An Economic Analysis of The Three-child Policy

Yujie Pan1, a, *

1Department of Finance, Henan Polytechnic University, Jiaozuo, CO 454000, China

Corresponding author: Yujie Pan (Email: 1206161174@qq.com)

Abstract: Population problem is an important strategic problem of China's economic and social development. It is necessary not only to pay attention to the laws of population quantity, quality, structure and regional distribution, so as to grasp the laws of population development and change comprehensively and objectively, but also to regulate population policies scientifically and reasonably, so as to promote the transformation of population structure and meet the needs of human social construction and development. The number of births in China has been shrinking in recent years due to the decrease in the number of births and the decrease in the birth desire of the age-appropriate population. According to the National Center for Population and Development Research under the National Health Commission of China, the country's population will enter negative growth after 2027. Under the long-term background of gradually tight labor supply and increasingly severe aging situation, it is imperative to open the three-child policy. By interpreting the “the-child policy”, this paper analyzes the reasons of the implementation of the this policy, the advantages and disadvantages, summarizes the impact of "three-child policy" on our economy in the long term and gives some countermeasures and suggestions.

Keywords: “Three-child policy”, Advantages and disadvantages, Long-term economic Impact.

1. Motivation Analysis of Three-child Policy

1.1. Historical Changes in China's Population Structure

The results of the seventh National Census show that the proportion of children aged 0-14 in the total population of China is 17.95%, which is lower than the proportion of people aged 60 and above in the total population (18.70%). See Table 1 for details. The population of Shenyang in the northeast and Wuxi, Taizhou, Yangzhou, Zhenjiang, Changzhou and other cities in the Yangtze River Delta region all experienced negative growth, indicating that the population structure has begun to undergo a subversive change. Society is a large organic system, any subsystem changes will have a profound impact on social economy, social welfare, family and so on. Population is an important variable that affects the development of the country and society. The adjustment of fertility policy will not only affect the population subsystem, but also lead to a chain reaction of social economy, producing short-term and long-term effects. This decision of the central government is a positive response to the coming great social changes. It may have a far-reaching impact on the population structure, economic and social development, and also a response to the low fertility rate issue that the public has been concerned about.

Table 1. Age structure of the seventh census

<table>
<thead>
<tr>
<th>Age</th>
<th>Population</th>
<th>Proportion (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-14</td>
<td>253 383 938</td>
<td>17.95</td>
</tr>
<tr>
<td>15-59</td>
<td>894 376 020</td>
<td>63.35</td>
</tr>
<tr>
<td>Age 60 and older</td>
<td>264 018 766</td>
<td>18.70</td>
</tr>
<tr>
<td>Age 65 and older</td>
<td>190 635 280</td>
<td>13.50</td>
</tr>
<tr>
<td>Aggregate</td>
<td>1411 778 724</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: National Bureau of Statistics

1.2. The Number of Women in The Fertility Boom Period Has Decreased, And the Desire to Have Children Has Continued to Decrease

One is the decrease in the number of women having children and the delay in the age of marriage and childbearing. The other is the decrease in the number of women of childbearing age in the fertile period. During the 13th Five-Year Plan period, the number of working women aged 20-34 dropped by 3.4 million annually, and by 3.66 million year-on-year in 2020. On the other hand, delaying marriage and childbearing leads to fewer women having children in the current period. From 2006 to 2016, the average age at first marriage and childbearing for Chinese women was postponed from 23.6 and 24.3 years to 26.3 and 26.9 years, respectively. The proportion of married women aged 20-34 fell from 75.0% to 67.3%. In addition, the number of marriages registered nationwide has declined for seven consecutive years, dropping 40 percent from 13.47 million in 2013 to 8.13 million in 2020. Among them, the number of registered first marriages dropped 41 percent from 23.86 million to 13.99 million.

Second, the people's awareness of family planning is generally low. At present, the average number of children born in the 1990s is only 1.66, 10 percent less than those born in the 1980s. The results of the dynamic monitoring study of China's population structure and family situation in 2019 show that less than 1.05% of Chinese women who have two or more children after family planning have given birth. Education, housing, career development and other relevant economic and social security policies have become important for Chinese families to make reproductive choices. After the universal two-child policy, quite a few families are afraid to have children. The top three factors are the huge financial burden on families, unattended children, and women's inability to balance the complex interpersonal relationship between home and work. The survey results show that 75.1
percent of employees have a "heavy economic burden", 51.3 percent have "no one to take care of their children", and 34.3 percent of female employees have seen their wages significantly reduced after giving birth, with 42.9 percent of them reduced by more than 1.05 percent.

1.3. Slowing Economic Growth and The Coronavirus Pandemic Have Delayed the Age of Marriage and Childbearing

Nowadays, the cost of marriage is rising, and people will make rational choices to delay marriage and childbearing in order to relieve the economic pressure when their income is reduced or unstable. Many foreign surveys have reported COVID-19, which has greatly reduced the fertility rate in many countries and places in the world. Affected by the epidemic, young people in China face increasing uncertainty in employment and income, and marriage and family planning arrangements are being postponed or canceled. Compared with the number of births in 2019, the number of births in China during the same period in 2020 has decreased significantly.

2. Analysis of Advantages and Disadvantages of Three-child Policy

2.1. Adverse Effects of The Implementation of The Three-child Policy

First, due to the large increase of the rural population and the population at the bottom of the society, rural poverty may be aggravated, and rural issues will become more prominent issues in national development. Second, due to the increase of rural population, a large part of the population may flow into the cities, which may further aggravate the difficulties in childcare, education, employment and urban slums. Ultimately, it's not good for rural development, it's not good for urban development. Third, the increase of the population at the bottom of the society will lead to the increase of the national management cost, which will erode the country's productive economic growth capital. At the same time, due to the limited income of these people, the expansion of consumer demand is bound to be limited. The comprehensive effect will probably have a great adverse impact on the national economic growth.

2.2. The Favorable Influence of The Three-child Policy in China

At present, the aging degree of China is gradually increasing. It is estimated that around 2035, by the end of the 14th Five-Year Plan, the aging population will gradually transition from mild aging to moderate aging and severe aging. On the one hand, the strained relationship between population and resources has not been completely relieved, and it is a right choice to gradually open up fertility. The implementation of the "three-child policy" will bring about a series of changes. First, people have more choice to have children. Two children used to be the limit, now three is the limit. The policy respects people's desire to have children and gives families who want to have a third child a chance. Second, by promoting the improvement of the age structure of the population, expanding the supply of new population, reducing the dependency ratio of the elderly population, reducing inter-generational conflicts, and improving the overall vitality of the economy and society, we can reduce the peak level of world population aging. Third, it will promote a series of consumption. The three-child policy will stimulate the production and consumption of baby-care products, as well as housing and car consumption.

3. The Long-term impact of the Three-child Policy on Chinese Economy

3.1. The Three-child Policy Is Expected to Delay the Peak of China's Population, Which Will Create Favorable Conditions for Coping with The Middle-income Trap

The research results of development economics point out that in the process of rapid economic take-off of emerging market countries, the quantity and quality of labor resources is an important key to determine the sustainability of development. The development rate and absolute level of national aging will have an important influence on the success of breaking through the trap of per capita income of middle countries. For our country, although human capital quality is improving day by day, the adverse pressure of population structure change is still very strong. In 2020, the working-age population over the age of 16 to 59 will drop to more than 40 million compared with 2010, and the proportion of the elderly over the age of 65 will rise from 8.87% in 2010 to 13.5%. Under the combined influence of these natural trends, China's population is likely to peak in 2025 or 2030, and then decline, according to demographers' long-term dynamic calculations. Although the continued relaxation of the family planning policy has hardly changed the world, it still plays a positive role in slowing down the acceleration of this trend. Since China implemented the two-child policy in 2016, more than 10 million children have been born in China. The three-child policy can further strengthen the effect of the existing tax policy, thereby delaying the process of Chinese people reaching the peak, exchanging economic space with time, and thus avoiding the economic resonance between the Lewis turning point and the middle-income trap.

3.2. The Three-child Policy Is Expected to Significantly Increase the Birth Rate and Deeply Tap the Consumption Growth and Economic Potential

Our country macroscopical economy is implementing the new development view of double circulation, seeking the national economy from a high speed development to the high quality development transition. In this process, dredging the internal cycle and forming the endogenous growth mode driven by family consumption are the key to the transformation and sustainable development of national economy. The fertility rate directly affects the saving rate, while the change of household consumption and other micro activity patterns determines the adjustment of the internal structure of the macro economy. According to the actual situation of our country, the low birth function causes high savings level, which will have certain inhibitory effect on the continuous improvement of the family consumption level. The liberalization of the family planning policy may play an important role in breaking this negative cycle. Therefore, the three-child policy may have further played a long-term role in improving fertility and household consumption.
### 3.3. The Three-child Policy Continues to Stimulate the Demographic Dividend

Demographic dividend refers to the fact that a country's working-age population accounts for a large proportion of the total population and the dependency ratio is low, which provides a favorable population condition for the country's economic and social development. According to the seventh national census released on May 11, 2021, compared with 2010, China's demographic dividend seems to be fading across the board. At present, China is exploring the potential of demographic dividend through reform. China launched the "two children alone" policy in 2013 and the "universal two children" policy in 2015. Census data show that more than 10 million "second children" have been born in China as a result of changes to the country's fertility policy. There is no doubt that the three-child policy will drive a significant increase in China's population growth rate and dig deep into the demographic dividend. Increases the pool of potential future buyers.

### 4. Countermeasures and Suggestions to Promote the Implementation of The Three-Child Policy

#### 4.1. Relevant Departments Shall Deepen the National Medium-And Long-Term Population Development Strategy

Related administrative departments to plan as a whole to consider a good marriage, family planning, support, family education, increase of marriageable youth marriage, family education ideas of education guidance, strict control good marriage customs, enhance the level of family management of eugenic and superior nurture, the further development of acceptance of the child care services, to promote family education public, improve school outstanding teaching resources supply, reduce the family educational expenses To use. We will unleash young people's reproductive potential, improve the maternity leave and maternity insurance systems, increase support for preferential tax and housing policies, and ensure women's legitimate rights and interests in employment.

#### 4.2. Make Reasonable Reference to The Welfare Policies of Western Countries to Ensure The Effective Implementation of The Three-child Policy

The birth welfare theory of western society and the birth-friendly social construction preference is worth the reference from our country, improve the birth welfare leve, build a birth-friendly society, create the child-friendly envirnoment and atmosphere, will have three children into a social fashion, only the fertility rate will be moderately in increased. After the implementation of the three-child policy, it is necessary to maintain the continuity of the one-child policy, gradually improve the comprehensive living, medical treatment, old-age assistance and contact mechanism of special family planning families, improve the guarantee and care mechanism of administrative leadership and social work agencies, and protect the legitimate rights and interests of family planning families.

### 5. Conclusion

The three-child policy is an important turning point in China's population policy reform, and the population policy is a part of China's macro policy. In the long run, the three-child policy not only depends on the guidance of the government, but also needs the support of relevant policies. Only focus on a small "one old", further improve the ability of social security, perfect the system of the population policy, vigorously promote women's employment equality, reduce fertility cost, implementation is helpful to optimize the population structure of tax breaks and subsidies, population policy of liberalisation will deal with an ageing population in China and long-term to provide powerful guarantee for sustainable development.

### References

