

RAPID LITERATURE REVIEW

On The Economic Impact of the Covid-19

Pandemic in China: Effects on the Social Security System

Meng Wang¹

Keywords: Covid-19, Social Security Systems, Economic impact, Unemployment, Pension insurance

ABSTRACT

Background:

The outbreak of the COVID-19 Pandemic has exposed the world to the biggest decline in economy since the Second World War. What are the most profound impacts on the economy caused by Covid-19? And what does current research reveal about worldwide economic impacts on the social security systems? Covid-19 virus related pandemic restrictions lasted over a long time. Negative impacts from a variety of pandemic prevention and control measures posed great economic pressure upon health systems around the world, but also on national social security systems. This article puts together recent evidence and research results exploring the economic impacts of the Pandemic on social security systems.

Objectives:

The main aim of the article is to systematically explore and identify economic impacts of the Covid-19 Pandemic on the social security systems and related challenges to the sustainable development of a country or region. Thus, generating a review of knowledge to support evidence-based policy-making intervention is the fundamental objective of the article.

Methods:

The rapid literature review is a form of evidence synthesis that provides timely information for decision making and evidence-based practice compared with standard systematic reviews and other types of reviews. This review used Web of Science, Proquest and CNKI as database sources. Keywords included 'Covid-19' 'Social security' and 'Unemployment, Pension insurance'. The publications are confined from July 2021 to June 2022.

Results:

Seven publications in English and three in Chinese were identified as relevant to the objectives of this article. These were individually evaluated on the contribution to economic impact of the Covid-19 on the social security systems. The economic impact seems obvious, but it is not easy to assessment. The follow-up articles measure this effect in different ways.

Main Contribution to Evidence-Based Practice:

The article puts together recent evaluations of economic effects of the Covid-19 Pandemic on social security systems to support evidence-based policy making and the international debate.

International Healthcare
Review (online)

eISSN: 2795-5567

How to Cite

Wang, M. On The
Economic Impact of the
Covid-19 Pandemic in
China: Effects on the Social
Security System .
International Healthcare
Review (online).
<https://doi.org/10.56226/39>

Published online::
6/December/ 2022

Copyright (c) 2022
The Publisher

Creative Commons License
This work is licensed under
a Creative Commons
Attribution 4.0 International
License.

Authors retain copyright
and grant the journal right
of first publication with the
work simultaneously
licensed under a Creative
Commons Attribution (CC-
BY) 4.0 License that allows
others to share the work
with an acknowledgment of
the work's authorship and
initial publication in this
journal.

Corresponding Author:

Meng Wang
Associate Professor, Social Work
and Social Governance
Faculty of Social Work
Henan Normal University
Xinxiang
Henan 453007, China
wangm1213@126.com

Authors' Affiliations:

¹ Research Center on Social Work and Social Governance, Labor and Social Security Department, Henan Normal University, Xinxiang, China

What do we already know about this topic?

Available evidence supports an overview of the economic effects of COVID-19 on social security systems.

What is the main contribution to Evidence-Based Practice from this article?

It is an update on recent evidence concerning the topic. It illustrates the economic impact of Covid-19 pandemic on social security systems, such as unemployment and pension insurance. On this basis, the article discusses and identifies impacts of COVID-19 on social security funding income and expenditure.

What are the implications towards theory, practice, or policy?

The article identified a shortage of studies on the topic and the need for further research on economic impacts of COVID-19 on the sustainability of social security systems. The author reports on recent evidence available to support decision-making and evidence-based practice by governments around the world.

Author' Contributions Statement: Wang conceptualized and drafted the article

What are the economic effects of Covid-19 pandemic on social security systems? What are currently research results about it? The main aim of the article is to identify economic impacts of the Covid-19 Pandemic on social Security Systems from recent international published evidence. To identify and understand impacts of the Pandemic on social security systems is a key challenge for their sustainability. This article puts together recent research findings and briefly discusses economic impacts on social security systems caused by Covid-19, with a special focus on China.

Methods:

The Rapid Literature Review is a form of evidence synthesis that provides timely information for decision-making and evidence-based practice compared with standard systematic reviews. The review used the following sources: Web of Science, Springer, Proquest and CNKI. The Search used the keywords 'Covid-19', 'Social security' and 'Unemployment , Pension insurance' and limited to articles published between July 2021 and June 2022.

Two reviewers selected articles based on the inclusion/exclusion criteria (keywords defined and time span of publications) and appraised critically and rigorously within the criteria defined to develop the conclusion.

Results:

Seven articles in English and three articles in Chinese were identified as relevant for the objectives of this article. These were individually evaluated on the contribution to economic impact of the Covid-19 on the social security systems. The economic impact

seems obvious, but it is not easy to measure. The follow-up articles assess this phenomenon in different ways.

Discussion:

The article puts recent evaluation of economic effect of Covid-19 on the social security systems together to support evidence-based policy and health economics in practice.

One of the key functions of social security systems consists of unemployment insurance (mostly support the unemployed through subsidies), healthcare access assurance, pensions, work-related injury insurance, anti-poverty (minimum living) subsidies, among others. The first three functions are the most affected by the Covid-19 Pandemic.

1.Unemployment insurance

The COVID-19 pandemic has exposed the world to the biggest decline in employment since the Second World War. Since many activities were canceled due to the global pandemic, employment experienced a massive and halting blow which lead to the rise of unemployment rates. The International Labor Organization estimated that 255 million full-time jobs would be lost through pandemic related impacts and predicted that in 2021 alone there was a Loss of 90million (baseline) to 130 million (pessimistic scenario) full-time equivalent jobs (Xi Heng,2022).

A number of studies suggest a severe impact on employment in all countries around the world. For example a massive rise in unemployment in the Visegrad countries (Czechia, Hungary, Poland, and Slovakia) is reported (Mariusz Zieliński, 2022). The same trend has been observed in Egypt, Ukraine, and Poland (Kitamura et al., 2022). Regarding the unemployment rates in the EU-28 during the Covid-19

pandemic, research estimated an increase variation of +12.41% in 2020 compared to 2019, and there are no significant differences between unemployment rates in 2020 and 2021. Spain and Greece registered the highest values of unemployment rates in 2019–2021 (Nicu Gavrilut,ă, Silviu-Petru GrecuHoria ,Costin Chiriac. 2022). China's unemployment rate suffered an increase of 1.23%, which lasted for 8 months until September 2020. The impact period of the Covid-19 Pandemic on the unemployment rate of the United States was 9 months from April to December 2020 and the total increase of unemployment rate was 10.51%. Compared with the United States, the impact of the Pandemic on the unemployment rate in China is relatively small and the duration is relatively short (Wenlin Gui, Jiehui Zhao, 2021).

Rising unemployment rates lead to higher unemployment insurance expenses which become a heavy burden to the social security fund.

2. Healthcare insurance

Increased healthcare insurance fund expenditure is another fundamental area of impact:

Due to the sharp increase in the number of hospitalizations caused by the Covid-19 Pandemic, in direct costs from the pandemic prevention and control among which the cost of Covid-19 vaccination and the cost of large-scale and normalized nucleic acid testing, healthcare insurance expenditure surged suddenly..

In China, in 2021, the total revenue and total expenditure of basic healthcare insurance funds (including maternity insurance) were 2,871.028 billion yuan and 240,1109 billion yuan respectively, and the accumulated balance of basic medical insurance funds (including maternity insurance) at the end of the year was 3,612.154 billion yuan. Mainly by virtue of the treatment fees of hospital visits during the pandemic period, as well as the expenditure on novel corona virus vaccine and vaccination cost protection , the year-on-year growth rate of healthcare insurance fund expenditure for urban and rural residents in 2021 was higher than that of income mentioned above. (National Healthcare Security Administration, China, 2022)

The COVID-19 pandemic has also exposed weaknesses in healthcare systems in the emerging economies of Turkey, Egypt, Ukraine, Kazakhstan, and Poland (Kitamura et al.,2022).

Epidemic prevention and control

In order to maintain the balance between the fund's income and expenditure, China has taken solid steps to

ensure the treatment and healthcare for Covid-19 and to secure the payment for novel corona virus vaccine and testing. By the end of 2021, a total of 2.83 billion doses of novel corona virus vaccine had been administered nationwide. Local governments have lowered the cost of nucleic acid testing to no more than 40 yuan per person for a single test and no more than 10 yuan per person for multiple tests.

3.The income and expenditure of the social security fund

The Covid-19 Pandemic has exacerbated the contradiction between the income and expenditure of the social security fund. The Covid-19 pandemic has greatly increased the expenditure of the social security fund and reduced the social security fund income at the same time, which had huge economic impact on the social security systems.

While the Covid-19 Pandemic evolves, the social security system automatically plays a key role to protect the rights and interests of insured people, but at the same time, the social security fund expenditure increases and the income decreases. If the pandemic lasts for a quite long time, it will adversely impinge the sustainable operation of social security funds around the world.

If economic recession lasts more than one year, it will bring about a falling in social insurance contributions, which are calculated on the average wage of the previous year. What's more, the decline of average wage will inevitably bring about a decline in social insurance contributions.

The Covid-19 pandemic has resulted in a serious impact on the labor market. The labor demand of enterprises has decreased rapidly, which weakens the payment ability of enterprises and workers to a fully certain extent. The number of unemployed people increases, whereas the number of contributory workers to the social security fund decreases sharply. In other words, with sudden shrinkage of the contributory base, the current income of social insurance funds decreases dramatically.

In response to the impacts of the pandemic on the labor market, governments across the world have introduced a series of policies to reduce social security contributions, which directly reduced the income of social security funds. For example, during the 2020 Covid-19 wave, the Australian Government made an additional \$550 Corona virus Supplement available for people receiving social security payments (Elise Klein,

Kay Cook, Susan Maury, Kelly Bowey, 2021). OECD unemployment rates rose from about 5.4% in 2019 to 9.3% in 2020 (Xueli Wei, Lijing Li, Fan Zhang, 2021). Moreover, spending on social assistance, pension insurance, healthcare insurance and unemployment insurance has increased during the Covid-19 pandemic.

As the United Kingdom went into 'lockdown' on 23 March 2020, the government introduced three main social welfare measures to respond to the pandemic: the Corona virus Job Retention Scheme (CJRS), the Self-Employment Income Support Scheme (SEISS) (Sections 71 and 75 of the Coronavirus Act 2020) and emergency changes to the social security system. The CJRS and SEISS aimed at workers are important as they helped to reduce the pressures on the social security system and some workers who made claims under these schemes claimed social security payments as a supplementary income (Richard Machin, 2021).

On 20 March 2020, the UK announced £7 billion additional funding for the UK's social security system (Richard Machin, 2021).

In China, the reduction and deferment of enterprise social security payments, is a policy measure not only to reduce the hardship of businesses and help the entrepreneurs to overcome difficulties, but also stimulated the economic vitality and supported the resumption of work and production. However, the above policies and measures have exposed some problems as well (Keqing Han, 2022). The impact of these measures on the balance of social insurance funds must be taken seriously.

During the Covid-19 pandemic, many governments have formulated many one-off emergency social security policies. The cohesion mechanism and institutional inclusiveness between them and the current social security system are worthy of further exploration. Its negative impacts on the social security system needs to be further evaluated, and its value to improve the social security system should be taken seriously.

Conclusion and Recommendations

Measuring the economic impact of the Covid-19 on social security systems is to mitigate the negative impact of Covid-19.

On the one hand, scholars from different countries have studied the economic impact of Covid-19 on social security systems from different perspectives, but it needs to reasonably estimate the economic burden

to assist governmental health departments to optimize decision-making. On the other hand, due to the complexity of the social security system, the research and understanding of the economic impacts of Covid-19 on it is still insufficient on making up for the social security fund gap measures.

In the near future, more empirical evidence to optimize governments management of the social security systems are needed. In the face of the prolonged Covid-19 Pandemic, the recovery of economic growth faces great obstacles, which makes it necessary for the government of China to maintain the continuity of policy measures to deal with the Covid-19 pandemic, which brings more challenges to the social security system. The premise of ensuring the normal operation of the social security system is that the economy maintains a certain growth rate. On this basis, the government should increase its investment in the social security system to make up for the gap between income and expenditure of the social security fund.

According to the World Health Organization, the Covid-19 pandemic has had a major impact on the capacity of health systems to continue the delivery of essential healthcare services. Countries need to achieve the optimal balance between fighting the Covid-19 pandemic and maintenance of essential health services (WHO, 2021).

Health systems governance and financing for Covid-19 Strengthening frontline services for pandemic response, has been the current priority for governments given Covid-19 virus outbreaks, which requires supportive health financing policies. WHO's guidance on health financing policy is ultimately focused on strengthening health system resilience, health security and universal health coverage (UHC).

Covid-19 vaccination financing and budgeting is an additional challenge.

China should improve the social security participation rate, reasonably reduce the businesses social security contribution rate, consolidate the social security contribution base, and promote the unified collection of social insurance. In the long run, China should focus on domestic and international risks, emergency response and long-term mechanisms, raise the construction of social security system to the height of welfare regime highly related to the economy, politics and culture, coordinate the relationship between economic development and social safety, and build a more effective barrier from risks (Keqing Han, 2022).

China should adopt the following strategies, such as focusing on domestic and international risks as well as emergency response and long-term mechanism, raising the constructions of social security system to the height of welfare regime which is highly related to the economy, politics and culture, coordinating the relationship between economic development and social safety, then building a more effective barrier from risk (Keqing Han , 2022) .

Universal basic income has been adopted by many governments as an emergency measure during the coronavirus pandemic. The World Bank and the International Labour Organization (ILO) collated the various social protection measures implemented by governments around the world as they responded to Covid-19. Their latest report from May 2021 covers 222 countries and territories, of which 186 had planned or implemented 734 conditional and unconditional cash transfer payments as social assistance measures (Elise Klein, 2022).

The basic income measures adopted by the government in China should be sustainable for a certain period to ensure the stability of the social security system after the Covid-19 Pandemic eases, as seems to be happening since December 2022. As the social security system has played an important role in the Covid-19 Pandemic, and the Pandemic has also brought great pressure on the social security fund income and expenditure, sustainable and reasonable financial support should be provided to the social security system during and after the crisis to ensure its

long-term stable operation.

In addition, the social security system should constantly improve its ability to cope with social crises. This requires rational investment in the social security system according to economic growth, expanding the coverage of social insurance and improving its level of security. How to optimize the government's management of the social security system under the current economic growth situation is a challenge problem that needs further research and debate.

Funding: Social Science Project of Education Department of Henan Province in 2022. Study on long-term mechanism of relative poverty control in Henan Province from the perspective of rural revitalization (222400410561); Philosophy and Social Science Planning Project of Henan Province in 2021 (2021BKS020).

References

- Chen, Y. (2022). On the Social Epidemiology of the new pandemic world: Generating evidence on the long-term effects on society. *International Healthcare Review (online)*, 1(1). <https://doi.org/10.56226/ihr.v1i1.8>
DOI: 10.1002/ajs4.196
- Dsouza, B. (2022). On Sustainable Health Systems: A Research Emergency in Pandemic times. *International Healthcare Review (online)*, 1(1). <https://doi.org/10.56226/ihr.v1i1.7>
- Elise Klein | Kay Cook | Susan Maury | Kelly Bowey. An exploratory study examining the changes to Australia's social security system during COVID-19 lockdown measures. *Aust J Soc Issues*. 2022;57:51–69.
- Elise Klein. Understanding Covid-19 emergency social security measures as a form of basic income: Lessons from Australia. *Journal of Sociology* 0(0) 1–15 2022. DOI: 10.1177/14407833221106242
- HAN Keqing, Risk and Response: A Case Study on Policy Assessment of the Reduction and Deferment of China's Enterprise Social Security Fees after the Outbreak of the Covid – 19 Pandemic. (In Chinese). *Social Security Studies* 2022(1): 61–68. <https://doi.org/10.3390/su14031589>
- Moreira, P., Monachino, M., Williams, D.L., Dsouza, B., Chen, Y., Antunes, V., Ueyda, M., Nguyen, T & Jacennik B. (2022) Healthcare Research Priorities: an International Agenda for 2024. *International Healthcare Review (online)*, 1:1 , 1-8, DOI: <https://doi.org/10.56226/ihr.v1i1.10>
- National Healthcare Security Administration. 2021 Health Care Development Statistics Bulletin: http://www.nhsa.gov.cn/art/2022/3/4/art_7_7927.html
- Nguyen, T. L. H. (2022). On Improving Healthcare with a world perspective: Evidence for Global Health Programs. *International Healthcare Review (online)*, 1(1). <https://doi.org/10.56226/ihr.v1i1.10>
- Nicu Gavrilut,ă, Silviu-Petru Grecu , Horia Costin Chiriac. Sustainability and Employability in the Time of COVID-19. *Youth, Education and Entrepreneurship in EU Countries*. Sustainability 2022, 14, 1589.
- Noriko Kitamura, Kaja Abbas and Dilip Nathwan. Public health and social measures to mitigate the health and economic impact of the COVID-19 pandemic in Turkey, Egypt, Ukraine, Kazakhstan, and Poland during 2020–2021: situational analysis. *BMC Public Health* (2022) 22:991. <https://doi.org/10.1186/s12889-022-13411-6>
- Richard Machin, COVID-19 and the temporary transformation of the UK social security system. *Critical Social Policy* 2021, Vol. 41(4): 651–662. DOI: 10.1177/0261018320986793 journals.sagepub.com/home/csp
- Wenlin GUI, Jiehui Zhao, The impact of COVID-19 on the unemployment rate in China and the United States (In Chinese). *The World of Survey and Research*. 2021(11):15–26. DOI: 10.13778/j.cnki.11-3705/c.2021.11.003
- WHO. Maintaining Essential Health Services: Operational Guidance for the COVID-19 Context: Interim Guidance, 1 June 2020; World Health Organization: 2020. Available online: <https://www.who.int/emergencies/diseases/novel-coronavirus-2019/related-health-issues> (accessed on 6 June 2021). <https://doi.org/10.3390/su14031589>
- Xi Heng. China's Social Security under the Triple Challenges of the COVID-19 Pandemic, Super Aging and New Forms of Employment. *Chinese Social Security Review*. Vol. 6, No. 1 Jan.15 2022.
- Xueli Wei, Lijing Li, Fan Zhang, The impact of the COVID-19 pandemic on socio-economic and sustainability. *Social Security Studies* . 2022(1):61–68. <https://doi.org/10.1007/s11356-021-14986-0>
- Zhang, L., Moreira, J. P., & Xi, Y. (2022). What is Long COVID-19? Clarifying Definitions and Symptoms. *International Healthcare Review (online)*. <https://doi.org/10.56226/ihr.v1i2.28>
- Zieliński, M. The Effect of the COVID-19 Pandemic on the Labor Markets of the Visegrad Countries. *Sustainability* 2022, 14,7386. <https://doi.org/10.3390/su14127386>

RECEIVED: 30/September/2022 ● ACCEPTED: 30/November/2022. ● TYPE: Review ● FUNDING: Social Science Project of Education Department of Henan Province in 2022. Study on long-term mechanism of relative poverty control in Henan Province from the perspective of rural revitalization (222400410561); Philosophy and Social Science Planning Project of Henan Province in 2021 (2021BKS020). ● DECLARATION OF CONFLICTING INTERESTS: The author declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article. ●