

**Social Security Building and Domestic
Demand Promotion:
Assessment during the Financial Crisis and
Recommendations of Post-crisis Era**

Zheng Bingwen

CASS

Jan. 21, 2010

- **1. Two features of the "new deal of social security" during the crisis**
- **2. Three effects of the "new deal of social security" during the crisis**
- **3. Post-crisis era: the social security system as a production factor**
- **4. Long-term Consideration for Social Security to Stimulate Domestic Demand: well handling 4 relationships and 12 policy suggestions**

First. Two features of the "new deal of social security" during the crisis in China

- **1. Social security policy responded quickly to adjust and introduce the new deal.**
- First. The Chinese government timely adjusted the system parameters to launch the "new deal of social security."
- Second. We should expand the application scope of single social insurance funds to expand job training and stabilize jobs.
- Third. We have to take urgent measures to regulate labor relations and stabilize employment situation.

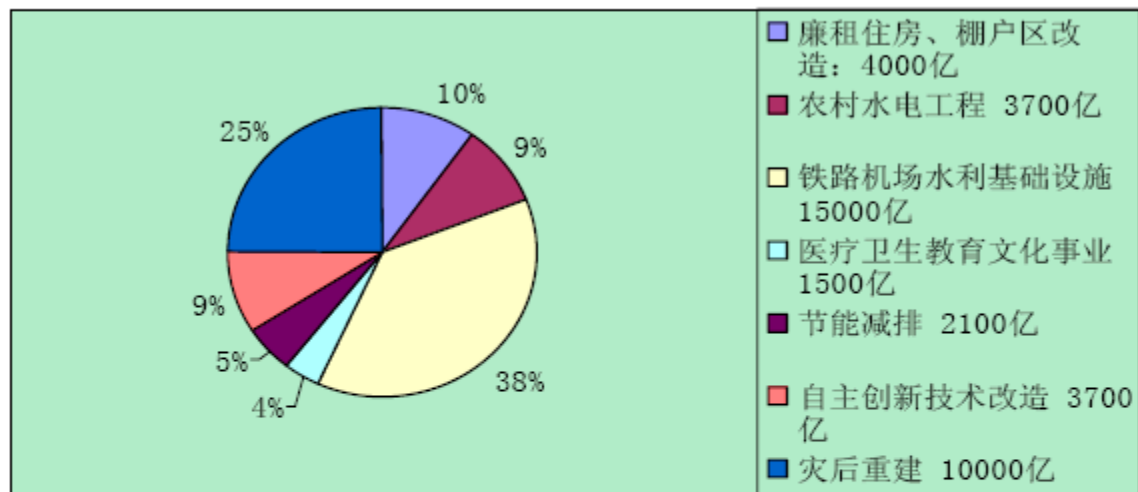
2. Policy package for direct consumption pulling

中国4万亿（**5680美元**）救市计划分布（前后比较）：

调整之后

（福利支出不包括住房占4%）

（包括住房14%）



调整之前

（福利1%，不包括住房）

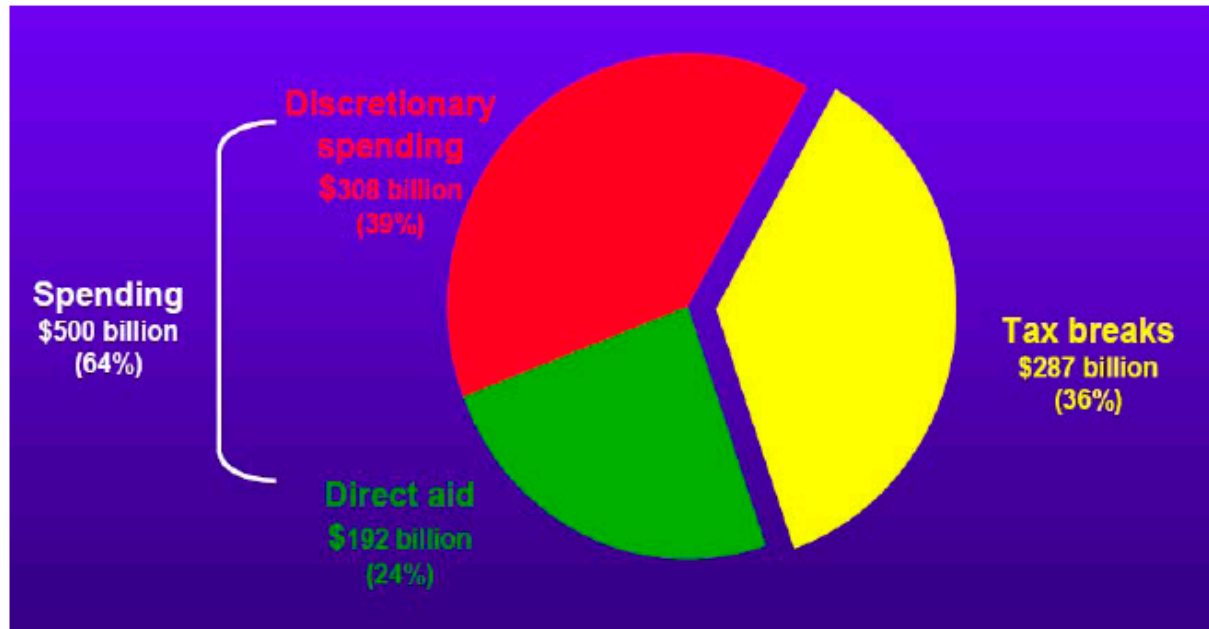
（包括住房8%）

	10亿元人民币	百份比
保障性安居工程	280	(7%)
农村民生工程 and 农村基础设施	370	(9%)
铁路、公路、机场、城乡电网	1,800	(45%)
医疗卫生、文化教育事业	40	(1%)
生态环境这方面的投资	350	(9%)
自主创新结构调整	160	(4%)
灾后的恢复重建，重灾区	1,000	(25%)
总计	4,000	(100%)

The proportion of U.S. stimulus package boosting consumer spending is greater than China.

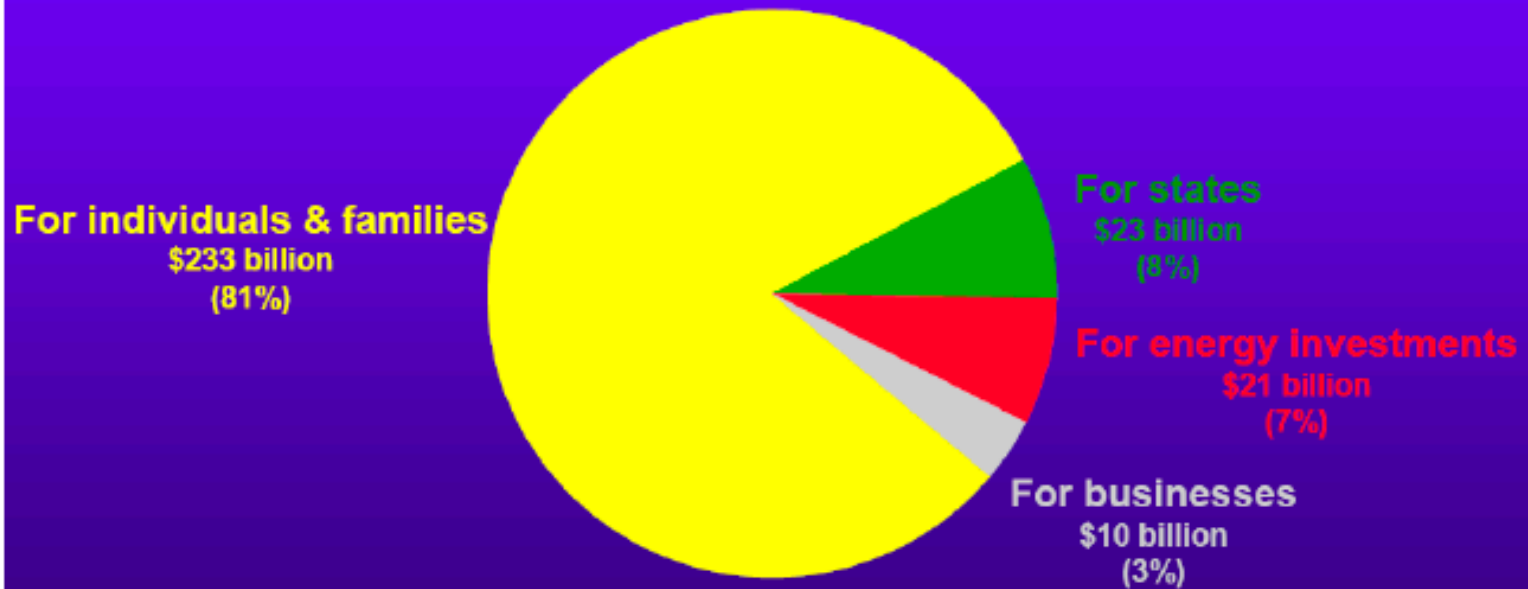
美国救市计划是**7870亿美元**，大致相当于（按6.83人民币计算）5.4万亿人民币。其中医疗卫生教育文化占2.96%；中国为4%。

分布情况如下



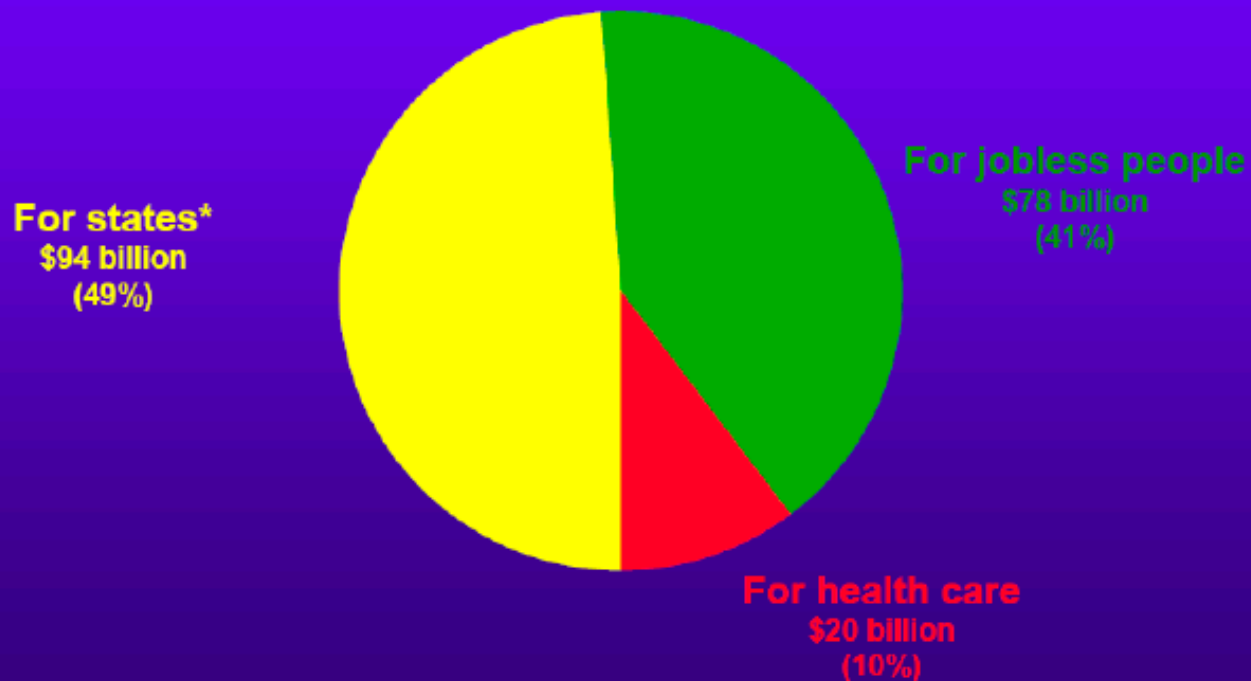
TAX BENEFITS

\$287 billion



DIRECT AID

\$192 billion



*Includes \$87 billion increase in federal government's contribution for Medicaid costs

Second. Three effects of the "new deal of social security" during the crisis

- "Social security new deal" eased the plight of the business, thereby reducing the burden on enterprises and stabilizing employment situation.
- The coverage of five basic insurance systems rapidly rebounded, which got an evident result.
- Coverage expanding increased the current income of social insurance funds.

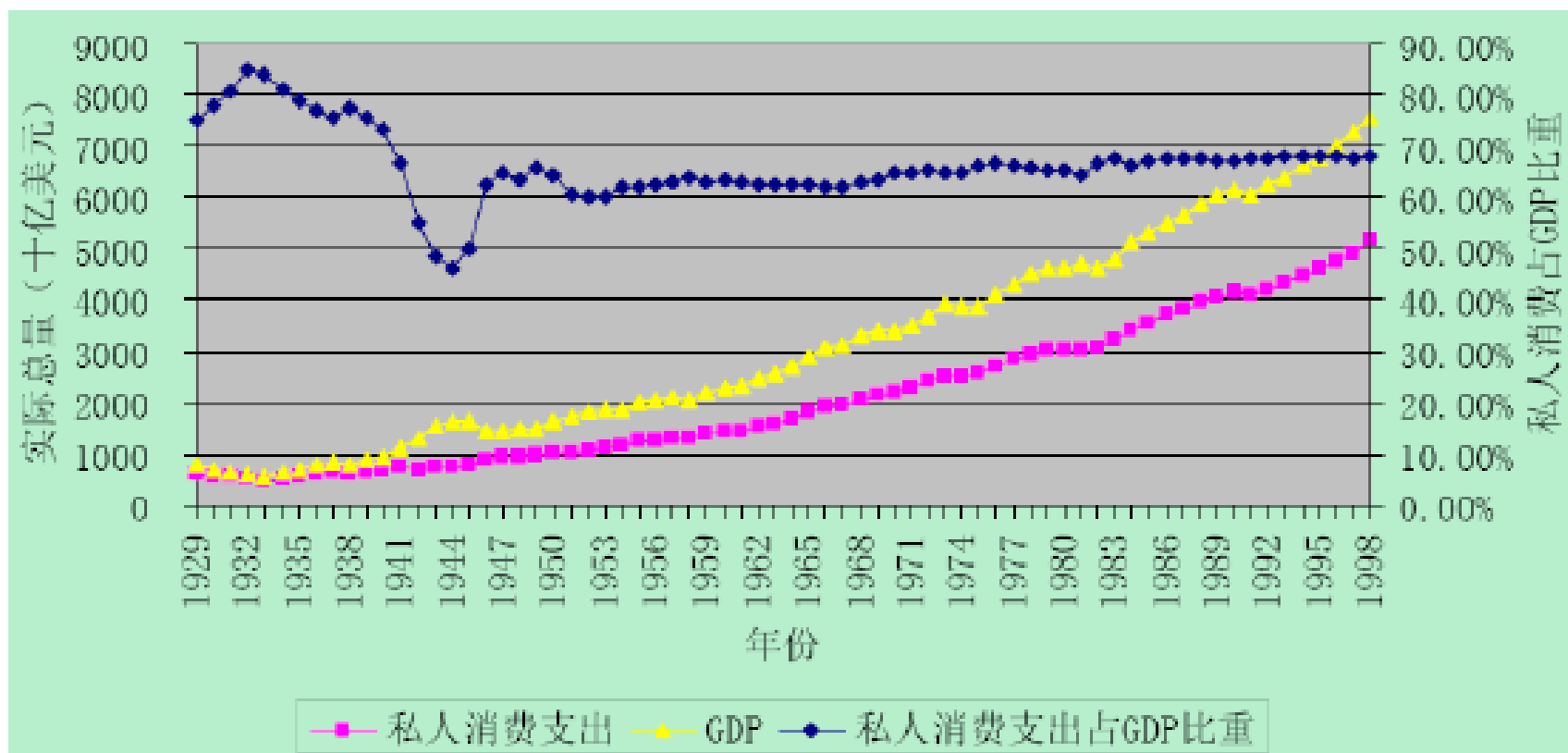
Third. Post-crisis era: the social security system as a production factor

- **1. Social security policy as an anti-crisis measures: employment insurance and companies insurance**
- **First. Financial crisis led to the emergence of new changes in labor relations. The maintaining of companies, employment and stability has become the focus of and social security policies to counter cycle.**
- **Second. Whether the economy is in prosperity or depression, companies insurance and security of employment are complementary to each other .**
- **Third. Any labor legislation and social security projects should give top priority to protect enterprises and promote employment.**

- **2. As a production factor, the social security system can increase domestic demand and promote growth patterns.**
- **First. The proposal and urgency of changing the growth mode**
- **Second. There is still a long way to go to expand domestic demand.**

3. International experience for the social security system to stabilize and promote the consumption

图 1：美国 1929-1998 年建立社保制度前后私人消费份额的比较（1992 年价格）



Forth, Long-term Consideration for Social Security to Stimulate Domestic Demand: well handling 4 relationships and 12 policy suggestions

1. Properly handling the relationship between coverage and institutional

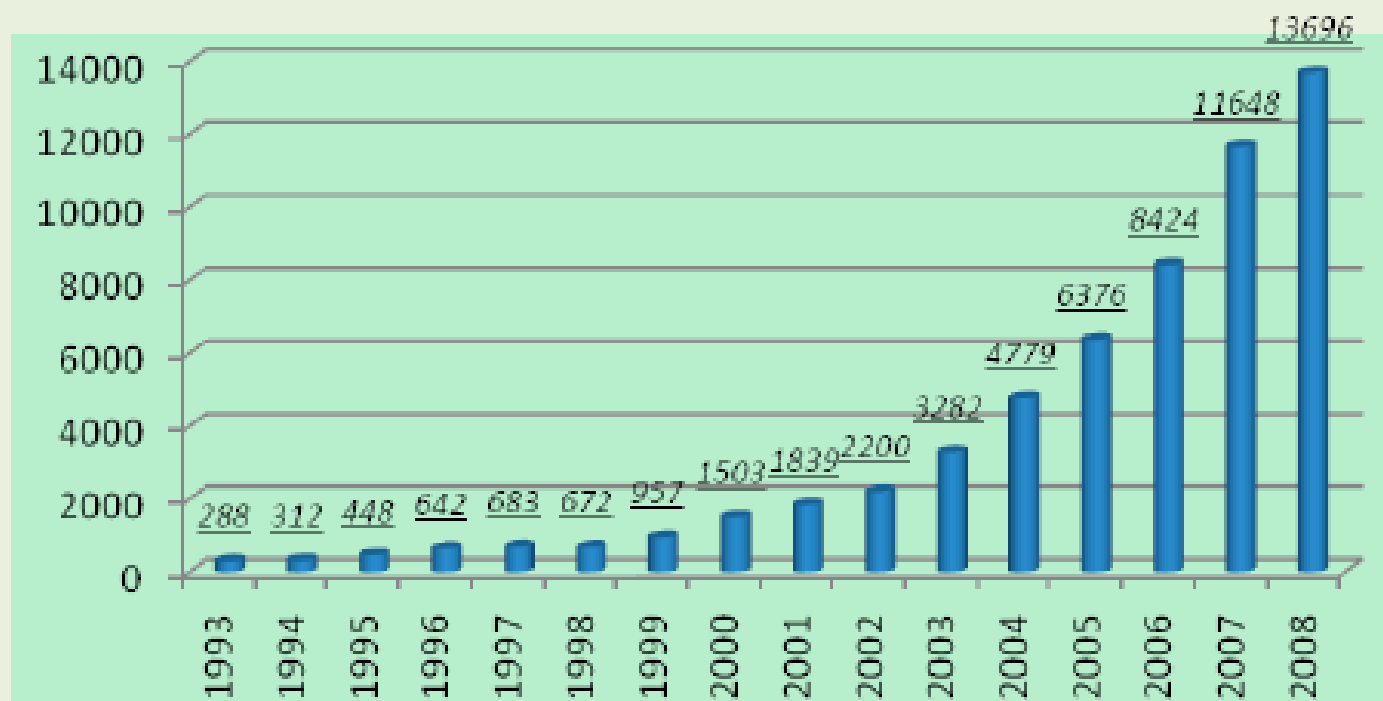
表 1: 1998-2008 年中国社保制度覆盖面变化趋势 (万人)

年份	城镇养老	城镇职工医疗	失业保险	工伤保险	生育保险	农村养老	城镇居民医疗
1998	8476	1618	7928	3782	2776	8025	
1999	12486	2065	9852	3960	3000	8000	
2000	13618	4332	10408	4350	3002	6172	
2001	12363	7286	10355	4345	4355	5995	
2002	14736	9400	10182	4406	3488	5462	
2003	15506	10902	10373	4575	3655	5428	
2004	16353	12404	10584	6845	4384	5378	
2005	17487	13783	10648	8478	5408	5442	
2006	18766	15732	11187	10286	6459	5374	
2007	20137	18020	11645	12173	7775	5171	4291
2008	21891	19996	12400	13787	9254	5595	11826

- **First. While expanding the coverage, we should prevent fragmentation of the system.**
- **Second. To strengthen the system incentives is an intrinsic motivation to expand the coverage of social security system.**
- **Third. To enhance transparency, accessibility and stability of the system is an incentive to expand the coverage.**

2. Well handling the relationship between own accumulation of social security system and the macroeconomic environment

图 2：1993-2008 年中国社会保险五项基金滚存余额增长趋势（亿元）



- **First. To appropriate reduce the too-high nominal rate.**
- **Second. To establish the link mechanisms promoting the payment indexation as soon as possible.**
- **Thrid. To speed up the reform of investment system.**

- **3. Well handling the relationship between the first pillar and the second pillar**
- **First. The first pillar of the corporate pension system should resolve "tax priority bottleneck" quickly.**
- **Second. The second pillar of the enterprise supplementary medical insurance system should speed up the construction pace.**
- **Third. The third pillar of the commercial pension and medical insurance products still need to accelerate the development.**

4. Well handling the relationship between the contributory system and the non-contributory system

- **First. To clarify boundaries of these two systems.**
- **Second. To increase strength of medical assistance system and guaranteeing system among urban and rural areas.**
- **Thrid. To establish non-contributory pension scheme for old-age insurance as soon as possible.**

Thanks!

Welcome to Mr. Zheng's blog:
<http://ilas.cass.cn/zhengbingwen>