

# *Mutual Pension Model in Rural Areas Based on Porter Diamond Model*

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**Abstract:** Diamond model was invented by Michael E. Porter in the analysis of industrial competitive advantage. Its ideological system provides a good analytical thought and framework for the observation of the external and internal factors of an industry. Therefore, it has been widely used in the study of various influencing factors of industrial development. Based on the author's learning and practical experience, this work first discussed the concept of Porter diamond model and mutual pension model, subsequently analyzed the rural mutual pension in rural areas based on Porter diamond model, and finally put forward the promotion strategy for rural mutual pension.

## **1. Introduction**

Porter diamond model is generally used in the study of competitiveness, from six aspects: factors of production, demand conditions, performance of related and supporting industries, as well as the strategy, structure, performance of competitors and government and opportunities [1-2]. China's rural aging is an undisputed fact. Compared with urban pension, the rural public resources are insufficient, and the economic development is relatively backward, the social support of rural pension network is weak [3].

## **2. The Concept of Porter Diamond Model and Mutual Pension Model**

### **2.1. Porter Diamond Model**

The diamond model was proposed by Michael E. Porter, a famous strategic management scientist at Harvard Business School. The diamond model consists of six elements (see Fig. 1). Porter diamond model is used to analyze why a country's industry has strong competitiveness in the world. Porter diamond model is based on industry, which connects microeconomics and macroeconomics by connecting micro production and demand factors as well as government elements at macro level [4]. Here, we apply the diamond model to the analysis of the influencing factors of the development of rural mutual pension industry, and try to provide a new way of thinking and attempt for the study of the development of the elderly industry.

## 2.2. The concept of Mutual Pension Model

As a rural pension mode rising in recent years, this model is also a kind of pension model pushed by the governments at all levels. The rural areas take the form of centralized residence: the village-level collective financing or the absorption of the family's economic sources are used as financial support, village-level collective supply of basic living conditions such as water, electricity and other basic living conditions. It is a pension mode with mutual assistance, mutual care and mutual spiritual comfort among the old people. This model is mainly used to solve the fact that there are fewer and fewer young people in rural areas all the year round, and the problem of providing for the aged is becoming more and more difficult [5]. It is the result of the joint efforts of village-level organizations, rural elderly and government support. With the development of economy and society, the equality of urban and rural resources, the perfection of rural security system and the aggravation of rural aging, this way has been paid more and more attention by the government and supported by the rural elderly, and has great potential for development.

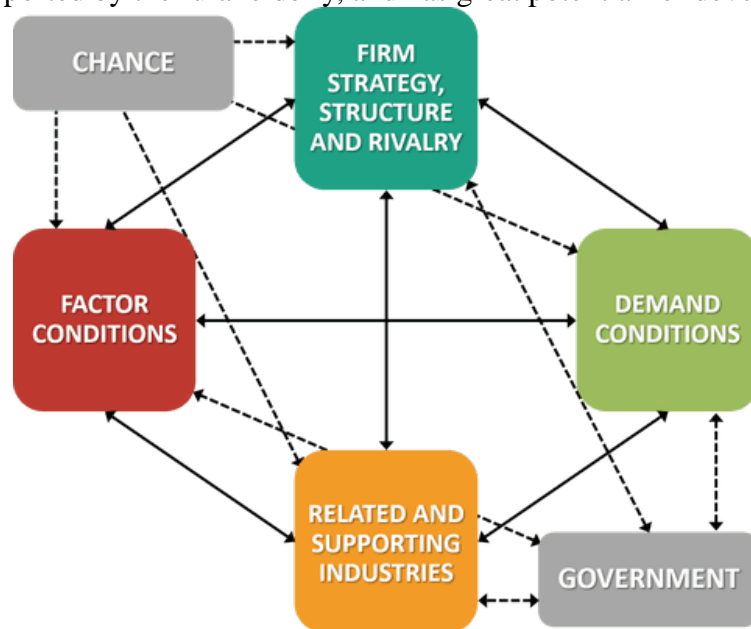


Fig.1. The framework of Porter diamond model

## 3. The Rural Mutual Pension in Rural Areas Based on Porter Diamond Model

### 3.1. Analysis of Factors of Production for the Aged

From the point of view of capital resources, the main body of capital investment is the government, and the flow of funds is mainly hardware facilities. Most of the private investment flows to software facilities (i.e., the pension service industry). Although hardware investment is general, the investment required is large and slow.

### 3.2. Analysis of the Demand of Service Industry

There are three ways in China to provide for the aged: family pension, institutional pension and rural pension. Due to the aging of the population, the aging of the family and the miniaturization of the family are increasing, and the rapid development of industrialization and urbanization in China aggravates this trend. Therefore, the traditional family pension has become difficult. In theory, institutional pension has comparative advantages and scale effect, it realizes the optimal allocation

of pension resources through moderate concentration, so as to reduce the burden of providing for the aged and improve the quality of life of the elderly [6]. However, due to the lack of funds, talents, demand and other factors, the current nursing homes, elderly apartments and other facilities supply cannot get substantial improvement in a short period of time.

### **3.3. Related and Pillar Industries**

The healthy development of rural old-age service industry needs sufficient funds, excellent talents and perfect facilities. Therefore, the financial and insurance industry that provides funds, the education and training industry for cultivating talents, and the related industries for the production of facilities for the elderly are all supporting industries of rural pension industry. At present, the financial and insurance industry does not play an obvious role in supporting the rural pension service industry, and the funds mainly come from the government support, not private capital. The industrialization and marketization trend of rural pension care needs diversified investment to meet the needs of new breakthroughs in community management [7]. At the same time, the real estate industry, which offers pension facilities, provides door-to-door food. Also, the processing industry, the garment processing industry and the psychological consulting industry need to be developed.

### **3.4. Industrial Strategy for Rural Pension**

At present, the rural pension service industry in China is mainly led by the government, and the private enterprises act as auxiliary roles. The government guides and supports the development of private pension institutions. Under the restriction of welfare and micro-profit, it is not realistic that the rural pension demand will be completely solved by the market in a short period of time. Therefore, the stage goal of the rural pension service industry will be a semi-welfare service model advocated by the government, and integrating social resources and providing care for the elderly in the rural is also necessary. However, industrialization and marketization are the inevitable destination for the development of rural pension service.

### **3.5. Industrial Opportunities**

The "opportunity" in the diamond model is the choice of the times for the rural pension service industry, (i.e., opportunities and challenges brought about by the aging of the population). Between now and the year is the population opportunity period. Internationally, the population aged one year or older is usually reduced to a population of one year old or older, known as the opening of the demographic opportunity window [8-9]. Therefore, the opportunity period created by the population age structure is as long as about a year, and this period is just a good time to build a two-type society and accelerate its economic development. The rare historical opportunity of demographic dividend undoubtedly provides a impetus for the development of the old-age industry. Especially from now on, the burden of raising the population is the least, and the labor age population is sufficient, which can be said to be the "golden age" for rural pension development.

### **3.6. Role of Government**

In general, government focused more on intervention to laissez-faire. Although the development direction of rural pension industry is industrialization and marketization, as a part of community service industry, most of the elderly services provided belong to public services and welfare services. Only a small part of them belong to market services. Public and welfare services should fall within the scope of services provided by government agencies, and the government cannot let it

go. As part of the aging industry, the rural pension industry is still a new industry, which needs more government support and intervention rather than laissez-faire.

#### **4. Promotion Strategy for Rural Mutual Pension**

##### **4.1. Government Should Increase Publicity and Investment to Promote the Sustainable Development of Rural Mutual Pension**

In the process of carrying out the mode of mutual support for the aged, the government should increase the capital investment in the service of mutual pension, so that more elderly people can enjoy the services purchased by the government and provided by the society. It is necessary to perfect the construction of the service facilities for the mutual pension and nursing points, so as to better provide various forms of old-age services for the elderly groups in the society. At the same time, we should step up propaganda, encourage all sectors of society to pay active attention to the cause of providing for the aged. It is necessary to encourage social organizations, enterprises, institutions and individuals to donate funds, donate materials or provide free services to rural old-age service stations, and actively explore and establish a socialized service system for mutual pension in accordance with the market economy. The source can meet the service needs of the elderly at different levels in the rural areas, and promote the sustainable development of the mutual pension model.

##### **4.2. Accelerate the Institutionalization and Legalization of Mutual Pension**

At present, although most of the mutual aid pension models in China are led by the government and carried out in a top-down manner, the laws, regulations and institutionalization construction related to them are seriously lacking. For example, there is no "voluntary service law" in China so far. At the same time, it is necessary to strengthen the construction of honesty system, set clear service standards, evaluate the service quality effectively, register and file the service time accurately, provide evidence for the succession service of "service time savings" in the future, and ensure that the service providers can enjoy the corresponding service resources [10]. At the same time, it is also necessary to ensure that the services stored in the time bank are tradable in different institutions. Therefore, the establishment of corresponding systems, laws and regulations will become a necessary guarantee for the normal operation of the mutual aid pension service model. In this way, it can not only safeguard the rights and interests of both the service object and the service provider, regulate the "time savings" service provided by the service personnel at the legal level, but also promote the effective operation of the mutual pension model.

##### **4.3. Strengthen the Construction and Training of Voluntary Service Teams**

Actively encourage volunteers to participate in pension services, improve the willingness of volunteers and service expertise and other related information registration, in order to facilitate the classification of volunteers [11]. Also it is necessary to expand volunteer service, so that volunteers can give full play to their own expertise and be targeted to carry out services. This kind of mutual pension service team, which combines professionals and volunteer service personnel, provides all kinds of services for the elderly from different emphasis, ensures the quality of mutual aid pension service, and enriches the connotation of mutual pension model.

## 5. Conclusions

The concept of mutual pension is to improve the supply of old-age care services through the mode of mutual service and to solve the shortage of old-age service personnel in the aging era. It can be widely used in family pension and institutional pension. In the current background of aging in China, mutual pension model has large scale room for development. Combined with the construction of diamond model, this work analyzed the factors on mutual pension model, which is conducive to getting the key points to support the rural pension model.

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