

The Impact of the Three-child Policy on China's Economy

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Abstract

The Three-child policy will have a profound impact on China's economy: on the macroeconomic front, the Three-child policy will be able to replenish a highly qualified workforce, reduce long-term social support pressure, and drive the economy from an investment-driven to a consumption-driven transition; on the sub-sectoral front, the Three-child policy will drive the booming development of the mother and child, education, medical, and automotive industries. In the current economic situation of the new normal, the implementation of the Three-child policy has given impetus to the long-term sustainable development of China's economy.

Keywords

Three-child Policy; Chinese Economy; Policy Impact.

1. Introduction

China's population policy began in the 1980s. At that time, China was faced with a serious population problem. During the baby boom period of 1962-1973 alone, China maintained a population of 24-27 million births per year. To address the negative impact of population growth on the use of social and economic resources, China began to strictly implement family planning policies. The family planning policy implemented since the 1980s has gradually failed to meet the needs of today's socio-economic changes, leading to a series of problems such as population aging, which cannot be reversed in the short term. The aging problem is manifested in the change of the number of elderly people and their proportion. According to the new standard of the United Nations, a region is considered to have entered an aging society when 7% of the total population is 65 years old. According to the data released by the National Bureau of Statistics, the proportion of people aged 65 and above in China reached 7% as early as 2000. 127.14 million people were elderly in China in 2012 and rose to 176.03 million in 2019; the proportion of elderly people rose from 9.39% in 2012 to 12.57% in 2019. In 2011, China implemented the two-child policy, and in 2013, China began to implement the two-child policy. To further address this issue, in 2016, China began to implement a comprehensive two-child policy. However, data from the seventh national census show that 12 million people will be born in 2020, with a birth rate of 8.52 per thousand and a total fertility rate of 1.3. Both the number of births and the birth rate are the lowest since 1949, and the total fertility rate has fallen below the international population warning line of 1.5. To actively address the population issue, on May 31, 2021, the country announced the implementation of the Three-child Policy.[1] The impact of the Three-child policy on China's economy is far-reaching. On the one hand, it will help to provide a new labor force for the future, reduce long-term production costs, maintain a normal demographic structure, and facilitate economic development; on the other hand, the baby boom will bring new industry opportunities.

2. The Impact of the Three-child Policy on the Macro Economy

2.1. Replenish High-Quality Labor Force and Promote Economic Development

Current scholars in development economics generally agree that the level of development of a country's economy is mainly determined by demographic, technological, and institutional factors. Countries with large populations have cheaper factors of production, lower social costs of production, and a competitive advantage in the economy. China's long economic takeoff, which began at the beginning of the 21st century, was based on a demographic dividend. The increase in urban population has a catalytic effect on economic development. The larger the urban population, the greater the consumption level of the population, leading to greater consumer spending; and the increase in urban housing affects the increase in total investment. The sustained and effective growth of the adult population has a catalytic effect on economic development. The larger the adult population, the more labor is contributed.[2]

2.2. Reducing Long-Term Social Dependency Pressure

The aging problem leads to a series of problems such as social pension insurance system and support for the elderly population, etc. The increase in the proportion of the elderly population will, to a certain extent, increase the government's financial expenditure on health care, and the construction of social public facilities will be reduced accordingly, and at the same time, the government will take to increase taxation to increase fiscal revenue in order to maintain normal working order, and in this process, the disposable income of residents will be reduced, and social consumption will be reduced. In this process, the disposable income of the residents will decrease and social consumption will also decrease, resulting in a lack of vitality in the market economy. With the trend of aging society becoming more and more serious, two young people have to support four old people, China's social security fund will face the problem of balance of payments.

2.3. Pulling China's Economy Towards a Consumption-Driven Transition

In macroeconomics, economic growth is driven by consumption, investment and exports. The epidemic led to a global economic downturn and low growth in China's export market. At the same time, China's government over-investment has brought about the problem of overcapacity, and society is unable to digest the excess capacity. Currently, China's economy is facing the pressure of transformation. And the Three-child policy will bring a huge consumer market. The increase of newborns will stimulate the growth of commodity economy, especially maternal and child consumption, such as: maternal and child health care products, milk powder and other baby food, textile and clothing, education and other industries will benefit.

3. The Impact of the Three-child Policy on Related Industries

3.1. Mother and Baby Services and Supplies Industry

In contemporary society, most women not only lead household consumption decisions and shoulder the burden of childcare, but are also active and aggressive in the social arena. With the dual attributes of family and society, they pay more and more attention to the pursuit of quality of life, and the industry chain around their needs before and after pregnancy and childbirth is constantly improving, with a broad market prospect. First, pre-conception conditioning, with the popularization of the idea of eugenics and the general increase in childbearing age, some women began to seek the help of professional institutions in the preparation period, through diet and exercise to regulate the body, to prepare for conception and birth. Second, the daily chemical products during pregnancy and breastfeeding, under the premise of protecting the health of the fetus, more and more women pay more attention to skin management during pregnancy and breastfeeding, the market of related skin care, makeup,

bath products is constantly refined and expanded. Third, postpartum recovery, many women choose to enroll in fitness courses or beauty treatments after childbirth to help themselves recover their skin and figure after childbirth.

Maternal and child care accounts for a relatively large share of the domestic market, in the context of the Three-child policy, the demand for domestic helpers such as sister-in-law, childcare, doulas will further grow. The first is the age of three children maternity, newborn care hard, is not conducive to postpartum recovery; second, the elders are old, physical energy is not enough, it is difficult to take care of maternity, newborn; third, with the economic growth, people's consumption philosophy is becoming more mature, more inclined to "do professional things with professional people". At present, the monthly salary of licensed sisters-in-law and childcare sisters-in-law in first-tier cities is generally more than 10,000, and usually need to be booked months in advance, the comprehensive Three-child policy is bound to push up the price of related labor again.[3]

Mother and baby products purchase channels can be divided into online and offline. As consumers develop online shopping habits, shopping platforms, logistics experience optimization and perfection, many well-known mother and baby brands have accelerated into the online field, mother and baby online market scale significantly increased, online shopping gradually become the main "battlefield" of mother and baby supplies. The mobile Internet has led a new round of investment in the mother and baby industry, giving rise to industry changes and accelerating the industry's development. The online industry is still in its early stages of development, with significant room for user growth.

Contemporary children have established their own distinctive values and preferences, they are more in pursuit of spiritual experience, immersive consumption, traditional toys have been difficult to meet their needs in all aspects, the future of children's cultural entertainment industry will be more diversified, pan-entertainment form. First, the publishing and film industry, including books, games, animation, movies and their derivatives development. Second is the theme park, including both small and medium-sized children's parks in shopping malls or communities, as well as large scale, advanced facilities and distinctive themes of large theme parks, such as Disneyland, Wanda Land, Changlong Resort, etc.. Third, other public welfare, science and technology class places, such as animal and plant gardens, science and technology museums, museums and so on.

3.2. Medical Care and Insurance

Addressing medical issues can, to some extent, increase families' willingness to have children, so the government will continue to invest more in medical care in the future. The cost invested in health care keeps rising from 2014 to 2019. The total cost of health care increased from 3,531.24 billion yuan in 2014 to 6,584.139 billion yuan in 2019; the per capita cost of health care increased from 258.166 billion yuan in 2014 to 4,702.79 billion yuan in 2019.[4]

Due to the prevalence of advanced maternal age and high-risk pregnancy, insurance companies are keenly aware of the business opportunities. Companies such as China Life, PICC, Sunshine Insurance and Pacific Insurance have launched related products, such as pregnancy insurance, miscarriage insurance, congenital malformation insurance and many other types of insurance.

3.3. Basic Education and Extracurricular Education

The number of live births in hospital deliveries in China was 18.46 million in 2016, an increase of 11.5% over the previous year. With the further implementation of the Three-child policy, the school-age population will further grow in the future, the peak of kindergarten entry and the peak of early childhood education will come one after another, and the problem of insufficient education carrying capacity will become more and more prominent. Social capital should actively enter the education sector within the policy framework to make up for the lack of public

resources and to enhance its business value. At the government level, in the short term, it should make great efforts to develop the childcare business and encourage high-quality and low-cost community childcare institutions; in the long term, it should devote itself to education supply-side reform and expand the supply of high-quality education resources.[5]

With the development of modern education concepts, the popularity of fetal education and early childhood education programs has long exceeded expectations. Parents of school-age children are not only satisfied with the basic education they receive at school, but also want to use extracurricular time to expand their learning or develop other talents. Arts and sports training institutions are highly sought after, and the implementation of the Three-child policy will further expand the relevant market. Among them, the newly emerged online education takes full advantage of the Internet and its development potential should not be underestimated.

3.4. Auto Industry

Newborns will not enter the ranks of car buyers in the short term, but will contribute to the structural adjustment of the auto industry and affect the layout of car companies' segmentation models. For families with three children, five-passenger cars or ordinary SUVs are overstretched in space, while 7-seat MPVs and full-size SUVs are gradually becoming the new favorites for families with cars, thanks to their unique space and capacity. Many independent car companies have long aimed at three children business opportunities have also joined the 7-seat SUV market. Although the 7-seat MPV market has not yet exploded, but with its space, comfort and other advantages, the future can be expected.

4. Conclusion

The implementation of the Three-child policy is another major adjustment of China's population policy since the founding of New China, which determines the development trend of China's demographic structure for a long time to come. The Three-child policy is expected to alleviate the crisis of China's aging population, gender imbalance and labor shortage in the future, and is more likely to promote economic consumption in the short term. From the demand for power, it not only covers medical, maternal and child products, education and other fields, but even acts on culture and entertainment, real estate, automobiles and other fields, with a wide range of influence. In the context of China's economic growth rate stabilizing and entering a new normal, the Three-child policy is undoubtedly like a spring breeze, bringing new possibilities for economic development. While the "Three-child economy" is heating up, the government needs to strengthen market guidance and follow up on regulatory measures to maintain the stability of the economic order and improve the efficiency of resource allocation. For investors, although the "Three-child economy" is an attractive pie, it still faces a lot of uncertainties in the context of increasing national awareness of reproductive autonomy, and the duration and scale of the economy are subject to further scrutiny. The government or individual investors should follow the principle of caution, always pay attention to the policy implementation and the trend of China's population size and demographic structure, and make adjustments in a gradual and timely manner.

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