

THE CONFERENCE BOARD



Coping with Population Aging In China

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The Conference Board

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Highlights

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- Causes of Population Aging in China
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- Population Aging—China's Disadvantages
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- How Can China Cope with Population Aging?

Causes of Population Aging in China

Steep birth rate declines in the 1970s.

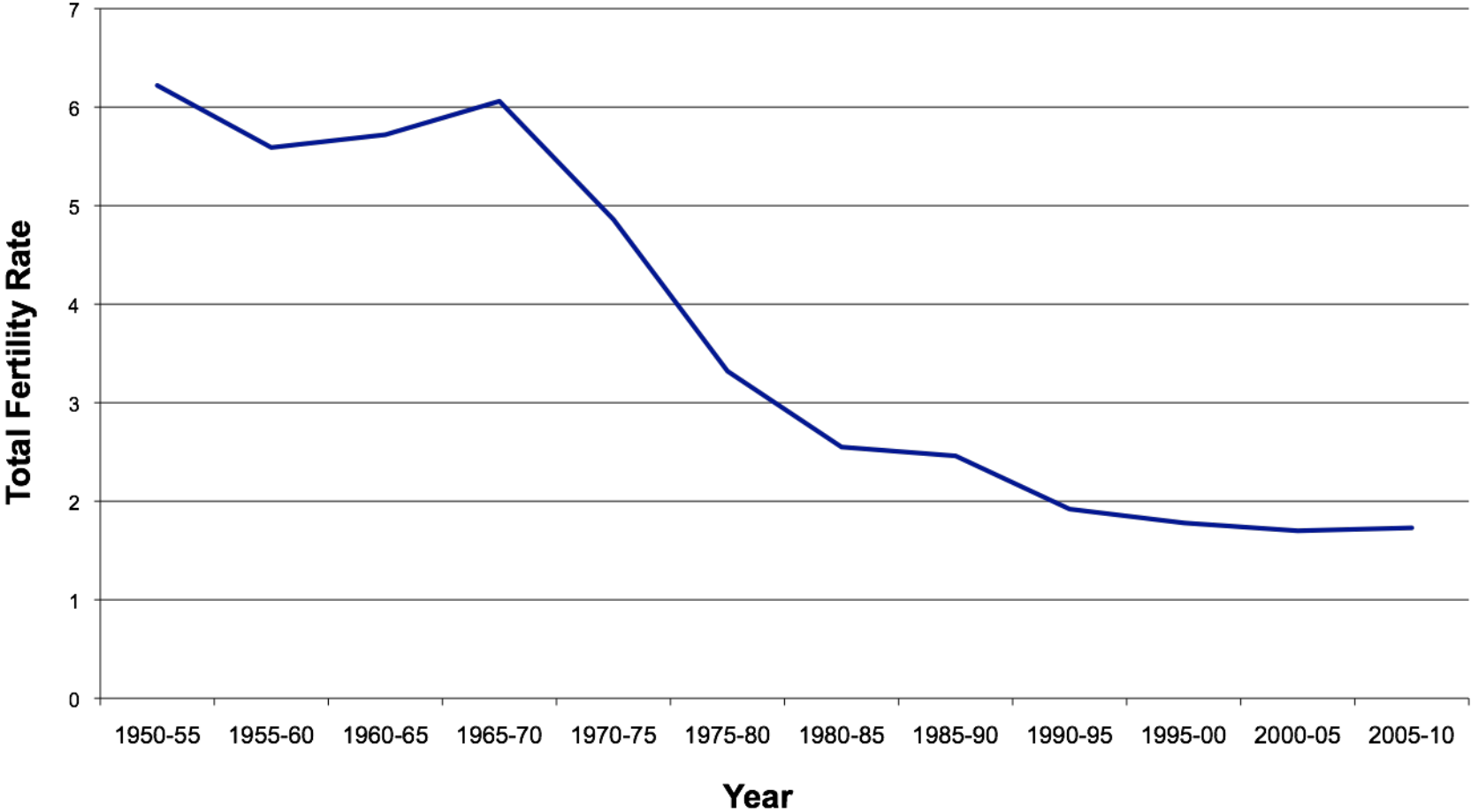
Continuing fertility declines in subsequent decades.

Below replacement level fertility since the early 1990s.

Continually declining mortality rates, rising life expectancy.

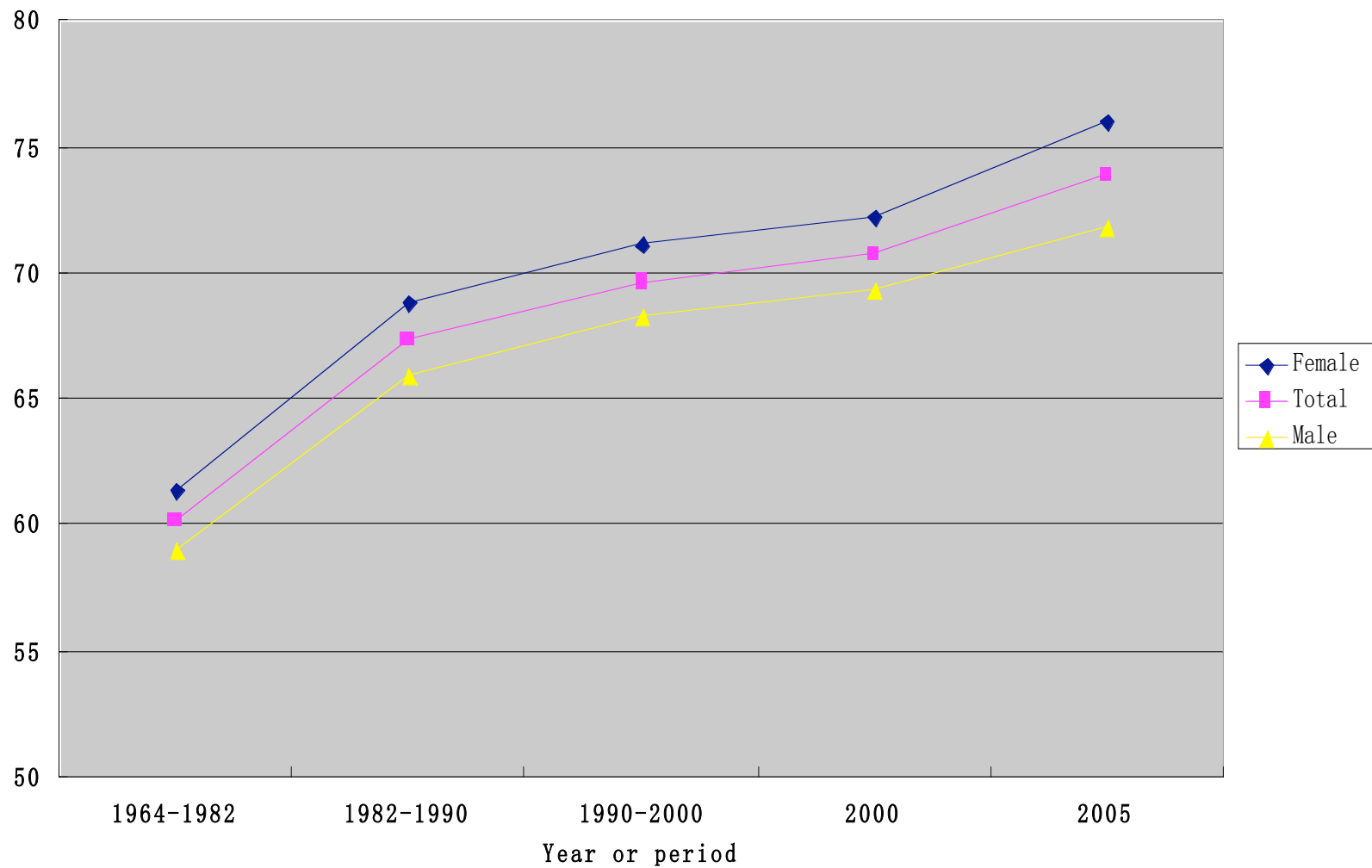
In particular, ongoing declines in age-specific death rates in the late middle age and older age groups.

Fertility Decline in China



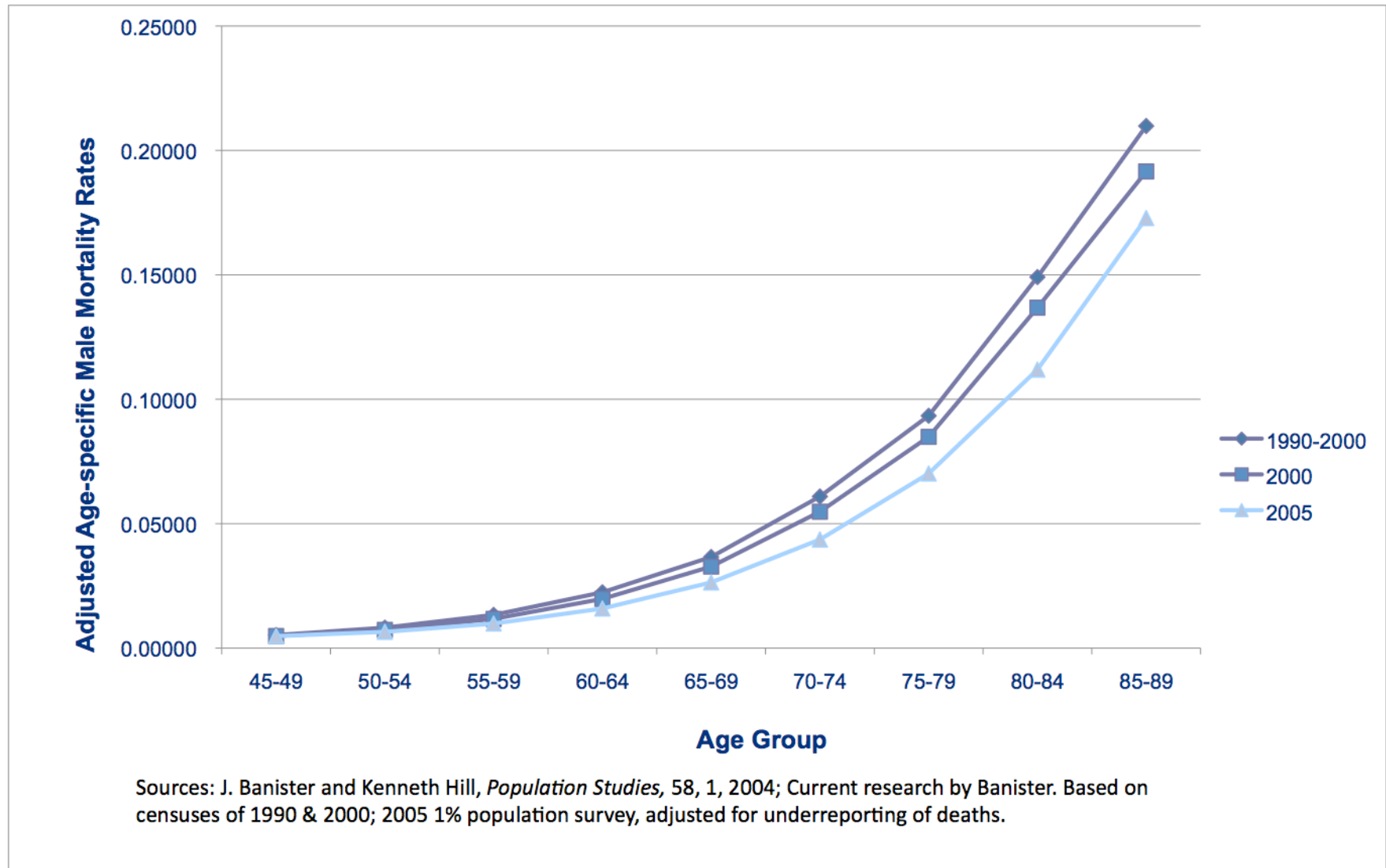
Source : UN Population Division, *World Population Prospects: The 2006 Revision and World Urbanization Prospects: The 2005 Revision*, <http://esa.un.org/unpp>.

China: Expectation of life at birth in years

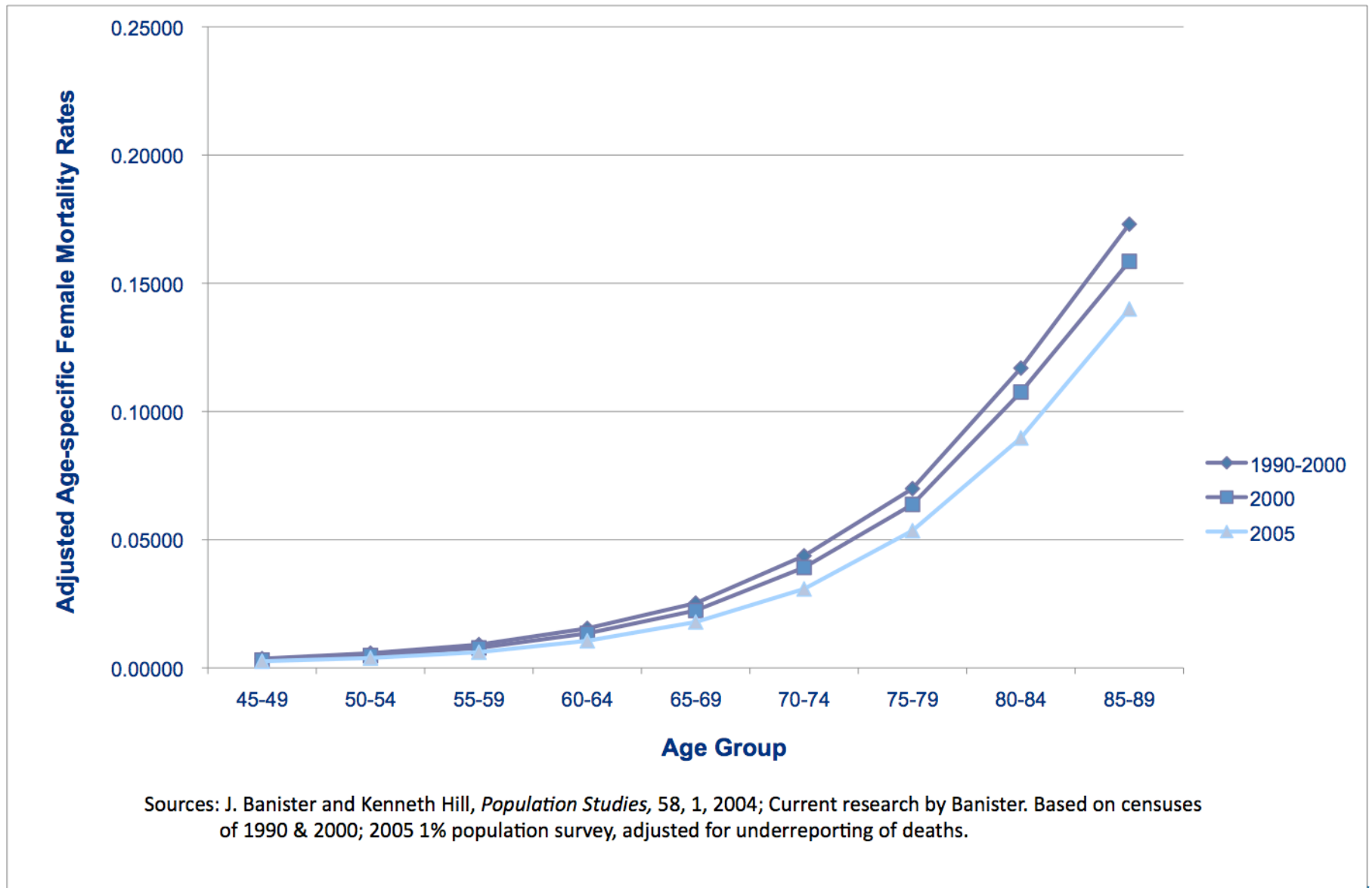


Source: Judith Banister, current research on mortality and health in China, 2009.

Declining Death Rates for China's Men from their Late Forties through all Older Age Groups



Declining Death Rates for China's Women from their Late Forties through all Older Age Groups



China's Demographic Dividend

- China's population in the working ages 15-64: A very high proportion, grew from 67% in 1990 to 71% in 2005.
- Will peak at 72% in 2010-2015.
- By 2025, China will still have 68% of its population at ages 15-64.
- Meanwhile, India's population 15-64 is 64% of the total population today and will reach 68% in 2025.

Population concentrated in working ages

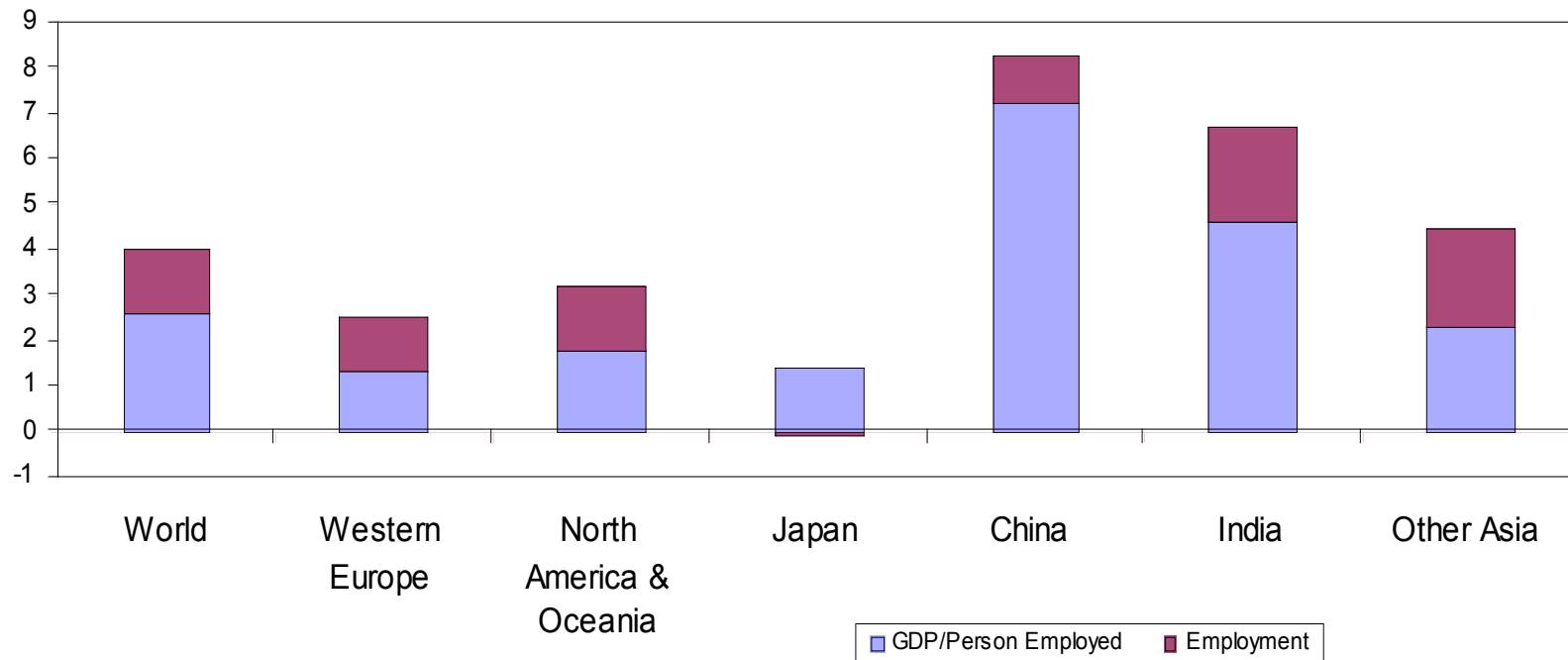
- China has a demographic window of opportunity, which has been benefiting China's economy for over 2 decades and will continue to do so for several more decades.
- Not only is child dependency low today, so is aged dependency.
- Today's elderly cohorts are comparatively small. Most were born and raised before the PRC was founded, during war, invasion, economic dislocation.
- Therefore, most of China's population today is in the working age groups. They tend to be healthier than the old, and they at least have the potential to work and produce.
- Labor force age groups have increased faster than China's total population for 3 decades.

Employment Challenges

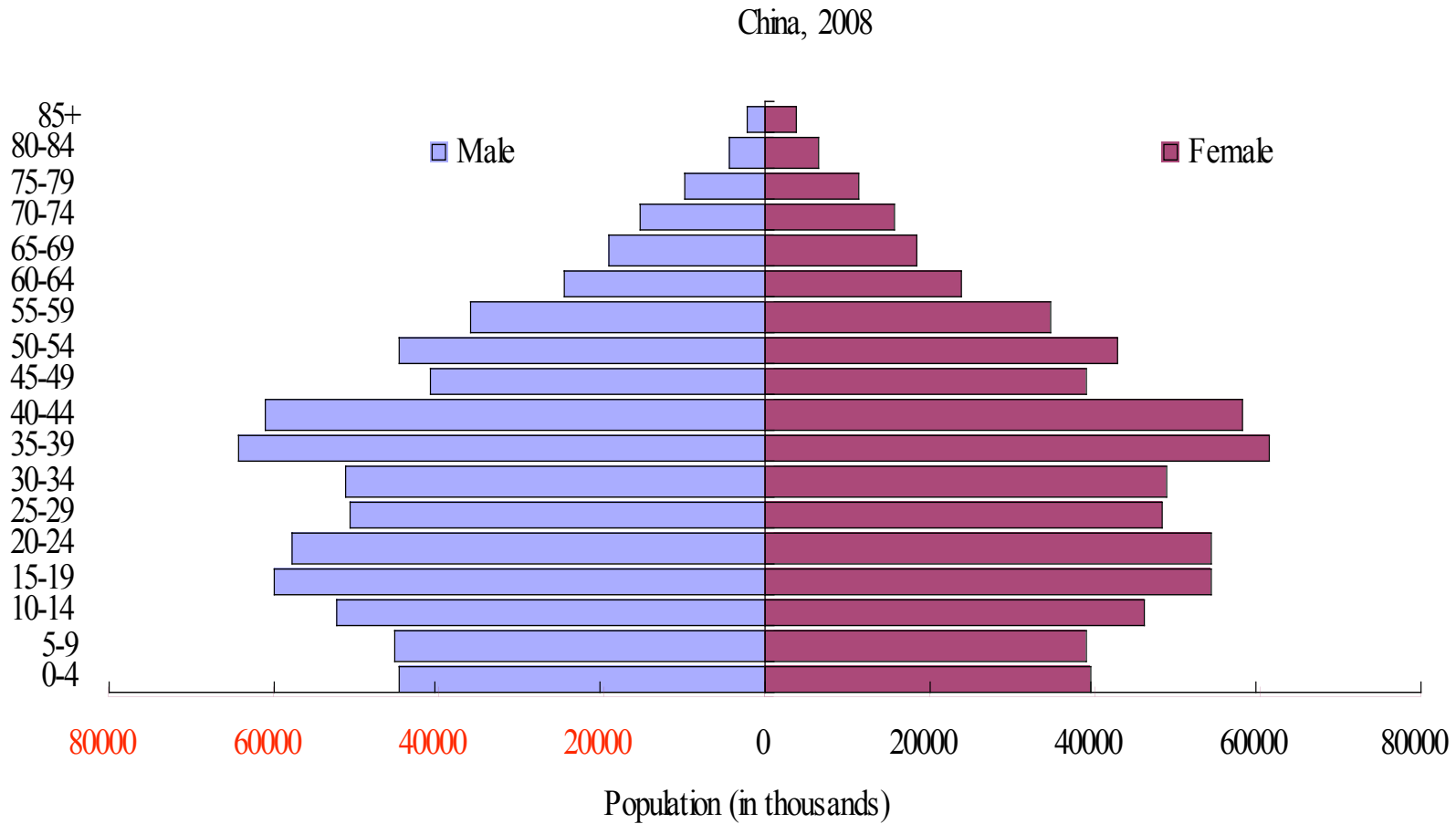
- The huge and growing working age groups have posed the challenges of increasing the numbers of jobs as well as raising job productivity.
- The most recent decade—job growth has barely kept up with population growth in labor force ages. Productivity per worker has increased rapidly.
- Now with the global economic downturn, employment headaches are fast becoming salient.

China, Latest Decade: Slow Jobs Growth, Fast Growth in Labor Productivity

GDP growth decomposed into labour productivity and employment growth, 1995-2006



China, 2008 Population Structure



Source: U.S. Census Bureau, International Data Base

Population Aging—China's Disadvantages:

- Not yet a highly developed country.
- Weak pension and health care systems, especially in the countryside.
- Current and increasing aging of the workforce.
- Low urban retirement ages coupled with rapidly rising number of urbanites in their forties and older.
- Elderly villagers left behind as their grown children migrate to urban areas.

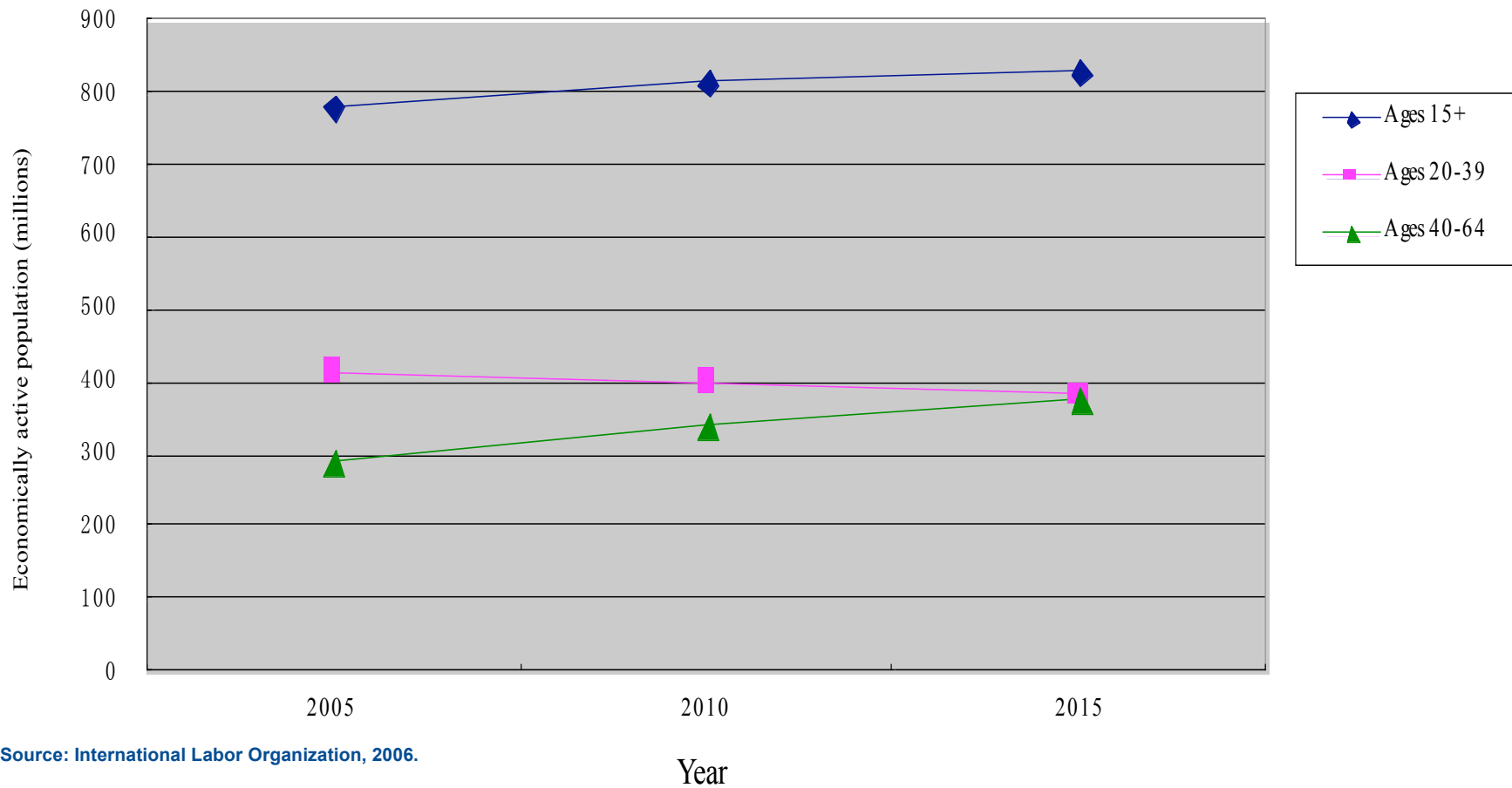
Poverty and Living Standards

- China is being hard hit by the global economic downturn, but it has already been growing fast for 3 decades.
- The World Bank estimated that 2005-06 per capita GDP growth was 10.1% in China.
- China now qualifies as a Middle Income country, based on World Bank *World Development Report 2008* data.

China's future population, labor force

- China's birth & death rates and population growth rate are expected to stay low in coming decades.
- Shrinking cohorts of children will become reduced numbers of future young adults.
- China will see further aging of its labor force age groups.
- By 2015, the large cohorts of workers will be in their forties and older.
- China's older working age groups—low literacy, educational level, less adaptable to rapidly changing economy.

China, Projected Economically Active Population, 2005-2015

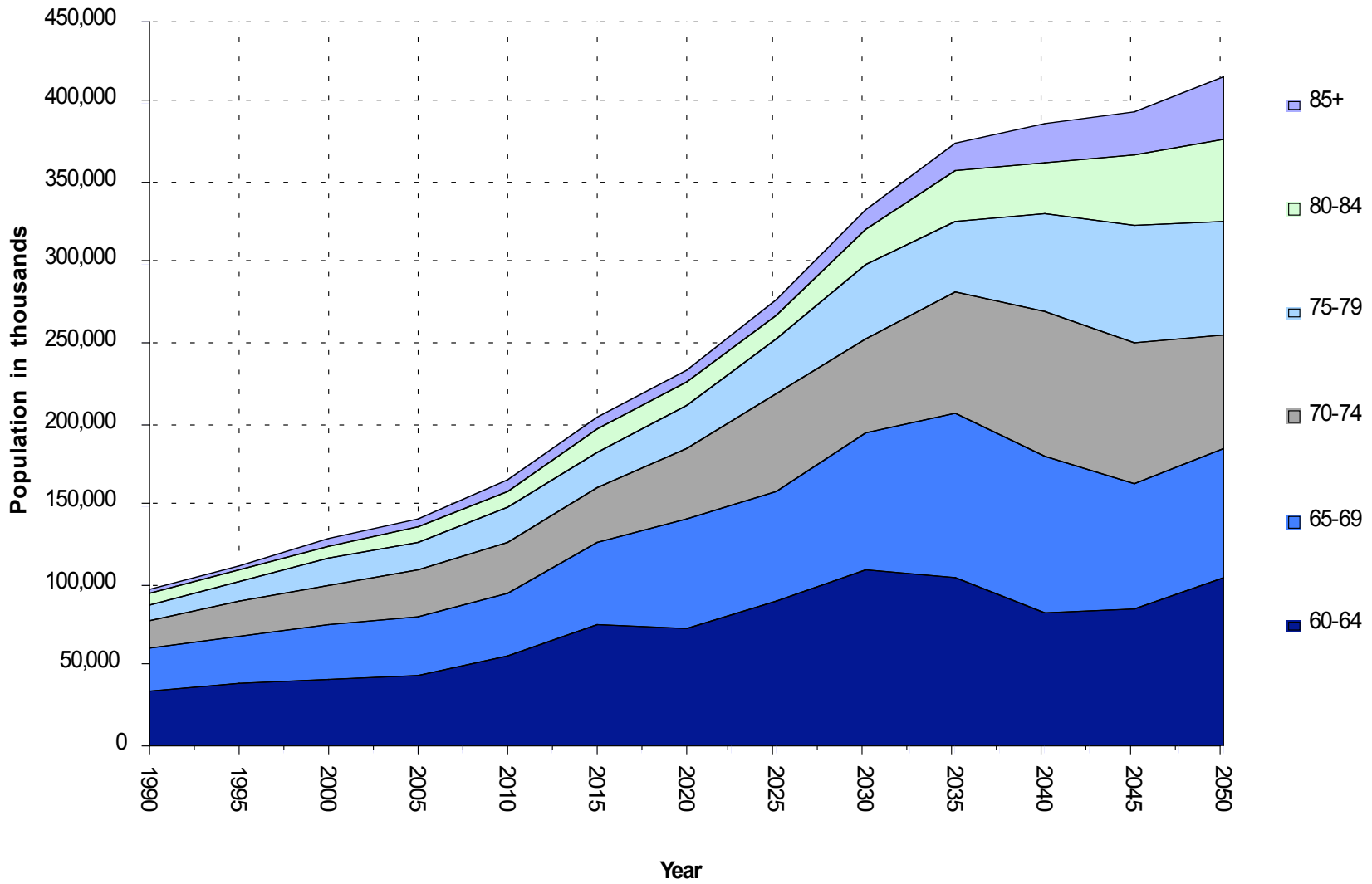


Source: International Labor Organization, 2006.

China's Elderly Ages 60+

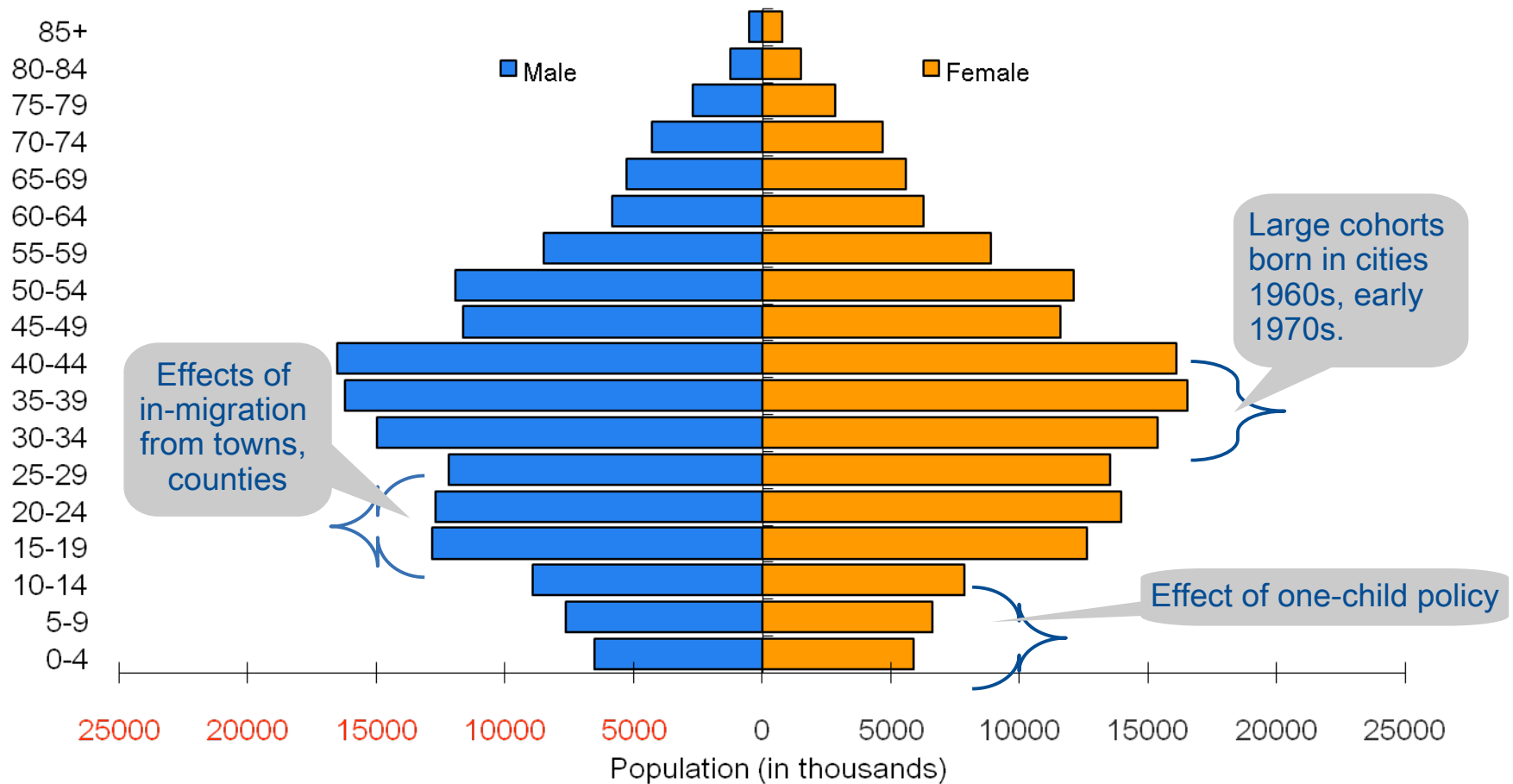
- Age-specific mortality rates of all elderly age-sex groups have declined by 1.1-2.4% per year since the mid-1970s.
- But, especially without medical insurance, large proportions of the aged may be older but sicker, with much chronic illness & disability.
- Less than 30% of elderly have any pension; the vast majority rely on intergenerational support from children, grandchildren.

Figure 1. Elderly in China, Population Projection to 2050



City Age Structure Effects from Fertility Declines and In-migration

China City Population Structure – November 2006

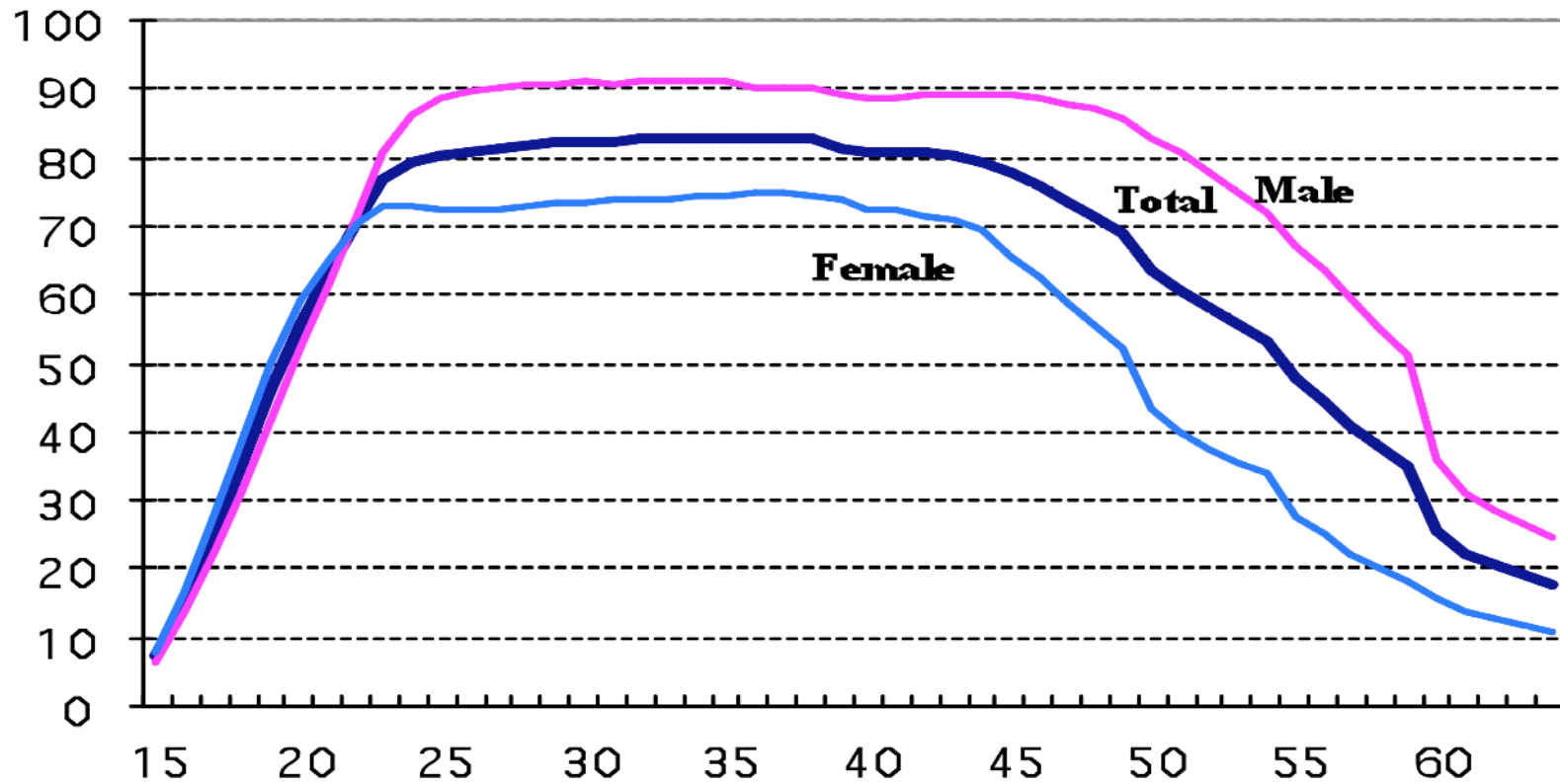


Source: China Population and Employment Statistics Yearbook 2007, October 2007.

Urban Dilemmas:

- Age at retirement—too young. But there is keen competition for the available jobs between workers who reach age 50 or older and all younger adults who need jobs. People retire in late 40s or in 50s or at 60 because of legal retirement age, or desire to retire early, or because they are forced out.
- Inherited pension promises have been unsustainable—millions of retirees are not getting their promised pensions at all, or the pension has been cut in half.

China, Urban Employment Rates by Age & Sex



Source:2000 Census.

Population Aging—China's Advantages:

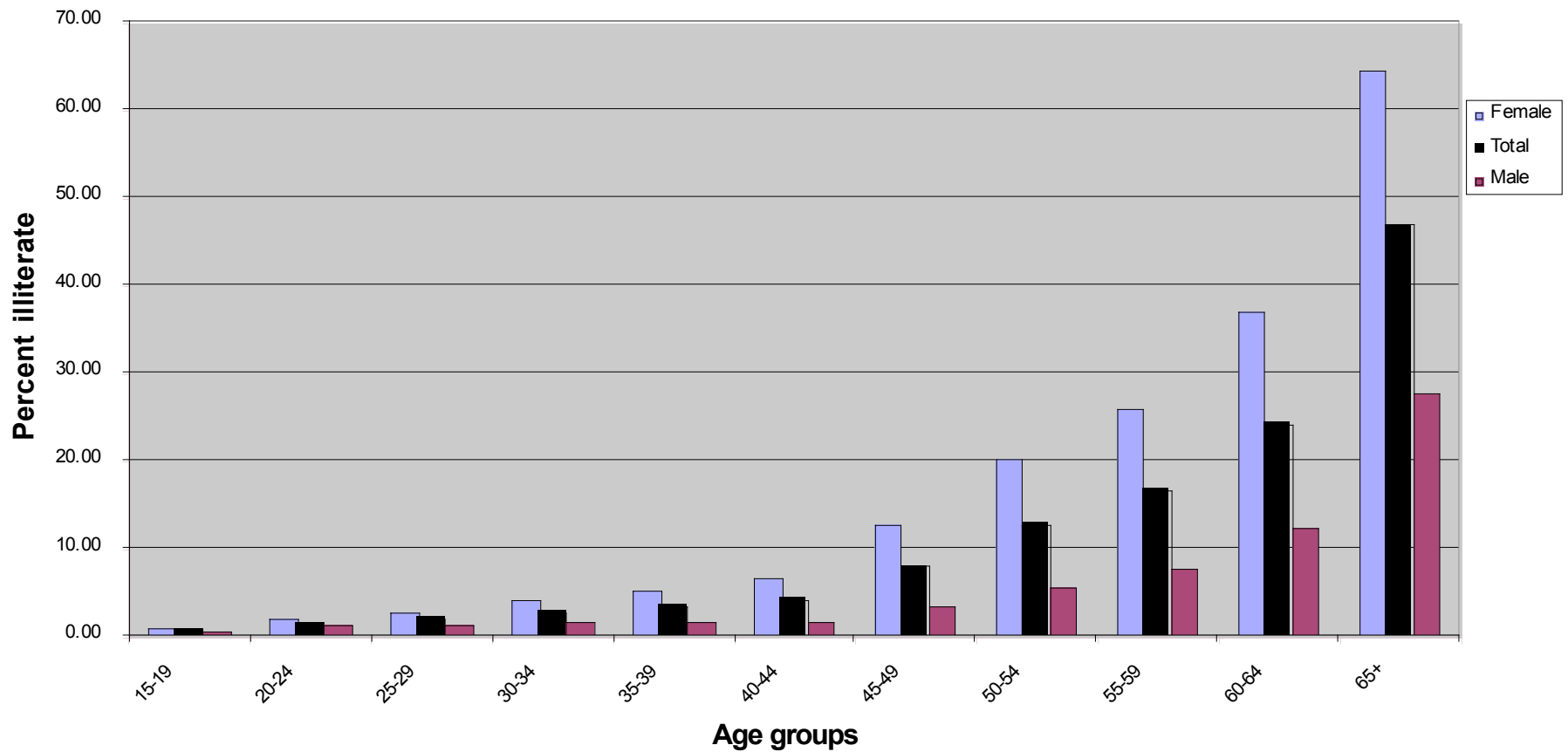
- Culture of strong family ties and widespread expectation that family members will care for the elderly; this responsibility is also a legal one.
- Unusually high levels of literacy and educational attainment for a developing country population.
- High labor force participation among men and women. As population ages, China can more fully use its surplus labor and currently underutilized workers.
- Compared to most developing countries, China's people have better access to housing, food, land for growing food, and other basic needs.
- The Chinese government is reasonably competent and actively dealing with issues of an aging population.
- China has plenty of time to learn from other countries.

Literacy Helps Successful Population Aging

- China is rapidly reducing illiteracy.
- Adult literacy rate in China ages 15+: 89%.
- Young adults are highly literate. Of the population ages 15-24 in China, 99% are now literate.
- Over time, more literate cohorts are succeeding the less literate cohorts.

China is fast becoming a literate population

China 2005 Illiterate Adult Population by Age Group and Sex



Educational attainment is rising rapidly – especially for females...

China Educational Attainment, Ages 15-64 (percent)

	1990			2000			2005		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Junior middle school	32.5	38.2	26.5	43.0	47.1	38.6	44.5	48.3	40.7
Senior & specialty high school	11.8	13.9	9.6	15.5	17.2	13.7	15.7	17.7	13.7
Professional college	1.3	1.6	0.8	3.3	3.7	2.7	4.5	5.0	4.1
University	0.8	1.1	0.5	1.6	1.9	1.1	2.2	2.6	1.8
Graduate school				0.1	0.1	0.1	0.2	0.2	0.1
Total, junior middle school & above	46.4	54.8	37.4	63.4	70.2	56.2	67.2	73.8	60.5
Total, post-secondary educational level	2.0	2.7	1.3	4.9	5.8	3.9	6.9	7.8	6.1

Note: In each category, the percent shown is the percent of China's population ages 15-64 who attained that level of education but no higher.

Median Age of Asian Populations, 2000-2050

Country	2000	2010	2020	2030	2040	2050
Japan	41.3	44.6	48.5	52.1	54.3	54.9
South Korea	32.0	38.0	43.4	48.1	51.9	54.9
China	30.0	34.9	37.9	41.3	44.1	45.0
Indonesia	24.8	28.2	32.0	35.4	38.4	41.1
India	22.7	25.0	28.1	31.7	35.3	38.6
Pakistan	18.8	22.1	25.3	28.2	30.9	34.1

Source: United Nations population database: <http://esa.un.org/unpp>

What can China do to cope with aging of the labor force and of the total population?

- In coming decades, China can continue raising the productivity of its working age population, moving workers out of agriculture into higher value added jobs.
- China can continue urbanizing. The country still has a low level of urbanization for its current level of development.
- Keep training adult workers to raise their human capital.
- China can continue emphasizing education—raising the literacy and educational level of the population, especially of the younger working cohorts.

Other proposals:

- Implement a nationwide rural and urban health insurance system for all ages including elderly. If Mao could do it when there was no demographic window, China can surely do it now.
- Tell workers now that their future retirement age, when they will be eligible for pension or social security, will rise gradually from 60 to 70 for successive future retiring cohorts. (Many developed countries are now raising legal retirement ages.)
- Allow voluntary and for-profit organizations to operate everywhere to help serve the needs of the elderly.

Other Policy Options:

- China could loosen fertility restrictions to allow more births. This would increase cohort sizes of children and, 20 years later, of young adult workers just as the aged population is steeply increasing in number.
- Build up a multifaceted national old age social security system that could include a PAYG component, self-saving component, community support component, and family support requirement.
- Seriously implement the law and the idea that own daughters are responsible for supporting their own elderly parents, not just their husband's parents. This will raise the perceived value of daughters to their own parents.

Will China have enough workers in the future?

- Total population of labor force ages will peak around 2015 and then begin slowly declining in number.
- Will this be a BAD THING?
- NO. It is likely to be a blessing, not a problem. Why? In the succeeding decades, as labor force age groups shrink in size, China will finally be able to productively employ its surplus, laid off, and unemployed labor force.
- If China needs more workers in the future, cities could raise employment participation rates of men and especially women in their fifties, sixties, and seventies.

China can cope with population aging

- China has many advantages in the coming decades. China can learn from the successes & mistakes of developed countries already dealing with severe population aging.
- China has hundreds of millions of low productivity workers who can be used more productively in future.
- Chinese society has good customs of loving, caring for, and supporting the elderly, like other rapidly aging East Asian societies—Japan, South Korea, Taiwan, Hong Kong for example.
- China is good at adapting to new challenges.