

# Developing Predicament and Coping Strategies for Private Pension Institutions

—Take Zhengzhou City of Henan Province as an Example

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**Abstract—** As the ageing process is accelerating, the government has introduced a series of policies to promote the development of private pension institutions while facing the increasing demand of beds as well as service in pension institutions. This paper carries out a field research on the representative private pension institution in Zhengzhou to analyze its difficulties and existing problems so as to come up with countermeasures and suggestions.

**Keywords-** Ageing; Zhengzhou; Private Pension Institutions; Predicament; Countermeasures

## I. INTRODUCTION

As a populous province, Henan has faced the ageing problem since 1998 and at present, the elderly population is 15.7942 million, occupying 15.71% of total residence which is increasing with a startling 3.5% annual rate <sup>[1]</sup>. What's more, its capital city Zhengzhou has 1.275 million people over 60 years old at the end of 2014, occupying 13.6% of total residence, indicating that Zhengzhou is now entering the ageing society, demonstrating four features: the proportion of old people is sky rocketing, the number of empty nest elderly is greatly increasing, single elderly continues to grow and ageing problem is shining out <sup>[2]</sup>. Besides, there is also a glittering array of issues such as small-sizing tendency of family and expansion of population floating area, so an effective approach to deal with the ageing problem is to promote the development of pension institutions. The government of Henan successively introduced policies such as Opinions on Accelerating the Development of Pension Services etc. in order to encourage the socialization of pension institutions, and adopt the philosophy of running by the local people and subsidized by the state to create subsidies for the old from the perspective of hydropower, heating and land utilization. As a result, increasing private capital is invested on the welfare service of pension institutions and Zhengzhou exceeds others. In order to better grasp the development of private pension institutions, the author carries out field research on the private pension institution

of Zhengzhou, aiming to provide supporting theoretical basis for government to set support policies.

## II. THE DEVELOPMENT SITUATION OF PRIVATE PENSION INSTITUTIONS IN ZHENGZHOU

By June 2014, there are 43 pension institutions, among which 42 institutions are private so privately-run institutions are dominant which also develop quickly in recent years. In 2015, 6 new private pension institutions are established. However, judging from beds number, per thousand old people have 20 beds, which is 20% to 30% comparing to developed countries, developing in the bottom line and is far behind the average percentage of 50% to 70% of developed countries. Inevitably it cannot meet the needs of rapid growth of elderly population in Zhengzhou city, and there is obviously a huge development space for the development potential of private pension institutions.

## III. THE DIFFICULTIES AND EXISTING PROBLEMS OF PRIVATE PENSION INSTITUTIONS IN ZHENGZHOU

### A. Inadequate Capital and Difficult to Implement Preferential Policy

Money is the primary difficulty which constraints the development of private pension institutions <sup>[4-5]</sup>. At present, the capital to run these institutions is mainly to pay salary of nursing personnel, beverage procurement and property. Comparing to high expenditure, the investment on private pension institutions supported by the government is far less than public organizations. The capital of private institutions is gained from the project operation as well as donation, which mainly comes from the charges of occupancy. This fund raising means will not only affect the improvement of nursing personnel salary, accommodation condition and hard conditions but also increases the economic burden of the old. Based on data collected from operators, in order to establish a medium-size apartment, 48 thousand Yuan should be invested for

each bed from the perspective of leasehold land while calculating the total cost of housing construction, landscaping, equipment, nursing salary etc.; based on land purchasing, 56 thousand Yuan should be invested for each bed. The payback period is about 5 years and if the occupancy is less than 60% there will be a deficit. Therefore, in the course of running, the turnover capacity of private fund as well as capability in shielding against risks is relatively poor comparing to public funds.

In order to better deal with the challenges brought by ageing, Henan province introduced a series of preferential policies such as Opinions on speeding up the construction of old-age service system to promote the development of pension institutions. However, effective supervision mechanism is deficient in implementation and it is difficult for most pension institutions to enjoy the preferential policies. Besides, the running risks of some institutions increase because of city re-construction, housing demolition, property right dispute and land circulation which even face existential crisis. For example, the Jinqiu Yishou Garden is the earliest and largest-scale private pension institution in Jinshui district which yet faces the problem of demolition and reconstruction. It has to comply with the development of city and find a new place. However, it is difficult to choose a proper location, deal with the rent and threshold problem.

#### *B. Lack of Professional Personnel, Large Mobility For Nursing Team*

Except for funding issues, another problem is the lack of human resource which also seriously hinders the development of private pension institutions. Nursing staffs are main force of old-age service, who are responsible to provide comprehensive services of life care, entertainment activity, medical rehabilitation, spiritual consolation, terminal care etc. and therefore they have to not only grasp medical and health care knowledge but also be equipped with psychology, nursing, and emergency knowledge [6]. Surveys find out that private pension institutions are not positive in training and recruiting professional employees and the cost will increase if they carry out training in accordance with industry requirement. Besides, the salary is not related to employment qualification. As a result, the nursing personnel have low professional level. At present, the nursing personnel of private pension institutions in Zhengzhou is dominant by those non-local residences from 40 to 50 years, who are old laid off workers and migrant workers with low level education background and are not professional. So, in the premise of lacking professional training they are only able to complete basic nursing and are not able to give comfort in terms of life quality and spiritual world.

Comparing to other service industries, the work of nursing staffs in pension institutions is heavy and most of the old of private pension institutions in Zhengzhou are disabled. The daily work for nursing staffs is to help them turn over, clean, and go to the toilet and eat and at the same time they have to take on accidental risk. Surveys show that every nursing personnel, except the special nurse has to take care of 8 old people and work over 12 hours while most of them are asked to be available for 24 hours with heavy burden yet low payment. The average salary of respondents is 2000 Yuan which is lower than the average

income of urban residents counted in 2015. Moreover, over half of nursing personnel do not sign labor contract and their extra time payment as well as holiday payment cannot be guaranteed which lead to the condition that most of them are not satisfied with work, tend to leave with low-level service. As a result, the occupancy becomes low and it will be hard to recruit members, igniting a vicious circle.

#### *C. Imperfect Management System, the Human Service Remaining to Be Developed*

People do not have the basic needs in terms of clothing, food, shelter and transportation but also want to enrich their life based on physical exercise, mental comfort, cultural life, and social activities. At the end of 2012, the ageing workplace of Henan Bureau of Civil Affairs introduced provisions of Quality standards for pension institutions so as to provide different level services for them. However, surveys find out that most institutions provide single service, which only satisfy their basic need of survival, ignoring spiritual aspect. Besides, while taking benefits and running risks into consideration, some private pension institutions will limit the condition for old people such as mental condition, age and family condition which will lead to the result that those who are willing to live are refused while some institutions are popular. However, comparing to this, the occupancy for some institutions is about 50% or there is deficit. The operators of private pension institutions have to make up for the demerits of hardware by improve the quality of software for example, propagating family love to keep the old; improve the reputation so as to increase the source of clients and make the potential need of pension as effective need.

#### *D. Shabby Equipment and Facility Which Cannot Come Up to the Industry Standard*

After interview, the author finds out that the pension institutions established around 2000 are small with shabby equipment, limited room, and excessive beds constrained by place, capital, building condition and running concept. Besides, the toilet as well as bathroom is public and there are only life necessities such as TV, fan, wardrobe air conditioning and wheelchair. However, the medical care is not matching and the equipment in terms of entertainment and rehabilitation is poor. Comparing to other groups, old people are easily affected by diseases so pension institutions have to be ready to carry out remedy on the old. However, surveys discover that there are first-aid kits in these institutions which yet do not have B-diagnosis equipment, electrocardiograph, emergency car and oxygen machine. Furthermore, comparing to public pension institutions, there is a large gap in medical equipment, recreations and sports facility and countless problems remain to be dealt with. Pension institutions established after 2012 are greatly improved.

## **IV. CONCLUSIONS**

Promoting the construction of private pension institutions is an effective means to deal with aging population and ease the contradiction between supply and demand of social welfare, which is also an important approach to facilitate the establishment of old-age socialization service system. However, pension service is a

long-cycle career which needs great input which cannot quickly create profits in the GDP-dominated era. Therefore, in order to make the private pension institutions grow faster and quicker, the following problems have to be improved from the perspectives of government, pension institutions and society:

#### A. *Pay Attention to the Development of Private Pension Institutions to Add Government Investment and Policy Guidance*

Old-age care belongs to public welfare and private pension institutions bear part of the responsibility to ease the social pressure and the government has to support with financial guarantee so as to stimulate the enthusiasm to establish private pension institutions. To begin with, set up special funds to give construction, running and maintaining compensation which can be adopted in the means of direct purchasing or capital injection to strengthen both the software and hardware construction. What's more, loans can be provided to remove the worries of capital for operators. Secondly, soften the term of social capital to run pension institutions while land supply tax relief, and market access should be matched so as to attract and encourage social forces to establish regulated, safe institutions for different groups with different consumption levels, which can help to resolve the supply and demand contradictions and coordinate the mutual development of new and old, public and private, urban and rural pension institutions to truly solve the problem of occupancy. Thirdly, entrusted operation as well as Joint Venture can be adopted to positively promote the State-Found-Private-run pension institutions to gradually make government pay attention to key management rather than direct serving. Finally, government offices improve implementation policy to guarantee the conduct of preferential policies, and flexibly change demolition policy to form a linkage mechanism of real estate, education, planning dominated by civil department in order to promote the healthy competition<sup>[10]</sup>.

#### B. *Introduce Advanced Management Approach and Perfect the Supervision Mechanism*

Operators do not have public service consciousness and focus too much on the pursuit of profits and meanwhile supervision of government institutions is not in place without effective punitive measures. As a result, lots of private pension institutions have problems such as unscientific management and nonstandard development. Concerning this problem, institutional managers should firstly strengthen the service consciousness and explore the suitable management model based on strengthening training, research study, improving management level; Secondly, policy supervision department should establish a standardized and scientific evaluation mechanism to comprehensively assess from the perspective of use of funds, construction quality, service facilities, food hygiene, accommodation environment, staff setting and make the assessment result public to remind unqualified institutions to modify within the deadline; Thirdly, give full play to the role of social supervision, a third party can assess the institutions from the perspective of agency personnel, facilities, services, management, reputation, etc. and make

the result public to achieve a virtuous change that government and social forces mutually cooperate.

#### C. *Strengthen the Construction of Nursing Staffs and Improve Service Quality*

The most important thing to accelerate the construction of pension institutions is to have a professional and stable team. Concerning the lack of professional personnel, government sectors should introduce the construction fee of nursing personnel into fiscal budget and at the same time encourage various higher vocational schools to train such talents based on the policy and capital support. Moreover, colleges, medical institutions and pension institutions with excellent conditions must strengthen the professional skill training for current nursing personnel and the training fee should be included into the compensations in terms of human resources etc. Furthermore, pension institutions can cooperate with grass-roots medical institutions, professional institutions to actively introduce professional and technical personnel. Vocational colleges can regularly or irregularly organize students to provide volunteer services to pension institutions, or sign cooperation agreements to take these institutions as internship base which cannot only improve students' employment rate but also solve the problem of professional personnel absence. Those small-scale pension institutions can cooperate with close hospitals and doctors can regularly visit to check the health condition of the old so as to make up for the demerits of the medical power<sup>[11]</sup>.

Concerning the big nursing personnel liquidity, government offices should provide post allowance as well as social security allowance for nursing personnel so as to motivate them and strengthen their morality construction so that the public will respect them; meanwhile, the social security problem should be highlighted and government has to stipulate the provision that institutions have to sign formal contract with them and supervise on the issues on whether their social insurances have been bought or not to effectively protect the legal right. Concerning the promotion policy, pension institutions can refer to the system of public institution and promote them based on education background, professional skill, and performance and meanwhile set relevant salary system, helping them see the potential and hope to promote the stability as well as continuous development. For those shining out, institutions should praise them and create the atmosphere of respecting them to ignite their passion.

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