

Research on China's Economy in the Context of Population Ageing

Guangtao ZHOU

Shandong Xiehe University, Jinan, China

zhouguangtao@126.com

Keywords: Population Aging; Labor Force; Productivity

Abstract. Since China began to implement the national policy of family planning, the long-term low fertility rate has made China enter a typical aging society quickly. The population aging has led to a continuous decline in China's effective labor force, reducing social capital, and the impact on social employment is not optimistic. Under this circumstance, the Chinese government should appropriately use the population policy to slow down the aging of population, reasonably extend the retirement age to activate the resources of the elderly, adjust the capital accumulation policy actively to develop social productivity.

1. Introduction

When it comes to the typical aging countries, China is one of them. As a country that has entered an aging society early in the last century, the population aging has gradually become an important label for China. China is, currently, the largest developing country in the world, and the proportion of the elderly in China is also very high. For China which has an aging period of nearly 40 years, some viewpoints show that this phenomenon is not conducive to China's social progress and economic development, and may also lead to some counter-force (Deng, 2015). Taking an example of the United States to illustrate a different viewpoint, the phenomenon of aging will not affect or even interfere with the US economy although the United States is also under the population aging, according to the survey results of the National Academy of Sciences. Unexpectedly, the aging of the population does not hinder but it will activate the corresponding consumer market by increasing government spending (Dang, 2013). And aging also allows the private wealth to be accumulated over a long period of time. Inevitably, the aging of the population will affect the labor productivity of the society and the related innovation capabilities. However, these negative factors are far less than positive factors; so on the whole, the population aging does not have a greater impact on the development of American society. This may tell that it is hard to analyze how population aging to influence the development of Chinese society.

The degree of population aging in the world will be deepened step by step in the future. Experts predict that the global average of the old-age dependency ratio between 2015 and 2050 will increase by about 12%. This means that there will be a large number of older people in the world to be supported (Wang, 2017). As far as China is concerned, China's current old-age dependency ratio is equivalent to the world average, which means that China's aging is in a relatively balanced state. However, from the Chinese National Bureau of Statistics (2016), it can be known that China's population aging process is being greatly promoted, and there is an increasing trend in the equilibrium. The proportion of elderly people aged 60 and over in China will reach nearly 24% in 2030, and 16.2% of the elderly aged 65 and over, which both indicators are higher than the general level of other developed countries (Zeng, 2014). The population aging has gradually become one of the basic factors to influence China's economic and social development in various aspects. This

article will analyze the impact of population aging on social labor supply, social capital, and savings.

2. The impact of population aging on social labor supply

It is necessary to talk about the concept of demographic dividend before discussing relation between the population aging and the supply of social labor. The demographic dividend mainly refers to the fact that the total population of a country has a large proportion of the working-age population, which makes the country's dependency ratio low, and finally lays a good foundation for the country's social progress and economic development. The most direct impact of the current aging population is that the supply of social labor has fallen sharply, and the age structure of existing labor tends to age, weakening the potential working force. As one of the most fundamental factors affecting China's economic and social development, the relevant characteristics of the population affect the further development of society (Zheng, Lin & Chen, 2014). The countries with higher levels of development all have certain commonalities in the proportion of population: the population structure is younger, the proportion of working-age population is high, and social productivity is strong. Such a population structure can provide high-quality labor resources for economic growth, which is the demographic dividend mentioned.

For a long time in the past, China's labor force has always been labeled as "cheap labor". This shows to a certain extent that the labor base in the early stage of China's development is very good, and the demographic dividend effect is relatively large. These have contributed to the rapid development of the Chinese economy. However, the emergence and deepening of the current situation of aging has changed the structure of China's population, further affecting the size of China's demographic dividend which even has a tendency to gradually disappear. There is a positive correlation between labor productivity and economic growth to a certain extent, that is, a country's labor productivity increase will increase the country's economic level. The proportion of the elderly population structure continues to increase, so that the effective labor force is decreasing, the labor supply level is also falling further, and the labor productivity level is reduced (Fan & Chen, 2017).

3. The impact of population aging on the formation of social capital

The trend of population aging also has a certain impact on the formation of social capital. China's national savings rate has a strong correlation with the population age structure (Zheng, Lin & Chen, 2014). National savings refers to the difference between the disposable income of a national minus the final consumption expenditure. National savings here include both government savings and private savings. The acceleration of aging has significantly affected national savings and further affected social capital. From the perspective of government savings, the aging of the social demographic structure will further increase the burden of social pension. At this time, the government will further improve the social status quo by promulgating and implementing a series of social pension welfare policies in order to maintain social stability. Therefore, the government's fiscal expenditures on pensions and medical expenditures will continue to increase; but because of keeping taxation rate the same, the government's capital savings rate will have a significant decline. In this way, the trend of population aging at the government level will reduce its savings rate. On the other hand, from the perspective of private savings, China's private savings are generally divided into two categories, household savings and corporate savings, and the population aging has a certain impact on these two aspects. In general, the savings of a resident's life are in an inverted U-shaped change. The deepening of the aging will increase the proportion of the population in the

second half of the savings change map, which will obviously lead to a decline in the overall household savings rate. Although the elderly population will increase their private savings rate in order to survive better in retirement, the private savings rate of residents has shown a downward trend as a whole under the influence of a series of medical and pension needs. As for corporate savings, the population aging is reflected in the retirement of employees. Therefore, as more and more elderly people coming, the pension expenditure of enterprises is also increasing, which makes the final corporate savings rate also decline to a certain extent, and this is not conducive to the increase and formation of corporate capital.

4. The impact of population aging on social employment

The deepening of population aging will have a broad and profound impact on the employment landscape. Firstly, population aging will gradually reduce the total supply of labor. Although China's labor resources are abundant currently, a downward trend is showing. With the decline in fertility and the aging process, the working-age population in China fell for the first time in 2012, a decrease of more than 3 million from the previous year (Fan & Chen, 2017). In the future, the number of working-age people in China will gradually accelerate the decreasing. The reduction in the total working-age population means a reduction in the potential growth rate, and the increase in labor costs associated with this process also implies a weakening of the competitiveness of labor-intensive industries. Secondly, from the perspective of changes in the structure of labor supply, it will further aggravate the structural contradictions of employment. Aging is a process of demographic change. The change in human resources structure brought about by China's aging is mainly reflected in the reduction of the youth labor force, the aging of labor resources, and the rapid expansion of the elderly population. This change in demographic structure will bring about various employment structural problems.

The demographic changes caused by aging will also have a more profound impact on the family, income, consumption, savings, service demand and social policies of economic and social life, and further affect the changes in economic restructuring and employment demand structure. The impact of population aging on employment will be comprehensive and profound.

5. Suggestions on alleviating the impact of population aging on the economy

(1) Appropriate use of population policies to slow down the aging and accelerate development

Talking about the population policy used in China, the most famous one is the national policy of family planning that everyone knows. The implementation of this policy has indeed effectively slowed China's population growth, but because of its own purpose, it does not fully integrate China's future development trends and change the impact of population structure on China's overall economy. Therefore, during the years of implementation, this population policy has had a certain negative effect on China's social and economic development. At present, China has reached the mid-stage of the development of an aging society, and the number of effective labor force is declining year by year. Therefore, in the face of such a critical period, relevant Chinese departments should, in light of the actual conditions of the country, review the situation, formulate a population policy in line with the new era, rationally maintain the birth rate of the population at a balanced level and control the rate of population aging to solve the shortage of labor caused by aging.

(2) Reasonably extend the retirement age and activate the resources of the elderly

Generally, the older people are, the more experience they have. The gradual withdrawal of these

experiencing aged workers from the production field will directly lead to the loss of human capital. Therefore, the government can appropriately extend the retirement age of people in light of the actual situation, so that some elderly people continue to do a good job in the production field. At the same time, these aged employees can take the task about strengthening the training of young people to improve their work ability and quality. While reducing the negative impact of retirement, it will reduce the burden of social pension. At the same time, it can actively promote the rapid development of China's social economy and the cultivation of the overall quality of talents.

(3) Actively develop social productive forces and adjust capital accumulation policies

Concerning China's aging population, the phenomenon as "getting old before getting rich" is different from developed countries. In the developed countries, despite of being aging society, because the overall income level of residents is at a high level, and the technology is more developed and the social welfare system is better, their social productivity people will remain at a stable level and economic development will not be affected obviously. When China is still unable to completely change the social welfare system, it is necessary to make efforts to improve social productivity to narrow the gap in the status quo of "getting old before getting rich". The government, as a guide, should promulgate the capital accumulation policy in advance, and adjust the structure of investment and capital accumulation, fundamentally turning the current accumulation pattern of social capital to a diversified investment pattern, in this way to build a better welfare environment for the aging society.

Acknowledgments

The work described in this paper was fully supported by a grant from the Humanities and Social Sciences Research Program in Universities & Colleges of Shandong Province 2016 (No. J16WE08).

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