

The Influence of China's Two-child Policy on the Labor Market

From the Perspective of Social and Economic Aspects

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ABSTRACT

Chinese government has enacted a policy called “The Universal Two-child Policy”, also called “Two-child Policy”, to alleviate the situation that the Chinese labor market might be in shortage in the future. The two-child policy is a policy that popularizes the whole country. It relates to every Chinese citizen and also affects society, economy, labor market, and other aspects. Therefore, it is very important to discuss its effectiveness and necessity. Then does the two-child policy have any effect on alleviating the shortage of labor market in the future? Through comparative analysis and research of existing literature, many Chinese scholars hold different opinions. Some scholars believe that the two-child policy can effectively promote the growth of the labor force, while others believe that the growth of the labor market needs to match the growth of GDP. After research and discussion, it is found that the two-child policy has a positive effect on labor market shortage, but also causes some social problems, so the effectiveness of the two-child policy needs some other policies to support.

Keywords: *Two-child Policy; labor force; economy; gender structure*

1. INTRODUCTION

China is the most populous country in the world. According to the 2021 Census, China had a total population of 1.41178 billion until May 11th [1]. The environmental and social pressure caused by the huge population has always been serious question that was concerned by the Chinese government. Since 1982, the Chinese government has instituted a "Family Planning Policy" that every family could only have one child to control population growth. Decades on, China's population has been effectively controlled, but other problems have thereupon to come. In fact, after the implementation of the family planning policy, China's population situation has undergone great changes. Like The Xinhua News Agency said: “the growth momentum of the total population has weakened, the structural problems of the population have become prominent, the working-age population has started to decrease, the degree of aging has deepened, and the sex ratio at birth has been more unbalanced. These social problems have become the focus of the government's attention” [2]. To solve these problems, in October 2015, China announced: “The universal two-child policy”,

which “every family can have two children, aimed to promote balanced development of the population, deal with the population problems such as aging population and prevent future labor shortages” [3]. While the two-child policy is still in the early stages of development, a considerable amount of academic research has accumulated in this field, suggesting complex multi-dimensional impacts of Two-child policy. A comprehensive review of the relevant literature will be especially helpful in synthesizing the key research insights and unveiling major research trends in this field. Hence, by reviewing relevant literature, this study intends to answer the following research questions: Does the implementation of the two-child policy have an ideal effect on solving these social problems? This question has aroused a great deal of discussion among scholars. Despite its potential significance, there is a lack of discussion that focuses on the main reasons how did the two-child policy have an influence on the labor market, most scholars mentioned the result of the two-child policy that it has positive impact on Chinese labor force growth, but few of them explained how the result comes from. Hence, this study aims to review works of literature about how the two-child policy influences the labor market. By so doing,

our study contributes to the rebalancing of research on the two-child policy by synthesizing insights on how it acts on the labor market. Such a perspective is relatively under-explored, yet it encompasses vital aspects that could connect to the importance of two-child policy.

Based on this current social situation, this paper will conduct a classified study on the influence of the two-child policy on China's labor market by scholars, in order to explore the feasibility, limitations, and sustainable development of the influence of the two-child policy on the labor market. Since the two-child policy is a policy issued to almost every citizen of every class, every region in China, its feasibility and effectiveness are important for discussing and studying.

In the process of collecting literatures for review, this paper went through a great deal of screening. First, this paper chose articles with clear conclusions and screened out those with ambiguous conclusions. What's more, this paper chose articles that have a clear publisher or have been published in reputable journals because these literature are more scientific and authoritative than regular papers. In addition, I chose some text analysis articles, most of which are textual derivation and analysis, with a little extra data to prove the conclusion. I also chose some data analysis articles which use many data forms and data models to analyze the thesis. These two kinds of articles have different functions, but they are both very convincing and have their own theoretical support, which is good reference materials.

This paper takes "two-child policy, labor force, economy, gender structure" as the keywords, conducts a literature search on CNKI (China National Knowledge Infrastructure), a platform with high authority in China, and a total of 12 articles are included in this study after screening.

Table 1. two-child policy, labor force, economy, gender structure

Analysis method	Titles		
	Name of the literatures	Authors	Year
Model and data	Research on the Impact of Two-child Policy on Macro economy—Based on the Perspective of Labor Supply	D. Lingfang and L. Mingjie	2019
Model and data	Analysis on the implementation effect of universal two-child policy	G. Meijun, Q. Jinxiang and R. Jili	2017
Model and data	Universal Two-child policy, Population Aging and Labor Supply	Z. Pengfei	2019

Analysis method	Titles		
	Name of the literatures	Authors	Year
Model and data	The Influence of Universal Two-child Policy on Labor Supply and Demand in China	Z. Pengfei	2019
Model and data	Analysis on the cost and benefit of family childbirth under 'Universal Two-child policy	X. Kai, W. Jinting, C. Xiaoqin, G. Yapin, W. Lingdun and Z. Hui-zhong	2016
Text analysis	The Impact of the Two-child Policy on the Career Development of Women in the Job Market	Unknown	2018
Text analysis	The Effectiveness of 'Two-child' Policy to Solve China's Economic Problems	S. Shimeng	2017
Text analysis	Analysis of the Impact of Two-child Policy on Gender Discrimination in the Labor Market	Z. Qi and L. Lin	2015
Text analysis	Influence of childbirth on female labor supply under universal Two-child policy	Y. Xiaoli, P. Hanyu, L. Sihan and W. Bing	2020
Official data	The seventh national census	N. Jizhe	2021
Chart	The Impact of Two-child Policy on the Labor Market	Unknown	2014
Authoritative report	Decision of the CPC Central Committee and The State Council on implementing the universal two-child policy reform and improving the management of family planning services	The Xinhua News Agency	2015

2. THE INFLUENCES OF TWO-CHILD POLICY ON CHINESE LABOR MARKET

2.1 The Expectation of the Two-child Policy to Improve the Existing Labor Force Problems

After more than a decade of Family Planning, China's population has been under excellent control, but the problem of labor shortage has begun to emerge. For China's future economic development, the country has issued Two-child Policy. Shimeng Sun mentioned in the article

“The Effectiveness of ‘Two-child’ Policy to Solve China’s Economic Problems.” China’s demographic dividends is fading away these years, which will cause loss of manufacturing resources because foreign countries would better choose countries that have the cheaper labor force to produce large amount products [4]. Zhang also thinks it is necessary for China to take the two-child policy, because China’s overall labor force participation rate has been declining year by year, which will result in a decrease in labor supply [5]. What’s more, L. Deng, M. Li, and P. Zhang all mention that China’s aged tendency of the population is getting deeper and deeper, that’s also an extreme problem for economic development [6]. So promoting the two-child policy, increasing the fertility rate to create more labor force is necessary.

2.2 The Impact of the Two-child Policy on the Labor Force Affect Economic Development

From the article “The Impact of Two-child Policy on the Labor Market”, the author said in the short run, the two-child policy increases the fertility rate, which will benefit economic development by driving maternal and infant-related industries [7]. And at the same time continue to provide young and middle-aged workers for China’s labor market in the future, improve China’s productivity, and thus improve its economic strength.

However, Zhang did research that used large data to explain the relationship between GDP and two-child policy in the article “The Influence of Two-child Policy on Labor Supply and Demand in China” [8], under the situation of high-speed increased GDP, labor shortage will appear in 2022. If the policy won’t change, then between 2018 to 2050, the average shortage of labor will be 779,780 people per year. If the policy is implemented, the rate of having a second child will increase, alleviating labor shortages in the short run. However, in the long run, from 2022 to 2050, the labor shortage will become worse. Under the situation of medium-speed increased GDP, it’s similar to high-speed, the difference is that the degree of labor shortage will be a bit smaller. Under the situation of low-speed increased GDP, the two-child policy can improve the supply and demand of labor in China. These analyses show that The two-child policy alone will not reverse China’s labor shortages get worsening.

2.3 Influence of Two-child Policy on Gender Structure of Labor Force

The article “The Impact of the Two-child Policy on the Career Development of Women in the Job Market” and “Analysis of the Impact of Two-child Policy on Gender Discrimination in the Labor Market” all mentioned that two-child policy will cause a negative influence on women’s position in the labor market [9]. Z. Qi and L. Lin said, the implementation of the two-child policy will cause women to invest a lot of energy in

childbearing and child education, which will reduce women’s employability and put them at a disadvantage in the process of job hunting [10]. In addition, due to maternity leave and other issues, women will be “marginalized” after returning to work from children raising, which has a great impact on women’s re-employment. The two-child policy will impose higher requirements on women in the process of job hunting, which will affect the wage gap, job image, and promotion of women. If there are no policies to protect the fairness of women in the job market, the employment situation of women will be more serious.

Through a large number of data surveys, “Analysis on the Implementation Effect of Universal Two-child” evaluated the reliability of data results with chi-square test, and analyzed the influence of universal two-child policy on the willingness to have the second children of couples at child-bearing age in Jiangsu Province [11]. The result shows that after the implementation of the universal two-child policy, the proportion of couples at childbearing age who intend to have another child and who do not intend to have another child are both increased in Jiangsu Province. Through the analysis of the overall data, it is found that the higher the level of education, the lower the desire to have another child. The main influencing factor is economic.

From the article “Universal Two-child Policy, Population Aging, and Labor Supply”, Z. Pengfei designed four plans of the total fertility rate under the universal two-child policy and calculates the future total population scale, working-age population scale and aging population-scale under the birth model design for women of childbearing age [12]. It is found that the future labor supply in China decreases under all four total fertility rate plans which indicates that the universal two-child policy can improve the scale of labor supply but with limited impacts.

2.4 Support for Long-term Development of Labor Force in Addition to the Two-child Policy

Both “The Effectiveness of ‘Two-child’ Policy to Solve China’s Economic Problems” and “The Impact of Two-child Policy on the Labor Market” come to the conclusion that in the long run, the two-child policy can improve the trend of declining labor market size, increase social consumption demand, strengthen market vitality and provide effective support for sustainable development [13]. While Qi Zheng, Z. Pengfei indicate that in order to implement the two-child policy more effectively, the government should improve China’s childbirth security subsidy system, promote women’s career development, reduce the cost of second-child rearing, and ensure the life of women of childbearing age [14].

Improving the fairness of women’s workplace treatment and reducing the family’s cost of having a second

child is beneficial to the effective implementation of the two-child policy and the stable expansion of the labor market. As mentioned above, the two-child policy has virtually increased female employment discrimination. However, due to the particularity of childbirth, women not only have to put a lot of emotion into giving birth to a second child but also have to pay more physical and psychological energy, including suspension of work [14]. However, there are many professions dominated by women, such as kindergarten teachers, childcare teachers, accountants, nurses and so on. Women of childbearing age also belong to the working population [15]. If the employment of these people is restricted, on the one hand, women are reluctant to give birth, and on the other hand, women face the risk of being fired, which are the reasons for the decline of the female working population. Therefore, improving women's workplace environment is a feasible policy to support the two-child policy.

Declining the family cost of raising children is another feasible policy to support the two-child policy. According to a survey on "the costs and benefits of having a second child in Jiaying (a second-tier city in Zhejiang Province)" showed that the direct and indirect costs of having a child for high-income families are about 2.373 million yuan, 1.6 million yuan for middle-income families and 774,000 yuan for low-income families [16]. It can be seen that the birth cost of having a second child is quite high. The cost of childbirth paid by parents is usually not proportional to the return of children later, so having a second child has become a prudent choice. However, the high cost of childbearing is related to unbalanced housing prices, after-school tutoring, and parents' desire to hold high hopes too much for their children. If these economic cost structures can be more optimized, it is extremely effective to reduce the cost of childbirth. It would be a major step forward for Chinese education if Chinese society began to accept that students who learn a skill are as good as getting into a top university. Therefore, the mass media should carry out some appropriate education concept publicity, such as reducing school choice fees, rectifying the excessive tuition of cram schools, increasing extracurricular practice courses, so as to optimize parents' investment in children's education, which will greatly help to reduce the cost of childbirth. When the cost of childbirth is reduced, parents' willingness to have a second child will increase accordingly, thus enabling the better implementation of the two-child policy and increasing the labor force population.

3. CONCLUSION

This paper set out to study the impact of the two-child policy on China's labor market. It stated that the two-child policy can promote the expansion of China's labor market, but in the long run, the effectiveness of the policy is closely related to the speed of economic development and the support of other welfare policies. The

review of the current literature, it contributes to our understanding of the effectiveness of the two-child policy and the insights gained from this paper may be of assistance to help discover important changes in other fields such as society or economy. While much of the previous literature has focussed on the aging population and the influence on the female labor force, there have been few studies that examine the impact on the young and middle-aged labor market and the male labor population. Thus there is scope for further research which focuses on these parts.

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