

# The Influence of Social Security on the Entertainment Consumption of Young and Middle-aged Population

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## ABSTRACT

Social security is an individual's feeling and expectation of the relative stability of the whole society during a given period. It is not only a psychological state, but also affects individual behavior decision-making. Young and middle-aged population, as the main force of labor and consumption, the research on their consumption behavior will help us understand the phenomenon of low overall consumption level of Chinese residents. Based on the data of China Family Panel Studies (CFPS), this paper empirically analyzes the impact of social security on the entertainment consumption of young and middle-aged people. The results show that the young and middle-aged population with a high social security tend to spend more on entertainment consumption. This also shows that policies to improve people's livelihood and improve residents' sense of social security can effectively promote consumption and stimulate economic growth.

**Keywords:** *Social Security, Entertainment Consumption, Young and Middle-aged Population*

## 1. INTRODUCTION

Since the outbreak of COVID-19, the recovery and further development of the national economy have increasingly become an important issue of concern to the public. Consumption has always been a significant driving force for economic development. However, for a long time, the insufficient consumption of Chinese residents has always been one of the problems perplexing China's sustainable economic development.

The young and middle-aged population is not only the main force of China's labor market, but also the main force of consumption. Studying their consumption behavior can help us explore the growth factors of Chinese residents' consumption further. In the common family structure of Chinese society, the young and middle-aged population is usually the "head of the family", and shouldering the heavy responsibility of both supporting the elderly and raising their children. Compared with the teenagers whose consumption behavior rely on their parents or the elderly population whose children are already adults so that they can support themselves, young and middle-aged population have more concerns in making consumption decisions, especially their entertainment consumption decisions. Only when they get enough security can we expand consumer spending.

In order to prevent possible risks in the future, people with a low sense of security tend to increase the household savings rate and occupy household consumption expenditure. With the improvement of sense of security, the motivation of preventive savings is weakened, resulting in obvious consumption promotion effect. The sense of social security refers to the relatively stable feelings and expectations of residents of a country or region on the public service system, social development status and future trend in a certain period of time. In Chinese society, the sense of social security of young and middle-aged people basically comes from three aspects: social security insurance, housing security and children's education security. These three aspects satisfy their needs of working, caring for the elderly and raising children, which, in Chinese society, are the most important social needs for most people.

In most situations, the policies that can promote people's livelihood are quite related to these three aspects, while whether those policy can promote consumption by improving residents' sense of security still needs further research. Therefore, this paper firstly summarizes previous economic and psychological research on consumer behavior, and explores possible theoretical support. Then, this paper selects the data from China Family Panel Studies (CFPS) in 2016 and 2018 to measure the sense of social security, and further investigate whether this psychological state has

significant influence on the entertainment consumption expenditure of the young and middle-aged population.

## 2. LITERATURE REVIEW

The research on the puzzle of "high savings and low consumption" of Chinese residents is a hot topic in Chinese economics. The current literature mainly focuses on explaining this phenomenon from two different aspects. First, from the perspective of liquidity constraints, they emphasize that due to the relatively imperfect development of Chinese financial market, it is difficult for consumers to achieve cross period consumption smoothing and optimal consumption choice through lending (Gan Li et al., 2018; Zang Xuheng and Zhang Xin, 2018). The second is the perspective of preventive saving motivation. The uncertainty brought about by various policy reforms such as education, health care and housing will improve the saving motivation and occupy consumption, and the government's policy to reduce the risk of future uncertainty will weaken residents' precautionary saving motivation and produce obvious consumption promotion effect (Yang Rudai and Chen Binkai, 2009).

On the other hand, some studies have found that emotional and psychological factors can also have an important impact on personal consumption decision-making. When the elderly feel lonely, they will produce more health care consumption to increase social interaction (Li Tao et al., 2018). The research based on the 2015 China Household Finance Survey (CHFS) data shows that the well-being of household in the previous period has a significant and steady positive impact on the current per capita household consumption expenditure.

As a psychological concept, social security measures the psychological state of an individual's in a certain period of time. At the same time, this state itself is also affected by the expectation of future risks. Therefore, by improving the sense of social security, individuals' worries and concerns about future risks should be alleviated, so as to weaken the motivation of Preventive Savings and improve the consumption level. However, the existing literature does not systematically analyze this problem. Based on the micro survey data, this paper will study the impact of social security on the entertainment consumption of young and middle-aged people (Li Shu and Yu Wenchao, 2020).

## 3. RESEARCH DESIGN

This paper selects the survey data of China Family Panel Studies (CFPS) in 2016 and 2018 and uses structural equation model (SEM), which is a method of establishing, estimating, and testing causality models. It combines the techniques of multivariate statistical analysis and econometric analysis, and can be used to analyze hypothetical relationships between unobserved

variables or theoretical variables (often called latent variables), for research.

As a latent variable that is difficult to measure directly, social security needs to be measured indirectly by several explicit indicators. These explicit variables are mainly come from three aspects mentioned above that most related to social security in China:

(1) Social security insurance: This paper sets up four virtual variables: medical insurance, endowment insurance, unemployment insurance and employment injury insurance to reflect the situation of social security insurance of individuals.

(2) Housing security: This paper selects two dummy variables: whether there is the public accumulation fund for housing saving and whether the property right of current housing belongs to me to jointly test the housing security obtained by the individual. public accumulation fund for housing saving

(3) Children education security: whether the children of the young and middle-aged population have obtained the education security provided by the government is measured by the virtual variable of whether the children are enrolled in public schools. The choice of this variable is mainly based on the policy of nine-year compulsory education in China, which includes primary and junior secondary education.

Compared with directly asking "Do you feel safe" through the questionnaire, this measurement method is more stable, specific and more relevant to the economic situation. Also, it can avoid the error caused by the short-term emotional impact on the evaluation of the sense of social security.

The entertainment consumption expenditure of the young and middle-aged population is the sum of cultural and entertainment expenditure and tourism expenditure in the past 12 months. Compared with the total consumption in the past 12 months, this variable excludes the expenditure with less elasticity in a certain period of time, such as medical expenditure, durable goods expenditure and daily-life expenditure. Besides, we also delete the expenditure directly related to the perception of social security, such as education expenditure for Children and insurance expenditure, so as to ensure the robustness of the model.

Based on this, the structural equation model is established in this paper, as shown in Figure 1, and the research assumptions are as follows:

$H_0$ : The sense of social security has a positive relationship with the entertainment consumption expenditure of the young and middle-aged population.

$H_1$ : The sense of social security has no or negative relationship with the entertainment consumption expenditure of the young and middle-aged population.

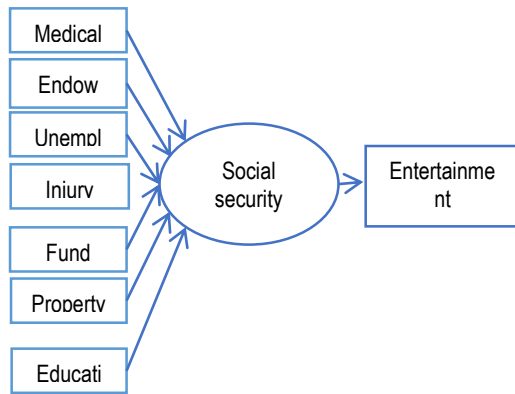


Figure 1: structural equation model setting

4. Empirical Result Analysis

The sample estimation results are as follows:

Table 1: estimation results of SEM (N=14609)

Variables	Non-standardized coefficient
Endowment Insurance → Social Security	1.023***
Medical Insurance → Social Security	1.014***
unemployment Insurance → Social Security	0.801***
injury Insurance → Social Security	0.812***
Housing Property → Social Security	0.088***
Housing Fund → Social Security	0.586***
Children Education → Social Security	0.126***
Social Security → Entertainment Consumption	0.421***
Goodness of fit: R2=0.960 CFI=0.970 TLI=0.957 RMSEA=0.045	

From the above results, social security insurance, housing security and children's education security all have a significant positive impact on the sense of social security, which is consistent with our intuition and common sense .

First of all, social security insurance has the most obvious effect on the establishment of social security among young and middle-aged people. The social security system jointly constructed by these four types of insurance has achieved relatively high coverage in China in recent years, and its security content itself has also play

a positive role in reducing the risk of income loss, health damage and poverty. for the working age population. The endowment insurance can provide a stable source of income for employees after retirement; medical insurance can compensate medical expenses for sick workers and prompt sick workers to seek medical treatment in time; unemployment insurance provides unemployment allowance, professional training, job introduction and other services for the unemployed; and injury insurance is sure to offer medical treatment cure for accident injury or occupational disease that suffers for laborer in production management, compensation rehabilitate charge, and safeguard basic living cost. These economic compensation and related services play a positive role in reducing the risk of income loss, health damage and poverty.

Secondly, in terms of housing security, the regression coefficient of public accumulation fund for housing saving on social security is greater, and the role of housing property right on the establishment of social security is the smallest among all indicators. It can be seen that the establishment of social security of young and middle-aged people is not highly related to whether they "have a house", but more related to the economic pressure they need to bear to own that house. In other words, the policy that provide guarantee of the economic pressure brought by buying a house can better increase the social security of the young and middle-aged population. After all, a housing mortgage with a maturity of decades would put a huge pressure on most people and affect their consumption decision.

In addition, the regression coefficient of children's education security on the sense of security of young and middle-aged population is also small. According to the current general situation of Chinese society, compulsory education has been difficult to meet the expectations of the vast majority of Chinese parents for their children's education level. In the CFPS survey, most parents expect their children to have at least a bachelor' degree, and a large percentage want their children to get a master's degree. Because of the fierce competition for key middle schools and prestigious universities day after day, the time and money required for children's extracurricular counseling constitute a large part of their pressure on their children's education. Parents believe that enough tutoring and after-school learning time will help their children stand out. Public schools and compulsory education have indeed underpinned parents' expectations, but the need for a higher step seems to be unable to be solved through this policy for the time being.

The regression results also show that the latent variable social security estimated from the above three aspects has a significant positive impact on the entertainment consumption expenditure of China's young and middle-aged population. This shows that the elastic consumption of the young and middle-aged population,

mainly entertainment consumption expenditure, is greatly affected by their level of social security. When various policies can provide sufficient protection for possible risks in future life and work, they are willing to improve their immediate consumption level and pursue a better life.

## 5. CONCLUSION

From the perspective of precautionary saving, this paper examines the impact of social security on the recreational consumption of young and middle-aged Chinese population. Based on the data of CFPS, this paper measures the sense of social security composed of social security insurance, housing security and children's education security, and estimates the impact of social security on the entertainment consumption expenditure of young and middle-aged people. The results show that social security has a significant positive impact on the entertainment consumption expenditure of young and middle-aged people. The sense of social security has an important impact on the entertainment consumption expenditure of young and middle-aged people. Individuals with a higher sense of social security are usually less worried about the expected risks in the future. Therefore, people with a higher sense of social security tend to save less and consume more.

Consumption is not only an important driving force to promote sustainable economic growth, but also a direct embodiment of people's demand for a better life. Entertainment consumption is closely related to higher levels of demand, and it is the pursuit of rich and wonderful spiritual life of the people after meeting their basic life and work needs. With the change of development concept, the Chinese government pays more attention to improve people's livelihood. It can be expected that the sense of social security that is closely related to government policy will also be improved, so as to further promote the overall consumption level of society.

It is worth noting that due to the limitations of data, this paper only limits the research goal to the young and middle-aged population. The elderly population and young population may have different measures of social security, and the impact on consumption may not be consistent. Obtaining relevant data and deepening research in follow-up research is the direction of future efforts.

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