

Research and Suggestions on Population Aging Under the Background of Social Security Fee Reduction

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Abstract. At present, China implements the important measure of "tax and fee reduction", which reduces the cost of enterprises, reduces the burden on enterprises, and can promote economic growth. Social security fee reduction in particular to reduce the enterprise endowment insurance contribution ratio. However, the current aging of China's population is increasing, which has brought challenges and opportunities to China's economic growth. This article analyzes the impact of population aging on the economy through the current population situation in China, and puts forward its own suggestions for coping with population aging.

Keywords: *social security fee reduction, population aging, old-age insurance system*

1. Research Background

At present, China's economic development is facing downward pressure. To cope with the downward economic pressure, China has implemented supply-side structural reforms. In recent years, the key measure of "tax and fee reduction" has been continuously deepened to reduce the burden on enterprises. In the 2019 government work report, Premier Li Keqiang pointed out: The burden of corporate social security contributions has been significantly reduced. Lowering the proportion of basic old-age insurance units paid by urban employees can be reduced to 16% in various places. Immediately after the issuance of documents by the General Office of the State Council, as of May 1, 2019, relevant measures for reducing social security fees were officially implemented. According to official data, it is expected that the burden of social security contributions for enterprises will be reduced by nearly 300 billion yuan throughout 2019. This round of reducing the social security contributions of enterprises, mainly to reduce the proportion of endowment insurance contributions. However, the problem of old-age care in China is still severe, and the population is aging. With the reduction of the burden of corporate social security contributions, it is bound to bring pressure on finances. This article analyzes the current situation of China's population, combines the current pension insurance system, and finally puts forward suggestions for reforming the pension insurance system based on foreign experience.

2. Current Population Status in China

China is a country with a large population. At present, China's total population has exceeded 1.4 billion. According to data from the statistical yearbook, China's total dependency ratio in 2018 was 40.4%, of which the child dependency ratio was 23.7% and the elderly dependency ratio was 16.8%. (Population dependency ratio: The ratio of the working-age population to the working-age population in the overall population.) As can be seen from the Table.1 below, the dependency ratio for the elderly is basically increasing at a rate of about 1% per year.

Table 1. Population dependency ratio in the past five years

Index	2018	2017	2016	2015	2014
Total population at the end of the year (million people)	1395.38	1390.08	1382.71	1374.62	1367.82
Total dependency ratio(%)	40.4	39.2	37.9	37.0	36.2
Child dependency ratio (%)	23.7	23.4	22.9	22.6	22.5
Old-age dependency ratio(%)	16.8	15.9	15.0	14.3	13.7

Data source: China Statistical Yearbook

As of 2018, the proportion of the population over 65 in China has reached 11.9%. At present, China is still in an important period of economic development. The aging of the population is bound to bring pressure on economic development.

3. Impact of Population Aging on Economy

3.1 Population Aging Brings Challenges to China’s Economic Growth

China's population is aging before modernization and urbanization. China can be said to be "old before getting rich". At present, China's economic development has entered a new normal, and it is bound to be difficult to solve the problem of pensions while maintaining economic growth. At present, China is implementing a larger scale of tax and fee reduction policies. Among them, reducing the social security contribution ratio of the enterprise, reducing the cost of the enterprise, is conducive to the expansion of reproduction of the enterprise. However, the expenditure of endowment insurance is increasing year by year, which will inevitably bring a burden on China's finances. Whether it is reducing fiscal expenditures in other areas or increasing related taxes, it will have an adverse impact on our economy.

At present, the "empty account" of China's endowment insurance accounts is serious. Pensions for retirees in China have been rising for 15 years. Although pensions have continued to grow in recent years, since 2016, the increase in pensions has gradually slowed. In the future, it is likely that the growth rate of pension insurance funds will be slowed in order to ease the pressure on the income and expenditure of pension insurance funds.

3.2 Population Aging brings Opportunities to China’s Economic Growth

However, with the aging of the population, it may promote the development of the "silver hair industry". The consumption scale of the elderly according to the China Commercial Industry Research Institute: the total consumption of the elderly population in 2020, 2025, 2030, 2035, 2040 and 2050 reached 7.01 trillion yuan, 11.36 trillion yuan and 18.33 trillion yuan, 26.81 trillion yuan, 36.36 trillion yuan and 61.26 trillion yuan.

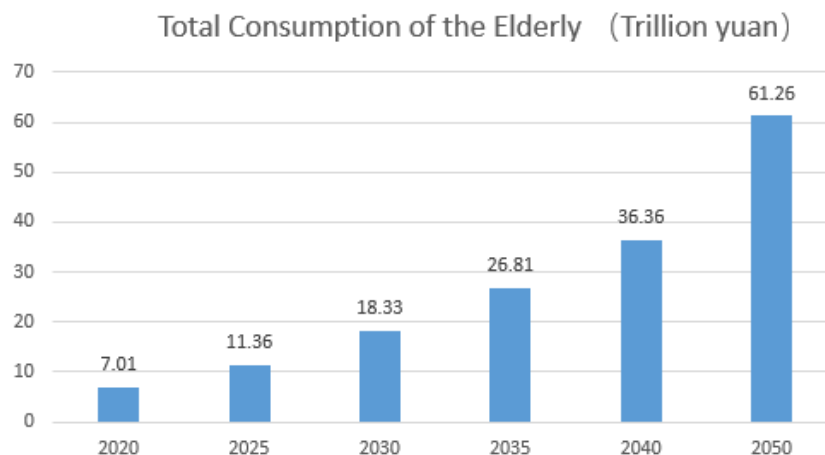


Figure 1. Estimation of China's elderly population consumption
Data source: China Business Industry Research Institute

It can be seen from Figure 1 that with the passage of time, the size of the elderly group has continued to expand, and the consumption concept of the elderly has also changed. China's aging industry market has great potential and broad development prospects, and it is likely to become a new growth point for China's economic development. Compared with such a large demand, the supply of China's aging industry is seriously insufficient. The products and services needed by the elderly need to be improved. At the same time, with the development of China's economy, the continuous improvement of social security, and the increase in national income, the elderly have higher levels of needs, such as spiritual needs. This has also provided effective demand for the development of the elderly service industry.

4. Suggestions to Cope with Population Aging

The main characteristics of China's aging include: large population, uneven regional development, uneven urban and rural development, small family size and so on. These characteristics determine the current task of China's population aging is heavy and difficult. Therefore, in the face of the current crisis of population aging, it is urgent to reform the pension insurance payment method and realize the sustainability of the pension system.

4.1 Vigorously Encourage and Develop the Aged Care Service Industry and Develop a Characteristic Aged Care Model

Let our old-age care model transform from a family-based care model to a community and institutional care-giving model. First, the development of the elderly service industry can reduce the burden on families. Due to the current demographic structure in China, the development of the "inverted triangle" tends to increase, and with the increase of women's education, many families are dual-employee families. Two adults need to take care of four elderly people, so the burden on adults is heavy, and the development of the elderly care industry can reduce the burden on families. Second, vigorously developing the elderly service industry can promote employment. The demand for the elderly service industry can allow idle labor in the society to find employment and reduce unemployment. Finally, the prosperity and development of the elderly service industry will stimulate the consumption of the elderly and better stimulate economic growth.

4.2 Accelerate the Nationwide Coordination of Endowment Insurance

In view of the imbalanced development of the endowment insurance area, at present, the overall level of endowment insurance in China is not high. It is necessary to continuously improve the central government's power in endowment insurance, assume more responsibilities, improve the overall level of endowment insurance, make reasonable use of fiscal transfer payments, and give play to the redistribution function of endowment insurance. Big data technology can be used to build a unified national pension insurance management platform so that the information is as full as possible. At present, it may be difficult to implement national overall planning. We can gradually improve provincial and regional overall planning and gradually realize national overall planning.

4.3 Promote the Development of Rural Elderly Care Services

To address the uneven development of urban and rural areas. In many places, young people go out to work, and the phenomenon of "empty nest elderly" and "left-behind children" is common. Therefore, first of all, it is necessary to increase overall planning and promote the equalization of basic public services in urban and rural areas. The pension policies of governments at all levels should be appropriately tilted towards the rural areas. Secondly, social capital should be encouraged to enter the field of rural elderly care services. The introduction of corresponding preferential tax policies and preferential land supply policies, when necessary, certain financial subsidies can be given to provide enterprises with profitable space.

4.4 Encourage and Develop PPP (Public-Private-Partnership) Pension Model

At present, there is a shortage of pensions in some regions, provinces, and cities in China, and relying solely on financial power to provide pensions is under great pressure. The introduction of social capital will help alleviate fiscal pressure. It can enable the government and social capital to exert their respective advantages to provide public projects for the pension industry. However, the current laws and regulations on the PPP model are lacking, and the corresponding laws must be continuously improved.

5. Conclusion

At present, the crisis of population aging is intensifying, and under the background of social security fee reduction, the pressure on fiscal expenditure is also increasing. However, the aging population has brought both opportunities and challenges to China, which is in an important period of economic development. Facing this challenge requires governments, society, and businesses, including each of our citizens, to work together to meet the challenge.

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