment housing bank" in Beijing model, for example, it provides "people over 60 years old and first, be lodged to the service center of Beijing shou airdropping international pension endowment demand, check endowment after approval service center, while the original property right commissioned cuhk Henderson real estate brokerage company foreign rent, the rent for deduction of the old man in the center of the elderly fees". The highlight of this mode is that it increases the pension fund of the elderly without changing the property rights of the house, which makes the elderly feel more secure. However, the main reason for its failure is that the elderly have low trust in this business operation mode, so they do not dare to trust financial institutions.

4.3. Policy and Legal System are Imperfect

Up to now, there is not a set of perfect laws and regulations in Our country, which has a big supervision loophole, which provides convenience for fraudsters to commit fraud. On the one hand, the property right of the house in China is only 70 years. If the old person does not die when the property right expires, or the insurance company just takes over the house and the house property is due, or whether the renewal period after 70 years needs to pay again and how much it needs to pay, there are still no clear provisions and perfect legal system. On the other hand, house-for-pension is still in the pilot stage, and the details of relevant laws and regulations for house-for-pension are not perfect. In addition, the government does not publicize the authorized institutions and procedures for house-for-pension, resulting in many old people being cheated. For example, "Who 'stole' the old man's house?" published in People's Daily on July 28, 2017. In, Aunt Li is introduced by guang mou "entrust agent" Li Mou, signed a deal with the housing disposal power of attorney for the aged with the house and undertook notarization together, then the house of Aunt Li is occupied by illegal personnel "legalization" within a day. It is precisely because of the imperfect policies and laws and regulations, the participants of house-for-pension are discouraged, which hinders the promotion of the policy to some extent.

5. Suggestion

Based on the above mentioned problems, through analysis and arrangement, the following countermeasures are proposed in the hope of providing the corresponding theoretical basis for the development of house-for-pension in China.

5.1. Break Traditional Idea, Set up Pluralistic Endowment Idea

First of all, in the face of the new old-age pension mode of "house-for-pension", the government should jointly promote the financial institutions of house-for-pension, increase the publicity of house-for-pension mode, and make people realize the advantages of house-for-pension mode. The government can make use of community, TV, newspaper, network and other ways to carry out targeted publicity to housing for the aged. To help the public to correctly understand the concept of housing endowment, property inheritance and so on. Can draw lessons from Singapore's surplus value pension mode: over the age of 60 give state-backed public welfare house mortgage agencies, which once or installment payment pensions, when the old man died property handled by these institutions, "surplus value" (total price minus the paid pensions) to their heirs, concerns of uneconomic to remove the old man and child "unfilial." Second, the

Internet rapid development today, people is freedom of speech, ideology completely liberation, pension problems as a hot spot in the trend of population aging, easy to cause heated debate in the social from all walks of life, opinions vary easily induced in the masses of retirement with house, the government should make the principal position of public opinion, actively using new media such as television, Internet, positive publicity, by the concept of housing endowment help correct understanding of the broad masses to housing endowment concept, mode and operation process, help people to form the new concept of pension, enhance the public's confidence in retirement with house, Thus for our country to implement a comprehensive housing for the elderly, relieve the pressure of providing for the masses.

5.2. Improve the Financial System, and Improve the Credibility of Financial Institutions

The government participates, strengthens the propaganda strength. As a brand-new financial product and a kind of market transaction behavior, the house-for-pension system needs the publicity of the society and the encouragement of the government. In addition, the government should improve the access conditions for housing and pension service institutions to ensure that the institutions carrying out housing and pension service business have sufficient strength and public confidence, and give people enough confidence in the selection of institutions, such as state-owned financial institutions or policy Banks are good choices. Secondly, financial institutions should improve the system of housing-for-pension products, and set up a product assessment system that includes interest rate risk, population life expectancy, loss of housing value and other factors, so as to improve the credibility of financial institutions in housing-for-pension..

5.3. Establish and Improve Relevant Legal Systems and Formulate Corresponding Legal Systems

Introduce relevant policies and build a comprehensive and perfect supervision system. Government departments should promote the legal system construction of housing-based pension, issue laws and regulations specifically for housing-based pension, clearly stipulate the property rights of housing for 70 years, the access conditions, rights and obligations of financial institutions implementing housing-based pension, the access conditions, rights and obligations of applicants, the specific operational procedures, regulatory issues and the handling of various disputes in the process of housing-based pension, etc., so as to provide a relatively safe financial environment for the development of housing reverse mortgage loans.

6. Conclusion

To sum up, house-for-pension is a new way of providing for the aged, which is of great significance for relieving the pressure of aging population and solving the problem of insufficient pension. On the one hand, house-for-pension enables those old people who have real estate but no income to provide for the aged with house-for-pension, which improves the current income, improves the quality of life and reduces the burden on the family, society and the government. On the other hand, house-for-pension is a kind of financial innovation, which plays an important role in enriching financial products and activating financial market.

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