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## China's Population Aging from the Perspective of Public Policy\*

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人口老龄化将成为中国社会的常态，它所带来的挑战更多地源于老化的人口年龄结构与现有社会经济体制之间的不协调所产生的矛盾，这使公共政策调节成为必须。本文认为，仅仅调节人口政策、仅仅调节针对老年人的政策或某一部门的政策都不足以全面应对人口老龄化，而应当以社会整合和长期发展的视角来重构当前的公共政策体系。在重构过程中，不仅要统筹人口系统与其他社会系统的关系，而且要统筹短期目标与中长期战略的联系。因此，应建立一个权威的常态统筹机构，并结合中国的国情，重新定位老年人的社会角色、解决老年人养老的现实问题、支持老龄化社会的可持续发展。

**关键词：**人口老龄化 公共政策 家庭 人口红利 可持续发展

Population aging will become the norm in the Chinese society. Its challenge derives mainly from the failure of the existing socio-economic system to cope with the aging process. The intervention of public policy is therefore inevitable. This paper argues that in order to comprehensively deal with the aging problem, it is not sufficient to merely readjust population policies, policy measures focusing on the aged or policies for one or another sector. Instead, we need to reconstruct the current public policy system from the perspective of social integration and a long-term development strategy. During the reconstruction process, efforts should be made not only to coordinate the population system with other social systems, but also to coordinate short-term goals with medium and long-term strategies. Accordingly, an authoritative permanent government coordinating agency should be established and, taking into account China's national conditions, should redefine

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the social role of senior citizens, solve practical problems related to support for the aged and support the sustainable development of an aging society.

**Keywords:** population aging, public policy, family, demographic dividend, sustainable development

Throughout the written history of China, the young always predominated and the population age structure remained relatively stable for millennia. Until the 1970s, minors below the age of 15 still accounted for more than one third of the total Chinese population, while the elderly population over 60 years of age remained at about 4 percent. However, this situation changed with rapid socio-economic development and population transformation, and the changes are now accelerating. People over 60 will rise from 167 million now to more than 400 million by 2050, constituting more than 30 percent of the Chinese population and more than one fifth of the world's total elderly.<sup>1</sup> Such changes in the population age structure are unprecedented in Chinese history, rapidly accelerating the aging of our world.

Faced with this problem, Chinese scholars have made extensive studies from different perspectives and developed different theoretical explanations and policy suggestions. This article re-examines the problem of population aging in China from the angle of public policy, not trying to find a magic bullet but rather attempting to outline a policy framework for “how we should think and act.”

## I. Population Aging Will Become the Norm in Chinese Society

Improvements in health conditions, medical technologies, people's living standards and health care awareness have greatly reduced the mortality rate and increased life expectancy. This progress is seen as one of the most important social developments of the 20th century, with the average life expectancy of the world population having increased from 46.6 in 1950-1955 to 67.6 in 2005-2010. The average life expectancy of the Chinese underwent an even a bigger increase: from 40 in 1949, when New China was founded, to 73 in 2009. It is expected to hit 80 by 2045-2050.<sup>2</sup>

Along with the general extension of life expectancy, reproductive behavior has also undergone significant changes: the global total fertility rate dropped from 5.0 in 1965-1970 to 2.6 in 2005-2010. This change is even more striking in China, where the fertility level has dropped significantly since the 1970s. The national total fertility rate has declined from 5.8 in 1970 to the current 1.6-1.7. China's population boom is now under effective control and its natural growth rate is far below the global average, at only 0.51 percent in 2009.<sup>3</sup> The family planning policy and relevant programs have no doubt played a critical role in the reduction of

1 United Nations, *World Population Prospects: The 2008 Revision (Population Database)*.

2 China National Committee on Aging, “Research Report on the Trend of China's Population Aging.”

3 The National Bureau of Statistics of China, *China Population and Employment Statistics Yearbook, 2010*.

our fertility rate, but other factors such as economic and social development, the advancement of women, universal education, reduction in family size, increased population mobility, and changes in life ideas and lifestyle have also contributed, directly or indirectly, to the decline in the fertility rate.

These changes in the pattern of population growth have inevitably accelerated the aging process. According to data released by the National Bureau of Statistics of China, the proportion of people over 60 years old in the total population exceeded 10 percent for the first time in 2000 and had reached 12.5 percent by 2009. In 2008, the elderly made up over 10 percent of the population in 30 of the 33 provinces, municipalities and regions (including Hong Kong and Macao but excluding Taiwan). In Shanghai, which had the highest degree of population aging, they made up over 22.5 percent.<sup>4</sup> The size of the elderly population in China will grow steadily and rapidly in the next forty years and is expected to peak in 2050-2055. Even if the speed of population aging slows down afterwards, the aged will continue to comprise around 34 percent of the total Chinese population by the year of 2100.<sup>5</sup> For a fairly long period, the general trend of population aging in China will be irreversible. Moreover, with further socio-economic development there may be new breakthroughs in modern medical science and bioscience which will open up new horizons for extending the human lifespan, so the likelihood of returning to the traditional high fertility rate and extended family structure is minimal. It is hard to imagine, at least for now, that the world will one day be young again.

Population aging will become the norm in China. It is not only an inevitable trend of social and economic development, but also the inevitable result of the transformation of population reproduction from the traditional to the modern mode; it may even be said to be an important indicator of social modernization. Population aging is by no means a short-term phenomenon: the former “young” society is gone, never to return. That being the case, we should face up to and adapt to reality and carry out in-depth research on this basic social feature, enabling society to continue to operate and develop in a healthy and coordinated way in conditions of population aging. Unfortunately, however, many researchers today still believe population aging is an abnormal social phenomenon and a heavy social burden. As a result, many studies explore ways of preventing and delaying the advent of an aging society within the traditional logical framework. This is really an attempt to pick up the gauntlet of 21<sup>st</sup>-century challenges with outmoded 20<sup>th</sup>-century ideas and methods, like trying to quench a raging fire with a cupful of water.

## II. Main Social and Economic Effects of Population Aging in China

As a norm of future society, population aging cannot be said to be either good or bad. But under current socio-economic institutional conditions, people are not mentally prepared for

4 The proportion was calculated for people with registered permanent residence in Shanghai.

5 Du Peng, Zhai Zhenwu and Chen Wei, “The Developmental Trend of China’s Population Aging in the Next Century.”

this unprecedented demographic change and tend to see it as a daunting challenge.

*1. Population aging brings pressure to bear on the social security system*

As a result of sustained change in the age structure of the Chinese population, the ratio of the workforce to the elderly population on the mainland of China is undergoing major changes. The elderly dependency ratio in the traditional sense is rising steadily, exerting considerable pressure on the Chinese “pay-as-you-go” pension system. China’s pension expenditure rose from 489.7 billion yuan in 2006 to 739 billion yuan in 2008,<sup>6</sup> with an average annual growth rate of 22.84 percent. It is estimated that the accumulated deficit in the basic pension from 2001 to 2075 will reach 9.15 trillion yuan, which will inevitably pose a serious challenge to state finances. At the same time, the social security system the Chinese government began to set up after the 1980s has only a narrow coverage. As of June 2010, the number of Chinese who had participated in the urban basic endowment insurance reached 245 million,<sup>7</sup> covering about 18 percent of the total population but still below the bottom line of 20 percent stipulated by the International Labor Organization (ILO). What deserves particular attention is that under China’s dual urban-rural system, the various social security benefits enjoyed by urban residents are far from being extended to rural areas. The public expenditure allocated for rural social security is very limited; the new-type pilot rural endowment insurance system set in motion from 2009 has been developing rapidly, but has covered less than 60 million people so far. With the accelerated aging process and the continuing rural-urban migration, rural China will come under greater pressure for old age care and medical services than the urban areas, especially in the western region and poverty-stricken areas.

Moreover, due to the lagging development of health care and social services and the weakening of traditional family function of supporting the old, the existing aged care system in China is far from adequate to meet the demand for aged services. As of the end of 2008, there were a total of 42,040 aged care institutions of different types with 2.355 million beds,<sup>8</sup> accounting for only 1.47 percent of the total number of aged persons, far below the level of 5-7 percent in developed countries and also failing to reach the level of 2-3 percent in developing countries in general (such as Brazil and Romania). Population aging will also severely test China’s ability and means of instituting integrated urban and rural service systems and different forms of pension and medical insurance systems, increasing the supply of public health service resources, and bringing the size of public pensions and public health expenditure under reasonable control.

*2. Population aging brings with it a hidden peril for public security*

Chinese society is still in a transitional period and subject to the risks of modernity and

6 The Ministry of Human Resources and Social Security and the National Bureau of Statistics of China, “Bulletin on Development of Human Resources and Social Security Programs in 2008.”

7 Yin Weimin, “Prospects for the Development of the Social Security System in China.”

8 Zhang Kaidi, Guo Ping and Wang Haitao, “Reflections on Studies of Population Aging,” pp. 7-8.

tradition in different degrees. Accelerated population aging has imperceptibly exacerbated the social and economic pressures brought about by rapid modernization,<sup>9</sup> bringing to the fore the dangers to public security.

First of all, “getting old before getting rich” remains one of the features of the current stage of Chinese society<sup>10</sup> and constitutes one of the direct causes of the accumulation and development of the social risks inherent in an aging society. Especially in the less developed areas, deepening and accelerated population aging is likely to render it difficult for their backward economies to carry on, thus triggering a public security crisis and giving rise to a serious local financial crisis.

Next, the changes in the age structure caused by population aging will adversely affect the stability of important political structures such as state functions, the political party system and the political environment, and will inevitably draw different age groups into conflicts of interests. The substantial increase in the elderly population will inevitably lead to the formation of an important pressure group. With the progress of the democratic process, senior citizens’ awareness of the need to participate in the discussion and administration of state affairs will be steadily intensified, making it possible for a political grouping of senior citizens to come into being, something which will change the pattern of political forces between different age groups in China.<sup>11</sup> There is every possibility that the government will sacrifice the development potential of future generations for the interests of the present generation, especially the present generation of the elderly, in order to maintain temporary political stability. This will naturally constitute a potential threat to future social stability and public security.

Finally, the socio-economic trends of globalization, urbanization and worldwide constraint of resources have also magnified, to different degrees, the impact of China’s population aging on social stability. In the course of urbanization, the movement of rural labor to cities and developed areas has eased the shortage of young workers in the cities, but it has also intensified the aging of the rural population. Statistics show that in rural China in 2008 those over 60 years old reached 14.49 percent of the total rural population, a higher degree of aging than in urban areas in the same year. Meanwhile, it is difficult for the working-age people who moved into the cities from rural areas to be integrated into urban society because of the household registration system and other institutional constraints, creating a new dual system within cities against the backdrop of the original urban-rural dual structure. Public security will be very much at risk once all these pent-up grievances explode.

### *3. Population aging has had an adverse impact on the Chinese cultural tradition*

Traditional Chinese culture contains a strong element of filial piety, making it known as a

9 Richard Jackson, Keisuke Nakashima and Neil Howe, *China’s Long March to Retirement Reform: The Graying of the Middle Kingdom Revisited*, pp. 3 and 17.

10 Du Peng and Yang Hui, “Getting Old before Getting Rich’ Is a Striking Feature of Population Aging in Present-day China;” Wu Cangping, He Ling and Sun Huifeng, “The Theoretical and Practical Significance of the Proposition ‘Getting Old before Getting Rich.’”

11 Jiang Xiangqun, “Population Aging and Social Politics.”

“culture of filial piety.” In traditional Chinese society, this cultural mode had a strong ethical and institutional character, not only regulating actions but also guiding the values of mainstream society. The culture of filial piety played a direct role in shaping the concept of the Chinese family and made the parent-child relationship the core of Chinese family relations, unlike European and American family relations that take the couple relationship as the axis of the family. However, with China’s transition from a traditional to a modern society, the traditional cultural values of filial piety and old age support have been eroded, in different degrees and in different respects, and this has intensified with the emergence of population aging.

As of today there has been no radical change to the traditional family-centered aged care in China, and older people maintain frequent interactions with their adult children.<sup>12</sup> However, these relations increasingly feature the principle of “exchange of equal values.” Studies have shown that there is a causal relationship between parents’ investment in and assistance to their children (such as educational investment and economic assistance in their early days and taking care of children and doing household chores later) and their children’s provision of aged care for them.<sup>13</sup> Population aging has shifted family support for old people from a cultural pattern to a behavioral pattern, rendering it more and more optional.

On the other hand, China is now experiencing a process, more profound and rapid than in other countries and regions, of the shrinkage of family size, the weakening of family functions and the forced socialization of intergenerational relations within families. The traditional Chinese culture with filial piety at its core was able only to regulate the intergenerational transfer and distribution of resources within the family but could do nothing about the allocation of social resources. With the progression of population aging in China, both the family and the social resources available for aged care become relatively scarce and socialized intergenerational relationships may be expressed more as opposition than as identification. At present, different social groups in China all show a tendency to discriminate against the elderly both in their subjective evaluations of old people themselves and in their objective evaluation of the living conditions of the elderly.<sup>14</sup> Under the impact of accelerated aging, the Chinese people’s social cognition of the elderly has shifted rapidly from ethics to morality, but the binding force of morality is especially questionable in today’s China, so much so that the minimum requirement for intergenerational contact within the family, visiting one’s own parents, has to be regulated by law. This intergenerational fracture or discontinuity has brought intergenerational contradictions and conflicts into bold relief as suddenly emerging social realities.

We have just discussed the socio-economic impact of three aspects of population aging in China. In fact, these impacts have gradually permeated all areas of social life at different

12 Martin King Whyte, “Continuity and Change in Urban Chinese Family Life,” pp. 9-33.

13 Chen Jieming, “Investment and Support of Parents: An Analysis of Causality in the Intergenerational Exchanges of Urban Residents.”

14 Wu Fan, “Cognition, Attitude and Social Environment: A Multi-dimensional Deconstruction of Prejudices against the Elderly.”

levels. Although population aging is primarily a demographic phenomenon, it is not external to social stability, economic prosperity and cultural development, nor is it unconnected with globalization, urbanization, the increase in nuclear families and polarization between rich and poor; on the contrary, it is related to more and more social, economic and cultural issues and trends and exerts increasingly greater influence through its interactions with them. Accordingly, how to deal with the problem of population aging is no longer merely a technical problem, but one that requires co-ordination of all relevant systems and departments so as to form a joint force which will then be able to redesign the organization and operation of society as a whole.

### **III. Dealing with the Problem of Population Aging from the Perspective of Public Policy**

The population age structure is the most basic pattern in the social structure and is the foundation of other social structures, including the structure of social strata, regional structure, employment structure and the structure of social organizations.<sup>15</sup> Great changes in the population age structure necessitate appropriate adjustments to relevant institutions and policies that are based on these social structures. As changes in people's concepts and the evolution of social formations both need time, these adjustments tend to lag behind changes in the population age structure. In this sense, the challenges and problems accompanying population aging are not rooted solely in the elderly or in aging itself, but can be imputed, to a greater extent, to failure on the part of human society to make necessary and timely responses, adaptations and adjustments to these changes. In other words, the existing social institutions or policy systems cannot meet the development needs of an aging society, which makes public policy readjustment a necessary means of dealing with the problem of population aging.

In terms of existing public policy research, a common research approach is to focus on population aging itself or on one aspect of the problem. These studies often overlook other closely related issues or other aspects of the same issue and show a clear instrumental rationality. They do not reflect the diversity and complexity of the aging issue and are therefore not capable of addressing the impact of population aging in an all-round way.

#### *1. Merely readjusting population policies is not sufficient to deal with the aging problem*

Population aging is a necessary result of changes in the population reproduction pattern. Since population policy has played a very important role in regulating Chinese reproductive behavior and even in promoting China's demographic transformation, it is only natural that people place their hopes for a successful response to population aging on reforming and improving population policies. The present family planning policy has been implemented in China for more than 30 years and has achieved its initially formulated target; at the same time, it has produced an ever more negative impact on population age structure and other issues and needs to be urgently adjusted and improved in light of present developments so as to slow the rate of aging and win some time for future generations to deal with the problem. However,

15 Lu Xueyi, *Social Structure of Contemporary China*, pp. 15, 53, 68-71.



population aging is a result of both the increase in lifespan and the falling fertility rate, and this process will not be radically reversed by merely adjusting policies on childbearing. What deserves more attention is adaptation to this demographic trend and resolution of contradictions between the aging population and the existing policy system through adjusting or restructuring institutional arrangements and integrating public policies.

*2. Merely readjusting policy measures focusing on the aged is not sufficient to deal with the aging problem*

The aging problem is oftentimes seen as one exclusively related to the elderly themselves, namely, as how to provide economic support and public services for the elderly. If people realize that population aging will be the norm in future, they will more readily understand that it is impossible to rise to the challenges of an aging society merely by readjusting public policies focusing on the aged. In fact, the different stages in a person's life are interrelated and overlapping; only when our considerations relate the various developmental stages of individuals to the various levels of population structure will we be able to lay a solid foundation for the design of policies dealing with population aging. The World Health Organization (WHO) put up the two slogans of "healthy aging" and "active aging" in 1990 and 2002 respectively as two strategic objectives for addressing the aging society. "Healthy aging" focuses on continuity of growth, stressing that life abilities in later years are determined by earlier accumulations, while "active aging" focuses on broader participation which will make the issue of aging a theme for the whole people and no longer something confined to the elderly. Obviously these objectives cannot be achieved simply by social policies focusing on the old alone.

*3. Merely readjusting the policies for one or another sector is not sufficient to deal with the aging problem*

No public policy can count on a single social system to take full responsibility. Human needs are met through a variety of channels or systems. If we want public policies to play a lasting and effective role, we must ensure all the relevant systems work together.<sup>16</sup> Taking into account the all-round effects of population aging on socio-economic development, it is only when we treat society as an integrated whole that it will be possible for us to formulate an effective system of public policy for coping with the aging issue on the basis of cooperation among various systems.

It needs to be pointed out that by "treating society as an integrated whole" we do not mean putting all parts together in a simplistic way, but effectively coordinating different social systems with related policies. In real life, due to lack of integration, policy conflicts or undesired side effects are not uncommon occurrences. For example, family support for old people will, for a long time to come, remain one of the important patterns of support for the old. The government has taken measures to improve the ability of individual families to provide for the elderly and encourage their willingness to do so; but on the other hand, many

16 Zhang Xiulan and Xu Yuebin, "Constructing China's Development-oriented Family Policy."

policies introduced over recent years, such as the system of income tax based on individual labor and the new housing policies for preventing housing prices from increasing too rapidly,<sup>17</sup> have intentionally or unintentionally accelerated the nuclearization of Chinese families, thus weakening their function as providers of family care for the aged.

It is thus not difficult to see from the above that although population aging is expressed first of all as a population problem, it cannot be directly regulated and controlled if one starts with demographic factors alone. In fact, no society has a population problem in the absolute sense. In most cases, demographic factors do not constitute a problem; they present themselves as such only against a particular backdrop of socio-economic conditions, resources and environments. Therefore, the so-called aging problem stems from the fact that the existing institutional arrangements prevent us from taking timely and effective action to meet the challenges it brings. This reflects the incompatibility of the aging population structure with the existing social framework, with the degree of the seriousness of the problem pointing to the degree of the incompatibility. How to address the population aging problem is no longer a partial or static policy issue, and we should rethink the system of public policies now in operation from the strategic perspective of social integration and long-term development in order to better address the aging problem.

#### **IV. Reconstructing the System of Policies for the Aged in the Light of Overall Consideration and Development**

Population aging will become the norm in China and the challenge we face now is how to pursue sustainable development in this context. It is therefore necessary for us to reconstruct the system of public policy and give it “overall consideration” in our efforts to address the aging problem.<sup>18</sup>

##### *1. Remolding the basic ideas of the system of policies for the aged*

As reconstructed to address population aging, the public policy system should embody

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17 The Ministry of Finance announced at the end of 2008 an overall reduction in the contract tax rate and down payment ratio for ordinary housing of less than 90 square meters and the State Council issued a new policy of real estate credit in 2010, raising the down payment ratio and loan interest rate for housing of more than 90 square meters. These policies had a positive effect on improving the housing supply structure and stabilizing housing prices, but unintentionally accelerated the nuclearization of Chinese families, further weakening the family’s role in aged support. The housing policy might have taken into account some families’ need to support the aged rather than adopting a single measure for all—taking into consideration only the housing area.

18 On December 27, 2006, the CPC Central Committee and the State Council promulgated their joint decision on addressing the population issue in a coordinated way. It explicitly states that we should “promote the people’s all-round development in order to solve the population problem as an integrated whole and provide a lasting impetus for socio-economic development” and stresses the urgency and importance of “addressing population aging in a positive way.” In September 2010, at a forum in commemoration of the 30<sup>th</sup> anniversary of the issuing of the Open Letter of the CPC Central Committee, the State Family Planning Commission listed population aging as one of the five population problems faced by China today. It continued to stress the importance of solving the problem by overall planning.

the idea of “overall consideration” in at least the two dimensions of “social integration” and “long-term development,” in order to raise the specificity and effectiveness of the policies.

(1) On the dimension of social integration, there are close associations between population aging and different socio-economic and resource environment systems. They are interrelated, interdependent and interacting. If public policies are to play a lasting and effective role in addressing the issue of population aging, they must be transformed from the current “departmental policies” into “public policies” in the true sense. In formulating and implementing policies focusing on the aged, efforts must be made not only to coordinate these policies with other policies, but also to coordinate relations with other departments and systems. The effectiveness of these policies reflects the degree of inherent cohesiveness of the whole system of public policy.

(2) On the dimension of long-term development, public policy should co-ordinate short-term goals with medium- and long-term strategies. Due to the huge inertia of population aging, the relevant public policies should not be contingency measures but must take into account sustainable socio-economic development. Overall consideration of the realities of old-age support and the sustainable development of an aging society will reduce the total cost of economic and social development, something which has important strategic significance for China in a period of accelerated population aging and social transition.

Taking into consideration the realities in China, the author believes the following four issues must be tackled in the course of reconstructing the public policy system: first, establishing an authoritative permanent coordinating agency; two, redefining the social roles of senior citizens; three, solving practical problems related to support for the aged; four, coordinating the short-term goals and long-term strategies of policies concerning the aged.

### *2. Establishment of an authoritative permanent coordinating agency*

The various department-based public policies focusing on the aged currently in force are undoubtedly very important for addressing some short-term specific issues and have indeed achieved remarkable things. However, the fact that government departments are apt to mainly take their own functions and responsibilities into account when formulating such policies weakens the role these policies are supposed to play in the framework of sustainable national development. In the current administrative system, efforts to tackle population aging problems often require coordination among multiple functional departments. However, overlapping responsibilities and no clear-cut divisions among them often lead to mutual constraints or even policy clashes. Over recent years, some new service and management models have emerged, but institutional constraints make it difficult to solve problems at the source and or bring cohesion to the services and management of different government departments.

Therefore, in order to be successful in addressing population aging problems through overall planning we should first of all seek a breakthrough in the administrative system. This is the primary guarantee for reconstructing the system of policies for the aged. We should establish, in the context of the reform of the government administrative system, an authoritative

permanent coordinating agency or government department in order to institutionally integrate the functions and resources of relevant departments responsible for family planning, civil affairs, public security, public health, human resources and social security and to provide comprehensive institutional, organizational and financial guarantees for addressing population aging in a coordinated way. This way all the relevant policies will be placed under unified management, regulation and implementation within the framework of scientific and integral planning so as to lay the necessary institutional foundation for the sustained healthy and coordinated operation and development of Chinese society under conditions of aging.

### *3. Redefining the social role of the elderly*

Aging is a gradual process that varies with the individual. Older people's ability to work may fall sharply with age, but that ability will not immediately vanish just because they reach the age of 60 or 65. Moreover, marked differences exist between different elderly individuals and between different groups of old people at different points in time. Elderly people today exhibit many completely different features from those in the past, differences which will become more marked as people born in the 1950s join the elderly group in large numbers. This phenomenon should be taken into full consideration when relevant policies are formulated. In other words, public policies should not treat all old people as objects to be supported or helped without exception. When we no longer mechanically equate the elderly with dependants, people's initiative and independence will be enhanced, bad habits and customs will be changed, the average level of health will improve and society's running costs will stand a chance of falling. This will build a favorable environment for responding to the aging society.

Unfortunately, society's existing institutional arrangements are not committed to the creation of such an environment. The current employment system excludes the elderly from the formal employment market and the current statutory retirement age still follows the rules and regulations laid down as long ago as the 1950s, when the average life expectancy of the Chinese population was under 50 years. Now, however, the figure has increased to 73 nationally and more in urban areas, especially in the eastern coastal areas. There is huge exploitable human and social capital among the elderly population, but the existing institutional arrangements limit the exploitation of these resources and the low retirement age and reduced rate of economic participation by the elderly artificially impose a heavier burden on society in coping with the aging population. Although conditions will not be ripe for introducing rigid adjustments to the retirement age in the near future, a realistic approach may be to make flexible adjustments in the form of policies for specific groups of people; trials of this kind are now being conducted in some cities.<sup>19</sup> In addition, we believe that we should expand the connotations of "employment" in public policy and encourage older people to get

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19 Shanghai began to trial a flexible retirement policy in October 2010 for professionals in enterprises. According to this policy, when people with professional expertise reach the statutory retirement age, they are allowed, on the basis of personal choice and the needs of the enterprise, to delay receiving the basic old-age pension until they are 65 (for men) or 60 (for women).

flexible employment and participate in social services in order to tap their potential human and social capital to the fullest extent possible and allow them to continue to be significant drivers of social progress.

Redefining the social role of the elderly can not only help them to better participate in social development, but can also enable them to better share in the fruits of social development. “Participation” and “sharing” are two indivisible aspects of the fundamental rights of the elderly. No one is in a position to deprive others of their right to benefit from development, but the current public policies fail to protect this right with regard to elderly people. Old people are by no means all dependents; they are not only consumers, but also producers and, more importantly, creators of history. What public policy has to do is to integrate all these roles.

#### *4. Restoring the family to its proper position alongside the government and the market*

The pressure coming to bear on provision for the aged as a result of population aging has drawn the attention of many researchers. Who should shoulder the financial burdens and social security risks connected with aging is one of the policy focuses that people are most concerned about. As socio-economic development progresses, the government, the market and other welfare providers will inevitably assume greater responsibility for provision for the aged; but as far as the fulfillment of these responsibilities and functions is concerned, no policies of this kind can completely replace the family. Any policy for old-age provision that is not supported by family responsibilities is an incomplete policy which will not ensure full benefits for the old and which will place an excessive burden on society and government. The family was the most valuable asset in Chinese society in the past; it not only determined the quality of life of its members, but was also an important factor with a direct bearing on socio-economic development. However, great changes have taken place in the size, structure and stability of the Chinese family over the last 30 years. Its functions and ability to assume traditional responsibilities have been challenged and the existence of a large number of one-child families has had an especially far-reaching influence over the traditional system of family support for the aged. The social policies of transitional China entrust the family with important responsibilities for social protection, but give it very limited support.<sup>20</sup> The concept of “family” is rarely even mentioned in the whole field of social policy,<sup>21</sup> and there is a gap in public policy research on the family.

In fact, the shortage of resources needed to support the elderly is an important factor that prevents the family from playing its role. Public policies should acknowledge the need for these resources and give the necessary assistance; this would not only provide effective support for family responsibilities in economic terms but would also be a manifestation of social justice. We suggest the government should enact new policies to introduce household-

20 Zhang Xiulan and Xu Yuebin, “Social Policy for Development and Its Implications for Us,” pp. 56-86.

21 Zhang Xiulan and Xu Yuebin, “Constructing China’s Development-oriented Family Policy.”

based taxation, taking into account in particular the costs and needs of old age provision for different types of households, and bringing the cost to family members for long-term care of the elderly under the umbrella of social security.

In addition, in order to overcome the negative consequences of the fact that China's population aging will be irreversible for a long time to come, it is most important to raise China's labor productivity. The two key contributing factors here are improvement in the quality of the labor force and increased accumulation of human capital. This undoubtedly involves all aspects of education, public health and employment policies, but it is well-functioning families that constitute the major environment for the generation and development of human capital. Both in addressing the realistic issues of provision for the old in an aging society and in ensuring sustainable socio-economic development, families have a unique and important role to play.

It should be noted that enhancing family functions and responsibilities in the context of the growing trend towards the nuclear family does not mean transferring to individual families the responsibilities of provision for the aged borne originally by the state or society. Rather, it means extending or continuing the functions of the family, so that the roles of different social systems will be coordinated in a cooperative framework of government, market, community and family. There can be no doubt that this will help carry on and advance Chinese culture's millennial tradition of supporting the aged.

#### *5. Supporting the sustainable development of an aging society*

China is still a developing country. This proposition is not only a basic conclusion about current social and economic conditions in China, but also the point of departure for our choice of public policies. Development is not a purely economic phenomenon, but economic development is undoubtedly one of the most important aspects of development as a whole and a strong guarantee for the continued sound development of Chinese society under conditions of population aging.

##### (1) Developing an industrial plan appropriate for the development of an aging society

The increasing elderly population is bound to change the structure of national demand and thereby place the development of elderly-oriented industries on the national agenda. Strictly speaking, "elderly-oriented industries" does not fully comply with the concept of industry in the traditional sense, as the criteria for classification are not based on industry structure itself. In fact, they are newly emerging industries bearing the characters of public welfare and special industries that are growing up in the context of population aging in order to meet the demand of the elderly population for elderly-oriented services and products and to eliminate specific socio-economic problems in an aging society. Such industries have a huge market potential and will become a pillar for sustainable socio-economic development in the future. From the perspective of reconstructing the system of policies focusing on the aged, we believe that the following two points should be taken into account in developing industrial policies appropriate for the development of an aging society.

Firstly, efforts should be made to develop a pattern of market operation under government guidance for the supply of elderly-oriented products and services. With the deepening of economic restructuring, the Chinese government will play a quite different role in the supply of elderly-oriented products and services, gradually moving from a direct supplier to a macro-level administrator. Since a considerable part of such products falls into the category of public or quasi-public goods, the government has an inescapable responsibility for their provision. In the course of developing elderly-oriented service industries, public policy should play the role of coordinating government, market and society and choosing appropriate modes of operation according to the different attributes of these products and services. The government has given and should continue to give full play to the strong points of enterprises and non-profit organizations, use appropriate policy tools to encourage and support their participation in the development of elderly-oriented industries and, through effective planning and industrial policies, make these industries an important engine for boosting domestic demand and maintaining sustainable economic growth.<sup>22</sup>

Secondly, China should promote the development of industries suited to employing the aged in the course of industrial transformation and upgrading. In order to bring population aging into line with socio-economic development, it is of increasing practical significance to develop these industries. Aging is just an expression of the natural continuation of a person's life and pursuits; needs, abilities and potential persist over the whole course of life. Moreover, the elderly enjoy a unique advantage in knowledge, experience and social relations. Public policies should encourage the elderly to seek jobs in industries suited to their distinctive characteristics, and try to avoid having them compete with the young. The development of Internet of Things (IOT) technology and the arrival of high-speed rail are changing our jobs and lifestyles and creating great possibilities for the elderly to continue their economic activities. In addition, a major turning point is occurring in the relationship between supply and demand in China's labor market, making the vigorous development of the job market for the elderly not only possible, but a must.

#### (2) Making good use of the "demographic dividend"

In the past 40 years, the demographic transformation initiated by the Chinese government, largely through population policy, has accelerated the process of population aging, but at the same time has opened a "window of opportunity" for harvesting a "demographic dividend." China's rapid economic development since reform and opening up can be attributed, to a certain extent, to this demographic dividend. At the same time, however, China is now facing the risk of the arrival of a "demographic debt" before it has fully harvested the demographic dividend.<sup>23</sup> This will inevitably reduce greatly the long-term benefits of the population control we paid such high price for.

22 Wu Cangping, Gu Jiantang, Xie Ai and Deng Guosheng, "Developing Elderly-oriented Industries: An Important Strategy for Dealing with Population Aging."

23 Liu Yuanchun and Sun Li, "'The Theory of the Demographic Dividend': Four Misunderstandings."

Differences in the processes of population change and the level of economic development between urban and rural areas and between different regions mean that many areas are often unable to meet the conditions required to harvest the demographic dividend at the same time. The window of opportunity opens at different times and the demographic dividend is mainly cashed in in the form of the flow of young rural labor to the cities.<sup>24</sup> The government should take further steps to encourage the orderly movement and migration of rural labor and integrate demographic change and economic growth opportunities at the national level. This will not only delay the aging process in the cities, but also solve the contradictions between labor supply and demand and encourage fuller employment, thus creating a favorable environment for harvesting the demographic dividend and making it a dividend with Chinese characteristics.

If we take the long view, we should not discuss the “demographic dividend” without taking up the issue of “demographic debt.” For people today to just enjoy the demographic dividend while leaving the demographic debt to be paid by future generations would amount to a gross intergenerational injustice. I believe that intergenerational equality is one of the important principles for sustainable development and a key idea that must be adhered to in the design of a system of policies focusing on the aged. Economic and service support to the elderly population should not be premised on an increased burden for the young or the deprivation of future generations. People of different generations need to work together to contribute to social development and are entitled to a fair share of the fruits of development as well. Therefore, our contemporaries should give thought to future generations and invest part of the demographic dividend already harvested in education, public health, family welfare and other sectors that have a direct bearing on future labor productivity. Only in this way will it be possible to make up for the reduction in the absolute size of the labor force by improving labor quality, and only in this way can we prepare ourselves for the future demographic debt.

The academic community has now begun to discuss “the second demographic dividend” generated by population aging.<sup>25</sup> However, the idea that population aging could give rise to a second demographic dividend is only a possibility; it is only when the newly added savings resulting from population aging have entered the market in the form of capital that this possibility will turn into a reality.<sup>26</sup> The government should formulate a series of policies to accelerate the development of an effective mechanism for pension accumulation, to increase investment in the social security fund and to encourage individuals to put aside a part of their disposable income for pension accumulation so as to create the necessary conditions for the realization of the second demographic dividend. Whether China will be able to take advantage of the second demographic dividend will depend not only on future opportunities, but also, to

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24 Peng Xizhe, “Chinese Characteristics of the Demographic Dividend.”

25 Andrew Mason and Ronald Lee, “Reform and Support Systems for the Elderly in Developing Countries: Capturing the Second Demographic Dividend,” pp. 1-20.

26 Wang Feng, “Is the Demographic Dividend Really Inexhaustible?”



a great extent, on policy innovations.

## V. Conclusions

A lot of research focuses on the challenges to society from population aging rather than on the accompanying opportunities, and therefore sees population aging as a heavy burden. These concerns and fears are rooted in our scanty knowledge of the aging society. The traditional research system is not able to give us a clear picture of the great changes that have taken place, while the current evaluation indices<sup>27</sup> to a certain extent distort our understanding of future trends. In fact, the fearful scenes they depict are not destined to be our future. What matters is that we must redesign the organization and operational mode of society and formulate more intelligent and effective public policies.

Firstly, we should realize that population aging is not a social abnormality, but an inevitable result of social development and one of the basic features of society in the future. The challenges of population aging are rooted in the fact that human society has not made a necessary and timely response, adaptation and adjustment to this unprecedented demographic change. We should reexamine China's population aging process and work out a coordinated and development-oriented framework of public policies in order to mitigate contradictions between our population age structure and the existing social system.

Secondly, population aging has an all-round effect on economic and social development. It is therefore not sufficient to deal with it merely by readjusting population policies or policy measures focusing on the aged, nor is partial or rigid adjustment of public policies capable of this task. Population aging has brought a series of complex problems. If public policy is to play a lasting and effective role in solving these problems it must take society as an integrated whole, integrate all the different social systems and ensure that these systems play a unified role.

Thirdly, population aging is not a short-term phenomenon. Especially in China, population aging appears at a time when the country has a less-developed economy, under-employment, and imperfect social security, and is not synchronized with socio-economic development. Therefore, China's public policy for addressing the issues arising from population aging should not follow contingency tactics but must take into account sustainable socio-economic development. In this sense, public policies focusing on the aged should be able to co-ordinate short-term goals and long-term development strategy. Only by keeping medium- and long-term objectives in sight will public policy be able to prioritize the short-term goals it addresses without getting lost in specific issues. In this way it will "provide a lasting impetus for socio-economic development."

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27 For example, when population aging is discussed, the term "elderly dependency ratio" is often used. This term is based on the supposition that when people reach a given age (60 years old in China) they will forever withdraw from economic activities and need to be supported. This presupposition can, no doubt, be changed.

Moreover, almost all public policies have a distinct national identity, and policies focused on the aged are no exception. Developed countries that entered the stage of aging ahead of China have provided us with a wealth of “lessons and experiences,” but different national conditions dictate that we cannot copy their policies. Therefore, China’s aging policy should effectively adapt Western experience to the Chinese cultural tradition and create the Chinese people’s own pattern of development and way of life on the basis of Chinese national conditions and Eastern wisdom.

History has proved time and again that opportunities tend to coexist with challenges. The top priority at present is not to worry about the cost of supporting the elderly, but to consider how to mobilize all social strata and induce them to have a new conceptual understanding of the elderly and the aging society; then, from this starting point, to formulate new public policies. The Chinese government put forward in 2004 the idea of “building a harmonious society” and the CPC proposed “inclusive growth” at the Fifth Plenary Session of the 17<sup>th</sup> Central Committee in 2010.<sup>28</sup> I believe that “inclusive growth” and “harmonious society” are in the same vein: a harmonious society is an inclusive society, which, in turn, is one that is first of all “for the benefit of all, irrespective of age.”<sup>29</sup> In such a society, people no longer “treat the elderly as merely pension recipients, but as the agents and beneficiaries of social development.”

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28 The concept of “inclusive growth” was first put forward by the Asian Development Bank and is now one of the guiding principles of China’s Twelfth Five-year Development Plan.

29 The United Nations adopted the program of action for global social development in 1995, i.e., inclusive growth “for the benefit of all, irrespective of age,” which was used in 1999 as the theme of the International Day for the Elderly, calling for people of different age groups to live in harmony.

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