

Relax one-child policy to face ageing population



One-child policy in China (file photo)

According to the sixth national census conducted in 2010, the average annual growth rate of the Chinese population over the period running from 2000 to 2010 was 0.57 percent. In the year of 2010, the population in the age group of 60 and over reached 178 million in China, accounting for 13.26 percent of the total number and up 5.64 percent from 1982. The population in the age group of 0—14, however, accounted for 16.60 percent, a 16.99 percent decrease compared with 1982. Reports predict that the population in the age group of 65 and over will account for 15 and 20 percent in 2027 and 2035, respectively.

With an increase in the number of the ageing population and decrease in that of the working-age people, the dependency ratio of population (the ratio of working age to dependent population) in China will keep growing and reach 0.5 or more in 2033- from 0.38 in 2011. Based on the UN predictions, the dependency ratio of the nation's population will attain an ultra-high level of 0.8 in 2070, which means four working-age people will have to support at least two elderly adults and one child at that time.

This shift in the population structure makes the issue of an ageing population a major one for

China to tackle in order to ensure economic and social (sustainable) development in the future.

Japan's past experiences show that even in a country with a high income level, high-quality workforce, advanced technology and complete infrastructure, the population ageing is still likely to lead to an economic slowdown or even stagnation. In 2011, the population in the age group of 65 or over in China accounted for 9.1 percent of the total number, a situation very similar to that of Japan in 1990.

However, China is to some extent facing a more serious challenge than Japan since it is currently still a far cry from being a developed country. The adverse impact on economic development caused by the ageing population can be concluded as follows: First, China will lose the advantages of backwardness prematurely as to catch up with the developed countries; secondly, China will lose its advantage when competing with those developing countries which still have a demographic dividend; on a third and final note, China still has not yet obtained the innovative advantages of a developed country. Therefore, the original competitive advantages of the country are shrinking, which in turn will undoubtedly intensify the need for a transformation of China's economic growth mode.

At this time, China is not yet well-prepared or sufficiently equipped to deal with the up-coming ageing population society.

First and foremost, the institutional arrangement of the country is lagging behind. The current social policies and public service systems cannot adapt to the needs of an ageing society, including the old-age insurance system, medical care, retirement system and personal income tax system.

Subsequently, the financial preparation is insufficient. On the one hand, the expenditure of old-age security merely takes up a small part of the entire public spending, and the coverage rate of the old-age insurance system is still low. In 2011, the pension replacement rate of Chinese corporations was only 42.9 percent, and the pension itself came to 55 yuan (US\$8.81) per month in some rural areas. On the other hand, the current old-age insurance system contains a hidden debt. Nearly half of the Chinese provincial governments have to face pension deficits, and the average rate of return on pension investment is now less than 2 percent, lower than the inflation rate of the same period. As the elderly population is rapidly growing, the expenditure of old-age insurance will increase significantly, which in turn will surely put more pressure on China's existing old-age insurance system.

The public service system is weak. At present, the nation's urban planning and infrastructure

construction are not equipped to meet the needs of the rapidly expanding ageing population. The public service system fails to take into account the elderly. In some rural places, elderly people experience more difficulties in their everyday lives due to the massive outflow of young people and a severe lack in service facilities.

To cope with the adverse impact caused by a changing population structure, the China Development Research Foundation (CDRF) recently published a report suggesting a loosening of China's [one-child policy](#). According to the report, the one-child policy should immediately come to a halt in areas where controls have been strictly implemented before; afterwards, the two-child system should be adopted throughout the whole country.

Based on the data of total population, gender and age structure, and fertility rates collected by the sixth national census in 2010, the report analyses different methods of relaxing the country's one-child policy.

Results show that ending the policy in different areas at the same time will trigger a huge population boom which will prove to be no good for the current stability of social security, plus education and employment situation. However, relaxing the policy step by step and region by region could meet both the requirements of policy adjustment as well as prevent a violent population change in a short period of time.

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The article is digested from the Chinese interview of Economic Information Daily with the author, and translated by Lin Liyao.