

Analysis of the Employment Effect of Local Government Spending under the Impact of the New Crown Epidemic

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Abstract

The outbreak of the new crown epidemic in the world in 2020 has caused a huge impact on the world economy including China, and also has a great impact on the employment of my country. Therefore, it is necessary to study the help of government spending on employment. seems necessary. This article first analyzes the latest employment situation in my country's cities and towns before and after the outbreak of the new crown epidemic, and then analyzes the impact of government spending, especially local government spending, on employment. very necessary.

Keywords

COVID-19; Government Spending; Employment.

1. Introduction and Literature Review

The global outbreak of the new crown epidemic in 2020 has had a huge impact on the world economy including China. In order to stop the spread of the epidemic and have a greater impact on the economy, the government has taken strict measures to promote economic production and recovery.

According to the "Statistical Bulletin on the Development of Human Resources and Social Security in 2021", the registered unemployment rate in urban areas nationwide in 2020 was about 4.24 percent, an increase of 0.6 percent over 2019. The first increase in nearly five years. In this regard, the Chinese central government has repeatedly focused on employment stability. In March 2020, the State Council Office of the Communist Party of China promulgated "Several Opinions on the Specific Implementation of Countermeasures for Strengthening Employment Stabilization and Development against the Serious Damage of the New Coronary Pneumonia Epidemic". The Politburo meeting held in April comprehensively analyzed China's current economic situation and strategically deployed the macroeconomic management work in the next stage. When highlighting the strengthening of the "six stability" work, the plenary session clearly proposed for the first time the "six guarantees", that is, guaranteeing employment opportunities for urban residents, guaranteeing basic people, guaranteeing market economic entities, ensuring the safety and reliability of grain and oil energy, and ensuring supply links in the industrial chain To ensure stable and basic operation, the first of the "six guarantees" tasks is to "guarantee employment opportunities for urban residents".

Against the background of the new crown epidemic, and China has entered a critical stage of rapid economic and social development in the early years, due to the decline in the national economic and social speed, labor costs have risen, and the dividends of population growth have gradually disappeared. The potential for development to attract employment is also gradually decreasing. Government fiscal expenditure has become the most important means of macro-control in our country, and it also reflects the intensity and tendency of government fiscal intervention in the healthy and rapid development of economy and society. Therefore, it is necessary to further clarify the employment effects of various government fiscal expenditures

at a time when the development of the world economic epidemic is normalized, which has high research value for optimizing the structure of government expenditures and thus better increasing the scale of employment.

With the change of macroeconomic environment and the prominence of social structure problems, the employment situation in our country is becoming more and more severe. Liu Lingling and Qin Ruohan (2016) took the problem of aging as the research background, and systematically analyzed the effect of government financial expenditure on labor employment. The research results showed that an increase of about 1% in the degree of aging will cause a decrease in total labor employment by 1%. 0.99, while government spending on education and basic research increased by one percentage point each, which can offset the negative effects of aging on labor by 18 percent and 16 percent, respectively. Some scholars take "functional finance" as the core point of view, and advocate eliminating the constraints of budget balance and taking full employment as the goal of fiscal expenditure (Liu Xinhua, 2020).

Considering that different types of government spending have different characteristics, their effects on employment may also be different. Guo Xinqiang and Hu Yonggang (2012) divided government spending into investment spending and service spending. The study showed that government spending has different employment effects. Investment spending can also promote employment, while service spending can also inhibit employment. However, some scholars have found through the analysis of empirical facts that the impact of the government's fiscal investment policy on total social employment is generally negative (Guo Changlin, 2018). Bian Zhicun, Yang Yuanyuan (2016) and other survey results show that a large amount of investment spending by local governments will crowd out employment, and increasing transfer payments is conducive to promoting the transformation of demand structure to consumption-driven. From the perspective of dynamic and random general balance, Wu Xiaoli and Chao Jiangfeng (2014) defined government expenses as four major parts: government consumption expenditure, government fund transfer payment, government investment expenditure, and government service expenditure according to the purpose and use. It empirically shows that both government investment expenditure and government service expenditure have a driving effect on the job market, and the government service expenditure has an even greater promotion effect, while government transfer payments have a depressing effect on employment. From the same perspective, Mr. Chen Lifeng (2016) also defined national fiscal expenditure as productive expenditure and consumption expenditure, and established a NK-DSGE model including different types of government expenditure. Sexual government spending has a moderating effect. In addition, Yuan Fangying, Wang Donghai (2009), etc. adopted the perspective of intertemporal optimization under the endogenous framework, and found through analysis that the impact of productive government expenditure and consumer government expenditure on employment mainly depends on the relative risk aversion coefficient of consumers. , if the relative risk aversion coefficient of consumers is equal to one, then the impact of consumer government expenditure on employment is negative, while the impact of productive expenditure on employment is positive; if the risk aversion coefficient is equal to one, the policy inclination changes; if the risk If the avoidance coefficient is less than one, the policy expenditure is neutral.

For the improvement effect of government spending on employment, foreign research is mainly divided into the following categories of views. Viewpoint 1: Fiscal investment has a positive effect on labor demand. Demetriades and Mamuneas (2000), based on the international labor supply and demand structure model, conducted an empirical analysis on the relationship between the fiscal expenditure and employment rate of OECD member countries from 1972 to 1991. The results show that no matter the long-term or in the short term, the expansion of fiscal investment expenditure can lead to the expansion of labor demand, and at the same time, the promotion effect on the employment rate in the short term is higher than that in the long term.

Viewpoint 2: Fiscal expenditure has no positive effect on labor demand. Some experts pointed out that government procurement costs have no effect on expanding employment expenditures (Lundin, 2006); for example, Srinivasan (2010) found that India's fiscal expenditures are mainly focused on industrialization strategies, and policies tend to be capital-intensive industries. The economic growth rate is accelerated, but the promotion effect on employment is not obvious. Bairam (1991) used econometric methods to estimate the employment elasticity trend of government expenditures. The increase in government expenditures with the passage of time can promote economic growth, but it is negatively correlated with the employment rate. Viewpoint 3: The direction of the impact of fiscal expenditure on labor demand should be determined according to different circumstances.

Through systematic literature review, we found that domestic and foreign scholars have conducted a more comprehensive discussion on the impact of government spending on employment in the relevant context, but the following aspects still need to be further explored: 1. Carry out research based on the background of the epidemic. At present, China is in a period of economic transformation. The advent of the epidemic has brought a test to China's economic development and social operation, but also brought some enlightenment. Therefore, how to adjust and optimize government spending under the current situation, so as to effectively regulate and control Employment is worth exploring. Second, further clarify the employment effect. Various types of government expenditure will have different effects on the employment situation, but there are still large differences in the current research in this area, so it is necessary to further develop and clarify the employment effect of government expenditure on the basis of existing literature.

2. Analysis of My Country's Economy and Employment Situation after the Outbreak of the New Crown Epidemic

After the reform and opening up, China has experienced great development for more than 30 years, and the total GDP has doubled several times. It was not until 2011 that China's development entered the development stage of the new normal model, but the growth rate of the national economy has begun to decline. At the beginning of 2020, the new crown epidemic will appear all over the world, which will bring a great blow to the global economic and social development including my country. This epidemic is unprecedented in human history, and it will affect the lives of people all over the world, employment has caused a huge impact.

Since 2011, my country's overall economic growth rate has been slowing down. The rapid development of the socialist national economy has entered a "new normal". In 2014, the GDP growth rate has dropped to 7.4%, but the impact of the macroeconomic slowdown on the labor market cannot be underestimated. At present, the scale of employees in my country is relatively stable, but the growth rate is still low. The newly employed population in 2014 was 2.76 million, an increase of 0.36% over the previous year. This is mainly due to the great impact on the job market caused by the structural adjustment of the manufacturing industry. At present, the proportion of the added value of the tertiary industry to GDP is increasing rapidly, exceeding 48.2% in 2014, exceeding the third 5.6 percentage points for the two industries. The third industry is mainly in labor-intensive fields, and has a prominent effect on employment opportunities. Judging from the distribution of employment rates in my country from 2007 to 2014, the job-seeking ratio of the first product has been decreasing, the job-seeking ratio of the second product has been stable and declining, and the job-seeking ratio of the third product has increased significantly. In 2014, the total job-seeking ratios of the three industries were 29.5%, 29.9% and 4.6% respectively. It can be seen that due to the impact of the decline of the macroeconomic situation, the total employment of China's manufacturing industry is still

insufficient, and the service industry has just begun to become the main force for attracting employment opportunities in my country.

3. Fiscal Expenditure Structure and its Impact Mechanism on Employment

Considering the impact of fiscal expenditure structure on employment, we must pay attention to two aspects: one is to study how to divide the structure of government fiscal expenditure reasonably; the other is to analyze the impact mechanism of various types of fiscal expenditure structure on employment. Although at present, the structure of government financial expenditure has not yet established a unified division norm, many researchers have adopted the method of Arrow and Kurz (1970) to subdivide government financial expenditure into industrial production expenditure and non-production expenditure, but There is still a big difference as to what kind of fiscal expenditure constitutes productive and non-productive distribution. The Solow growth model shows that the overall productivity of the national economy refers to the comprehensive function of human capital accumulation, labor investment and scientific and technological development; while the endogenous growth theory points out that the long-term development of the national economy is basically determined by human resources, professional knowledge or scientific and technological development. Development and other endogenous variables are determined. According to the classification criteria of Zhao Zhiyun and Lv Bingyang (2005), productive expenditures are roughly divided into infrastructure costs, cultural and educational expenditures, and technical costs, which are regarded as the accumulation of financial capital, human resources, and investment in scientific and technological research. However, since most of these classification criteria are to examine the relationship between the scale of fiscal expenditure and economic and social growth, this paper focuses on the size and composition of fiscal expenditure and its impact on the employment rate. The impact on the rate cannot be ignored.

From the perspective of the composition of government expenditures, they can generally be divided into the following three types: maintenance expenditures headed by government department management expenditures, defense expenditures, etc.; operating expenditures headed by government financial input; cultural education, health, social insurance, etc. etc. (my country's Economic and Social Development and Macroeconomic Stability Research Group, 2006). Most of the effects that can form employment opportunities are the operating expenditures and socialization expenses of government departments. According to the different effects of various government financial expenditures on the effect of employment opportunities, we can divide government financial expenditures into national economic project construction expenditures, cultural and educational expenditures, There are four types of expenditures on science and technology and social insurance. Among them, the national economic project construction expenditure includes the total amount of all expenses related to industrial development, such as agriculture, transportation, electricity, economy and trade, and finance; while the social insurance expenses include two items such as social security and employment, medical care and family planning. cost.

4. Research Conclusion

Based on statistical analysis and empirical analysis of the model, the impact of the impact of the new crown epidemic on my country's urban employment market is estimated. research shows: After the new crown epidemic, my country's economic growth is facing downward pressure, and the current job market is basically stable, which frees up more space for the transformation of the economic development mode, and does not require strong stimulus policies to stimulate economic growth. At the same time, employment contradictions caused by economic downturn

and structural adjustment still exist, and structural contradictions are prominent. This requires the government to formulate reasonable fiscal policies to achieve.

After the new crown epidemic, China's economic growth rate still has some downward pressure, but the current job market has basically stabilized, which has also freed up a lot of space for the reform of China's economic development mode, and there is no need to promote economic development through strong stimulus policies. At the same time, employment problems caused by macroeconomic slowdown and structural adjustment still exist, and structural problems are prominent. This also requires the central government to issue a reasonable fiscal policy to achieve the policy goal of "stabilizing employment development and changing methods". According to the research results of this paper, this paper gives the following policy opinions: First, the central government should be forward-looking when issuing fiscal policy. Because the long-term impact of national fiscal expenditure on the development of my country's employment market has a lagging effect, the stagnation time of fiscal expenditure in each country also has a certain difference. Therefore, government departments should regularly and actively organize experts and scholars from relevant scientific research institutes, universities and other departments to carry out research in order to fully consider the long-term impact of national financial expenditure on the development of my country's employment market and the potential for the development of my country's employment market. Operating risks are pre-adjusted and fine-tuned. Second, the preferential policy support for the development of the third manufacturing industry has been increased. Because the main body of the tertiary manufacturing industry is a labor-intensive field, and the employment intensity is very high, the better and faster development of the tertiary manufacturing industry can not only effectively promote employment, but also promote the transformation of economic and social development models. In the third stage, further increase the state's financial support for education, and effectively improve the human capital level of ordinary workers in society; further optimize the composition of education expenses, and further strengthen the state's policy support for vocational education and vocational training, so as to provide opportunities for those engaged in education and employment training. Individuals will reduce fees and provide appropriate subsidies to vocational colleges, employment training units and re-employment opportunity service stations, so as to promote the vigorous development of higher education and vocational training in my country and further improve education coverage. Fourth, increase investment in policy research to reduce the risk of small and medium-sized enterprises conducting scientific and technological research; reform the incentive mechanism for technological innovation, reduce the direct intervention of local government departments, and encourage local enterprises to take the market as the basis by means of preferential tax and fee policies and scientific research subsidies. Guide to carry out independent research and development. Fifth, by increasing the payment ratio of local public finance in social insurance, the coverage of social insurance has been further expanded. Improve the overall planning system of cities and regions, increase the proportion of medical insurance for farmers and migrant workers; change the social insurance payment system, and local government departments must perform more social responsibilities. Reduce the cost pressure of ordinary citizens in terms of medical care, pension and schooling, so as to attract more people to participate in the insurance, and also reduce the labor cost of small and medium-sized enterprises, thereby mobilizing the business vitality and labor demand of small and medium-sized enterprises.

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