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Academic Bulletin of Shanghai Forum 2012

Asia's Population and Social Development for 2011-2020: New Challenge, New Strategy (III)

May 27, 2012

On the afternoon of May 27, the panel “Asia's Population and Social Development for 2011-2020: New Challenge, New Strategy” continued at Fudan University. The panel chair is Professor Li Zhang from Fudan University. The panel was going on at Lan Hall, East Main Building of Guanghai Towers. The theme of this meeting is "New Demographics: Policy Implications". In total, seven scholars from all over the world gave keynote speeches on this topic and had a constructive discussion.

Fertility is below replacement level in much of the world, often far below replacement, leading to actual or projected population aging. Many governments view fertility as too low and have policies to raise it, while some still find it too high and have policies to reduce it. However, higher fertility leads to capital dilution, reducing the productivity of labor. Here we draw on age profiles of consumption and labor income from National Transfer Accounts for 32 countries around the world. These results suggest that countries should not be overly concerned about below replacement fertility, at least from the point of view of costly intergenerational transfers, some optimal fertility rates are below the replacement level.

One of the major concerns that low fertility brings about is the financing of social security funds. Professor Paul Demeny started his speech by talking about the history of social security. Since Bismark founded social security in the 18th century, social security has been evolving over more than a hundred years. Traditionally, everyone's pension is made up of three main pillars: public managed mandatory institution, mandatory savings for retirement in individual accounts and voluntary private savings. On top of that, Paul Demeny innovatively came up with his novel idea---"the fourth

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pillar": to build a mandatory, pay-as-you-go system, in which the economic benefit is directly transferred from children to their retired parents. In his opinion, such system would not only stimulate parents to give birth to more children, but also make parents to try to guarantee their children's productivity, that is, the quality of children.

At the same time, ageing process always keeps company with low fertility rate and how to support the senior citizens has become a big problem for many countries. Kaiti Zhang, researcher at China's Ageing Association, proposed that China build institutions that balance the supporting system in both urban and rural areas. Old people who live in urban areas are relatively better-off and have more resources to rely on. On the contrary, the old living in the countryside lack of funds, human capital and technology. Therefore, the government needs to implement special policy to facilitate the development of supporting system in rural areas. Thus, we can achieve better allocation of limited resources for old people in China.

On the contrary, although the pension crisis is getting more severe as the ageing process accelerates, China's social security funds now have a large surplus. Basic Health Insurance for employers is one of the "abnormal" examples. The Basic Health Insurance for Urban Employees (BHI) in China accumulated a 406 billion surplus in 2009. Why does this PAYG-designed social health insurance (SHI) program have such a huge balance? Professor Liu Junqiang, from Southwestern University of Finance and Economics, presented a paper in which he examines the causes of the high BHI balance rate using a provincial level panel database ranging from 1999-2007. Statistical results indicate that huge surpluses of BHI are related to the decreasing dependency ratio, steady growth of average wages, the extension of BHI coverage, and progress in social insurance agency building. China needs to reinforce the supervision of BHI funds, raise the risk pooling level, and reconsider the existence of MSAs.

Professor Leiwen Jiang, from National Center for Atmospheric Research presented a paper about the relationship between education, fertility decline and climate changes, which seem uncorrelated at first sight. He constructed a computable general



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equilibrium PET (Population-Education-Technology) model. His analysis in Indian dataset indicates that the investment in education will drive the fertility rates down, which leads to significantly slower population growth. However, the reduction in population growth due to investment in education is not instantaneous, because the effects can only be seen in one or two decades later when the more educated children increasingly enter the age of childbearing. More importantly, investment in education can also improve the capacity of individuals and societies to adapt to the inevitable climate changes and adverse impacts, at least in the short and medium terms.

Ruijun Wu, from East China Normal University delivered a speech on "Collaborative Study on Population Movement and Public Resources Allocation". She suggest that population distribution should be taken into consideration when the government is planning for the distribution of public goods, so that the equality among people living in different areas can be insured. Professor Haiwang Zhou from Shanghai Academy of Social Science believed, the fertility rate of people with household status cannot be used to correctly estimate the development of population, for the mechanic movement (migration) takes a lion share in the total population. According to the statistics of the last four censuses since 1982, the size of population in Shanghai has been increasing at an astonishing speed. The people with household status, however, are increasing at a relatively slow pace. Also, the aged population is expanding rather quickly.

In the end, Professor Xizhe Peng did a closing speech for the panel "Asia's Population and Social Development for 2011-2020: New Challenge, New Strategy". From today's panel, people get more aware of the problems brought by low fertility. Also, the scholars have come up with a lot of constructive policy implications.