

Research on the Willingness and Influencing Factors of Chinese Residents to Participate in the Third Pillar of Endowment Insurance

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Abstract:

This study focuses on the development dilemma of China's pension system. Facing the increasing aging of the population, the current pension insurance system is facing challenges such as fund revenue and expenditure imbalance and structural imbalance: the proportion of the first pillar is too high, the coverage of the second pillar is limited, and the participation rate of the third pillar as a supplement is far lower than expected. By integrating multi-source research and policy documents, this paper systematically analyzes the current situation and influencing factors of institutional participation. The study found that residents' characteristics (age, education level), economic status (income level, asset allocation), cognitive level (financial literacy, risk awareness), and system design (tax preference, investment choice) significantly affected their participation in decision-making. These factors not only restrict the development of the third pillar but also reflect the complexity of the reform of the old-age security system. The research provides a theoretical basis for improving the individual pension system and increasing the participation rate and has important reference value for the construction of a multi-level pension security system.

Keywords: Personal pension system; willingness to participate; influencing factors; policy suggestion.

1. Introduction

With the increasingly serious aging of China's population, China has entered a deep aging society. The aging rate has exceeded the level of economic development, and the infant birth rate has been contin-

uously reduced. The burden of family pensions has increasingly become the main problem facing China, so it is urgent to actively respond to the problem of population aging. In addition, the increasing aging of the population has also brought severe challenges to the sustainable and stable development of China's

endowment insurance system. For example, the inter-generational relationship has changed, and the number of empty nests for the elderly has increased; Therefore, China is vigorously promoting the development of the third pillar endowment insurance, but at present, the participation rate of China's third pillar endowment insurance is far lower than expected. China's old-age insurance system is a three-pillar system (the first pillar is the basic old-age insurance, which is often referred to as the pension, the second pillar is the enterprise annuity and occupational annuity, and the third pillar is dominated by individuals. A part of the money is paid before tax when working, and then taxed when retiring, including personal savings pension insurance and commercial pension insurance). In April 2018, China began the pilot of individual pensions. After exploration, by June 2023, the number of individual pension accounts had reached 40.3 million, more than double that at the end of 2022; By the end of 2022, the total payment amount was 14.2 billion yuan, and the average household payment amount was 2316 yuan. There are a wide range of participating institutions. Personal pension products include insurance, funds, savings, and financial management. The business has been included in rich products in the investment link [1]. The significance of developing the third pillar of old-age insurance is that as an important part of the social security system, it can effectively supplement and improve the existing basic old-age insurance system and provide individuals with a more comprehensive and flexible choice of old-age security. For China, the third pillar of endowment insurance is a new policy that has only been slowly promoted in recent years. Therefore, compared with the earlier implementation in foreign countries, and the residents' participation rate is far from reaching expectation, few people study the influencing factors of individual pension insurance decisions. In promoting the development of the social security system, the third pillar endowment insurance, as one of the important pillars of the current endowment insurance system in China, should play its pillar role.

This study focuses on the causes and solutions of Chinese residents' low willingness to participate in pension insurance and is committed to optimizing the structure of the pension insurance system and improving the social security system to promote high-quality economic development. The research will systematically analyze the public data and relevant literature of the Ministry of Human Resources and social security and deeply analyze the current situation and problems of the system. At the same time, through the international comparative research method, drawing on the successful experience of Germany's Liszt pension plan and the United States individual retirement account, combined with China's reality, this paper puts

forward practical policy suggestions to provide solutions for building a more balanced and sustainable pension insurance system.

2. Existing Problems

Since the implementation of the personal pension system, there has been a phenomenon of "one high and two low", that is, the proportion of opening personal pension accounts to obtain bank rewards is high, but the actual deposit ratio is too low, and the proportion of funds invested is not high. In addition, there are still some problems, such as the right to choose personal accounts has not been liberalized, and the vast number of residents and employees lack pension account investment experience [1] Part of the policy data did not fully cover the flexible employment, low-income people Deng, resulting in the lack of inclusiveness. The third pillar is not complementary to the basic endowment insurance and enterprise annuity (the second pillar) and lacks overall planning. It is difficult to coordinate across departments, including finance and taxation, finance, social security, and other departments, and it is difficult to coordinate policies and regulations. The policy is complex, the tax preference application process is cumbersome, and the personal account management rules are complex, which increases the participation threshold.

3. Analysis of Influencing Factors of Willingness to Participate

3.1 Economic Conditions

Family income, asset size, investment experience, and other economic factors are closely related to the willingness to participate. There is a positive correlation between annual income and individual pension participation willingness, and high-income people are more inclined to participate in the system. People with more financial assets are also more likely to participate in individual pension. High-income groups (more than 500000 yuan) had the highest willingness to participate, reaching 56.00%, which confirmed the positive correlation between income and willingness to participate. Low-income groups (below 60000 yuan) still have 37.06% willingness to participate, indicating that the personal pension system has a certain attraction in low-income groups.

3.2 System Design Factors

Tax incentives, payment caps, withdrawal rules, product types, and other system design factors have a greater impact on the willingness to participate. The lack of attrac-

tiveness of tax incentives limits the market acceptance of the third pillar pension products, and the small number of individual taxpayers in China leads to the low incentive effect of individual tax incentives on participating in the third pillar. At the same time, immature products and the lack of pension investment concept also limit the participation rate of individual pension. For example, compared with the unclear and hard-to-judge tax preferential policies for a personal pension, the willingness to participate in the personal pension system is positively correlated with the tax credit effect, indicating that the effect of tax preferential policies designed by the system affects the willingness of residents to participate in the personal pension system [2]

3.3 Cognitive Level Factors

Cognitive factors such as the understanding of the indi-

vidual pension system and the level of financial knowledge significantly affect the willingness to participate, and the government's publicity for all citizens is still lacking. Many groups with higher education have a higher willingness to participate in insurance, while those with ordinary education have a lower participation rate in personal endowment insurance. The participation intention of the group with a master's degree or above accounted for the highest proportion, reaching 43.89%, which may be due to their high level of financial knowledge and attention to pension planning. The participation willingness of the group with undergraduate education accounted for 34.68%, which is an important force to participate in the personal pension system. The participation willingness of groups with bachelor's degree or below is relatively low, only 21.43% [3], as shown in Figure 1.

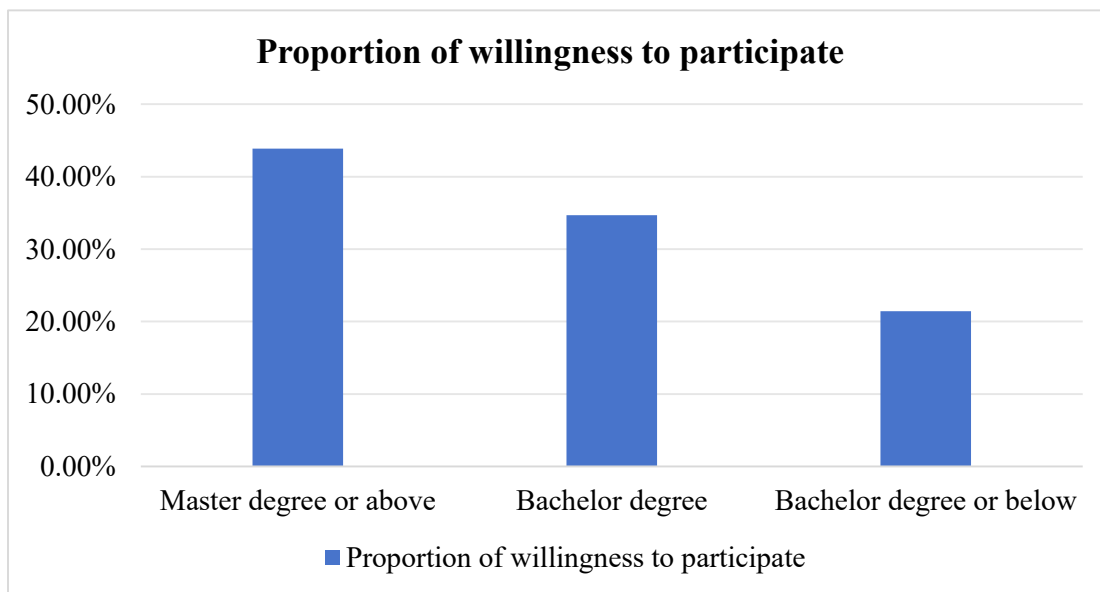


Fig. 1 Proportion of willingness to participate.

3.4 Technical Factors

Digital platforms (such as mobile banking and Alipay) can lower the threshold of participation, and Robo Advisor can help personalized asset allocation, but the problems of data security and algorithm transparency still need to be solved. For example, users' personal information and financial data may be disclosed due to platform security vulnerabilities or hacker attacks. Some platforms may use user data for commercial purposes and violate user privacy. The algorithm transparency problem, the algorithm of intelligent investment advisers is complex, and ordinary users find it difficult to understand its decision logic, which may lead to a lack of trust. If the algorithm design

is not perfect, it may lead to unfair asset allocation or deviation from the actual needs of users.

4. Policy Recommendations

4.1 Strengthen Publicity and Education and Improve System Awareness

Strengthening the publicity of the personal pension system, conduct online publicity through various channels, such as government websites, media, public accounts, etc., make brochures, set up consultation points, etc. for offline publicity, and popularize the policy and financial knowledge of personal pension. Carry out targeted pub-

licity activities for different groups, such as promoting the personal pension system in Colleges and universities and cultivating future investors; Publicize private enterprises and start-ups to meet the needs of such people for a variety of pension methods. Enhance policy publicity and enhance residents' awareness of long-term savings.

4.2 Optimize the System Design and Enhance the Attraction of the System

At the same time, should enrich tax incentives, establish a tax incentive system combining EET and tee, and provide different tax incentives for different income groups. In addition, optimize product design, increase product categories, improve product safety and profitability, and meet the investment needs of different groups. It is necessary to simplify the tax preference rules (such as raising the payment limit), expand the scope of investment (introducing more equity products), learn from the German subsidy mechanism, and encourage the participation of low-income groups. Open the three pillars, allow enterprise annuities and occupational annuities to be transferred into individual pension accounts (similar to the "rollover" rule of IRA), and increase the scale of account balance. Linkage with social security, for example, the individual pension payment can be partially deducted from the social security payment base or the individual income tax can be reduced or exempted when receiving the pension after retirement [4].

4.3 Improve Supporting Policies and Enhance the Credibility of the System

People will clarify the development model and functional orientation of the individual pension system, intensify efforts to enrich and improve the supporting policies of the individual pension system and form a good policy environment and development expectations. People will strengthen the development, access, supervision, service, and education of individual pension products, guide the establishment of reasonable income expectations, reasonably estimate the risk and income range, reasonably improve the level of investment income, and maintain the security and robustness of individual pension accounts. Timely update regulatory policies according to technological development to ensure that regulation and innovation are synchronized. Learn from international experience and establish global regulatory standards. Information platform construction function, improve investment transparency and operation convenience and better enhance the use experience of investors. Establish industry standards for data security and algorithm transparency through industry associations, establish user feedback channels, and

timely solve user problems.

4.4 Enhancing the Universality of the System

Lower the threshold of participation, allow flexible employees, farmers, and other groups to participate with a lower amount (such as 100 yuan per month), and provide supporting subsidies. Simplify the account opening process and promote it through banks, Internet platforms, and other channels. Targeted subsidies for vulnerable groups: provide additional subsidies to low-income people, rural residents, and families with many children to narrow the pension savings gap [5].

5. Conclusion

This study synthesizes the research results of several papers and government public data and deeply analyzes the willingness to participate in China's individual pension system and its influencing factors. The study found that the willingness to participate in the personal pension system was affected by many factors, such as personal characteristics, economic status, cognitive level, system design, and so on. Cognitive level and institutional trust have a significant positive impact on the willingness to participate. At present, China's pension system has broad prospects for development, but it also faces problems such as the urgent need to improve social awareness, and the system design needs to be improved. Future research can further expand the data sample, cover more regions and groups, and improve the representativeness of research results. In-depth study of the impact mechanism of social culture, macroeconomic environment and other factors on the willingness to participate in the individual pension system. At the same time, with the continuous development and improvement of the personal pension system, people will continue to track and study the implementation effect of the system, provide timely and effective suggestions for policy adjustment and optimization, and promote the healthy and sustainable development of China's pension system.

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