

An aerial photograph of a river winding through a forest with vibrant autumn foliage in shades of orange, red, and green. A small boat is visible on the river. In the upper left, a dock with several boats is visible. A dark red horizontal band is overlaid across the middle of the image, containing the title and subtitle in white text.

China Economic Update

Special focus: Aging China — Implications for Growth and Inequality

Special Focus: Aging China – Implications for growth and inequality

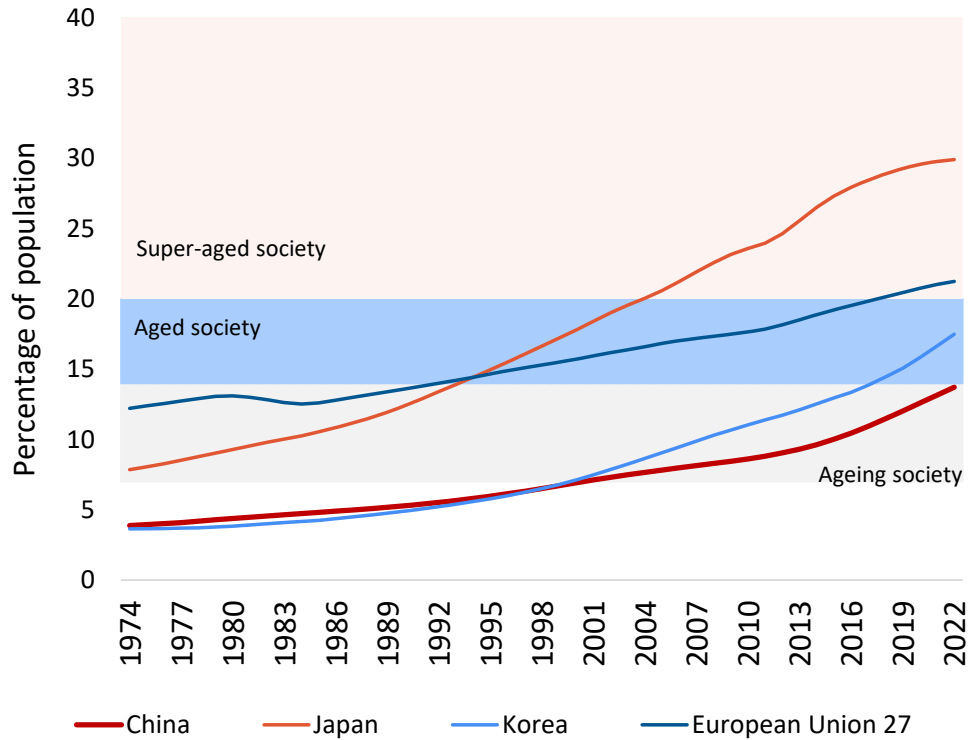
- **China is soon becoming an aged society** where the demographic dividends of the past will turn into a demographic tax in the future.
- **Population aging may dampen long term growth and exacerbate inequality.**
 - Rising old-age dependency and shrinking working age population can lower the labor force, reduce household savings (which may curtail available resources for investment but support economic rebalancing), and dampen factor productivity.
 - **Rapid aging may present a challenge to common prosperity**, as it may aggravate income inequality, expenditure needs and, more broadly, well-being, as needs rise and social security systems (for old-age, medical and long-term care) provide unequal and insufficient coverage.
- **Demographics is not destiny, and policies can mitigate the adverse impact of aging.** These policy priorities can focus on: (i) expanding the labor force; (ii) increasing productivity; and (iii) safeguarding common prosperity.

China is soon becoming an aged society

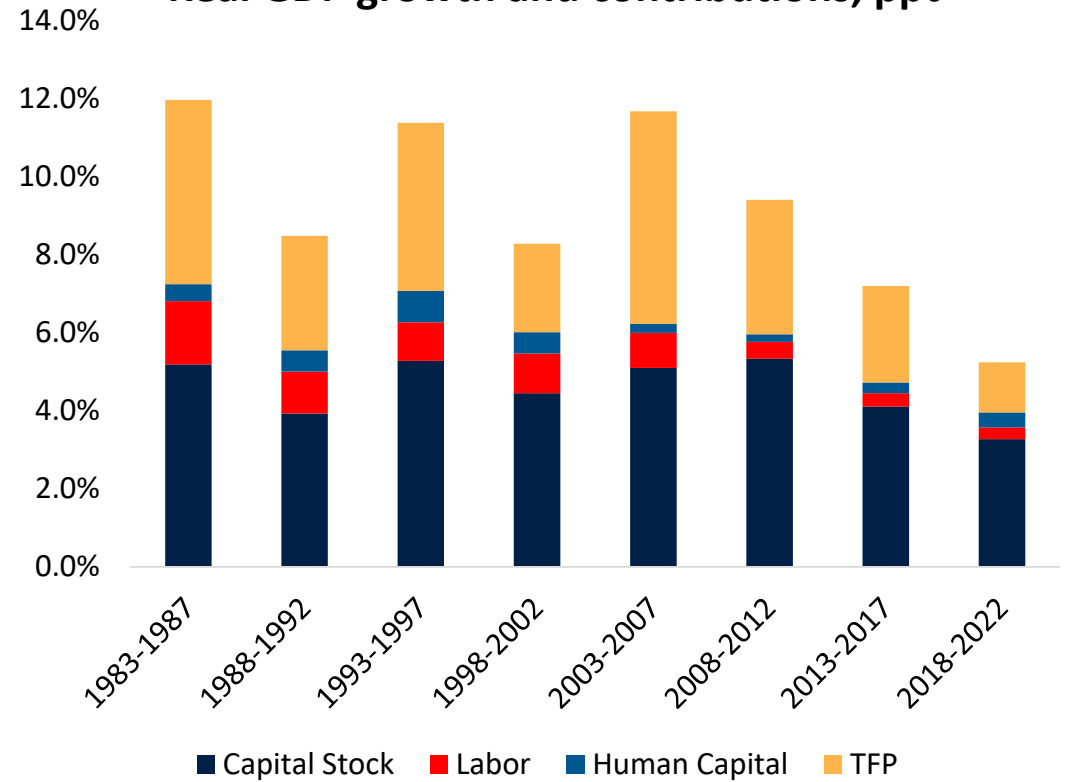
Rising longevity and declining fertility contribute to population aging in China ...

... which impacts the country's already slowing growth trajectory.

Population 65 and above



Real GDP growth and contributions, ppt



Source: UN

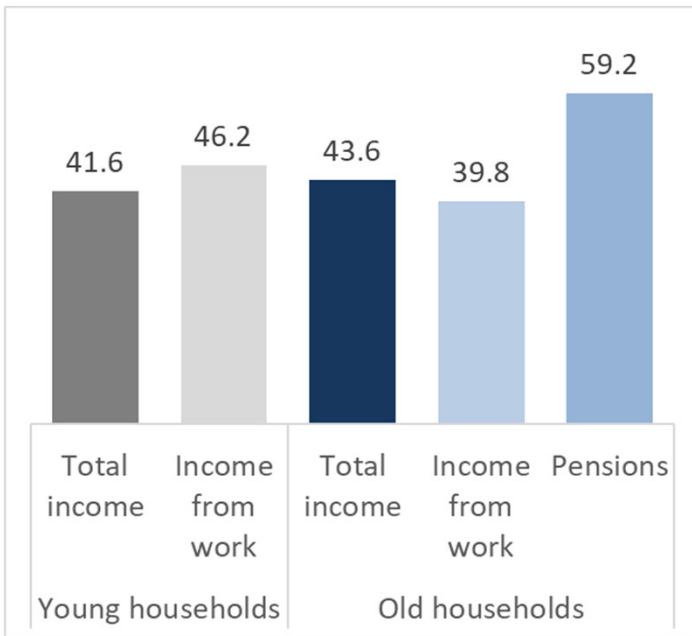
Source: NBS; PWT; WDI; ILO; Barro and Lee; World Bank staff estimates

Will aging exacerbate inequality?

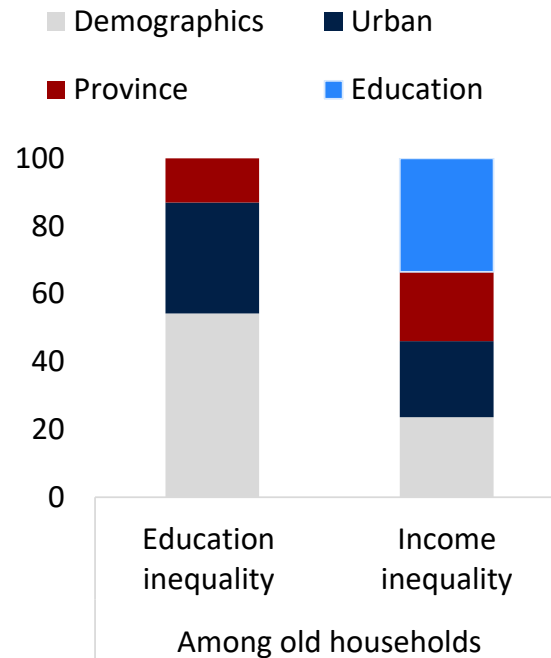
Yes, most likely. (1) Inequality increases with age, because of accumulated disadvantages...

... and is reinforced by a fragmented pension system.

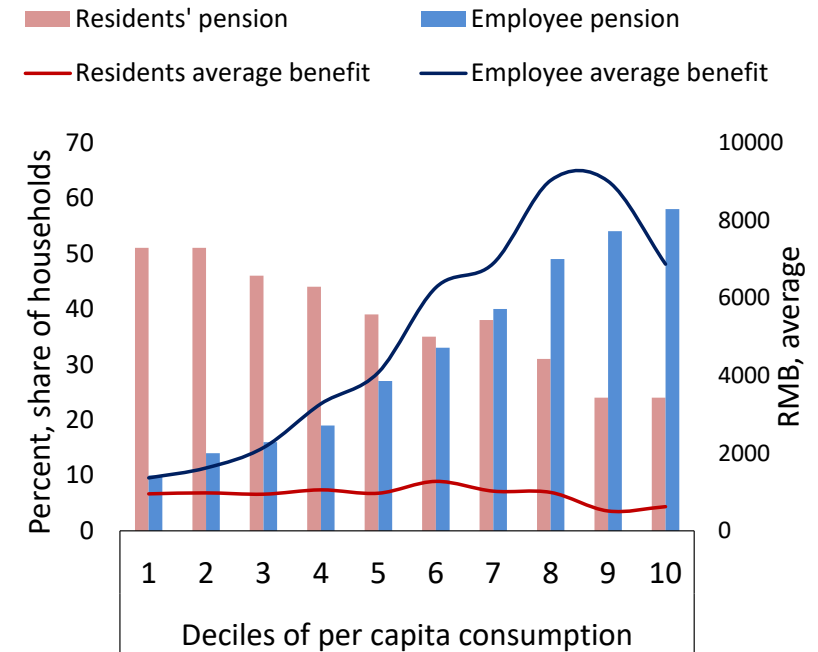
Gini coefficient of household income



Decomposition of Gini among old households (explained)



Recipient of pension and average benefit by pension scheme and income decile

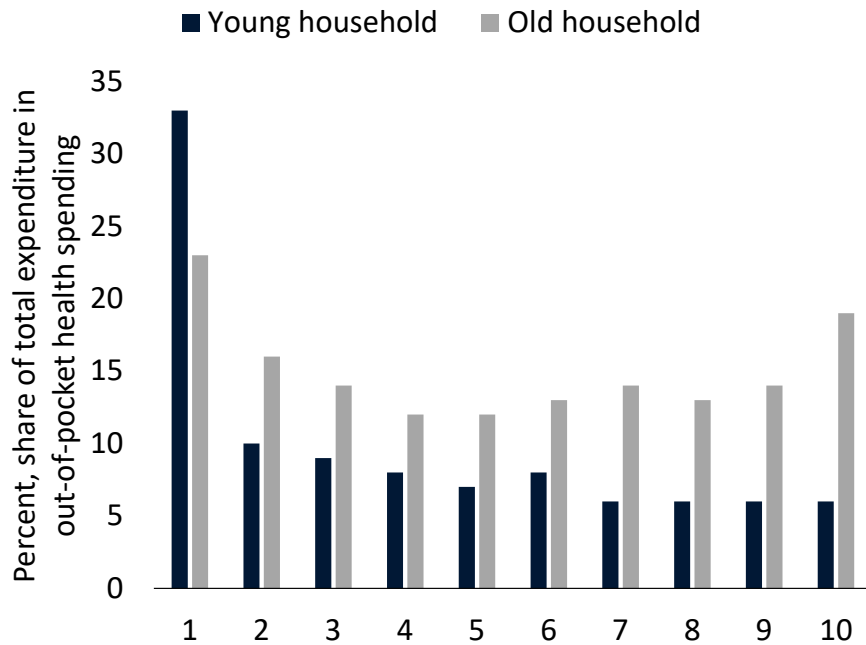


Source: Hanewald, Jia and Liu (2021).

Source: World Bank, based CPFS 2018.

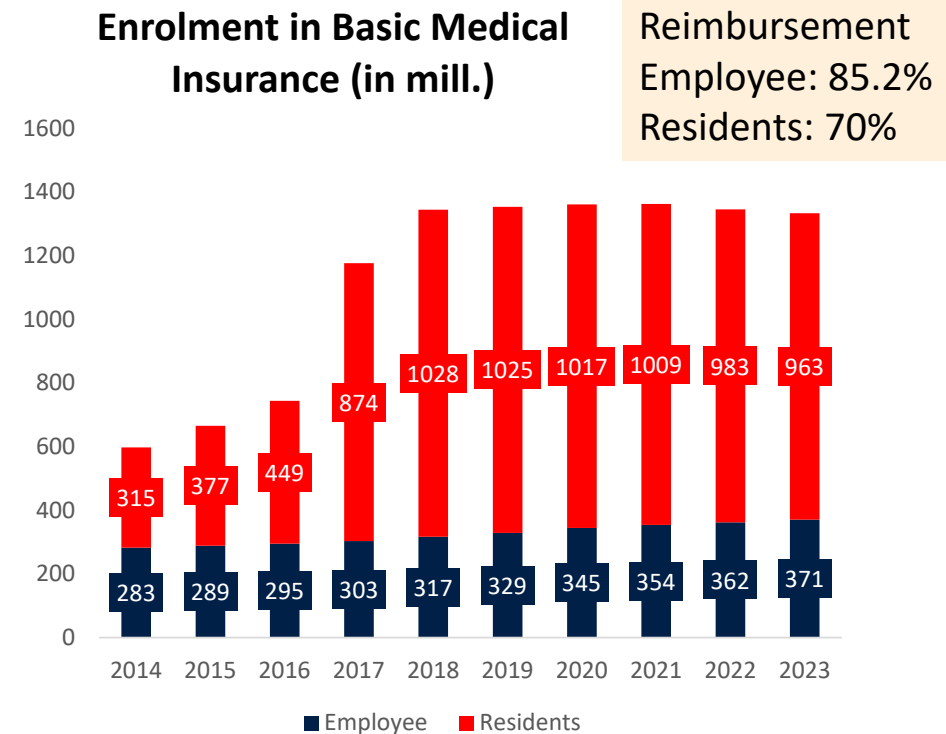
Aging may also exacerbate expenditure needs

(2) Health-related expenditure rise with age because of greater healthcare needs ...



Source: World Bank based on 2018 CFPS

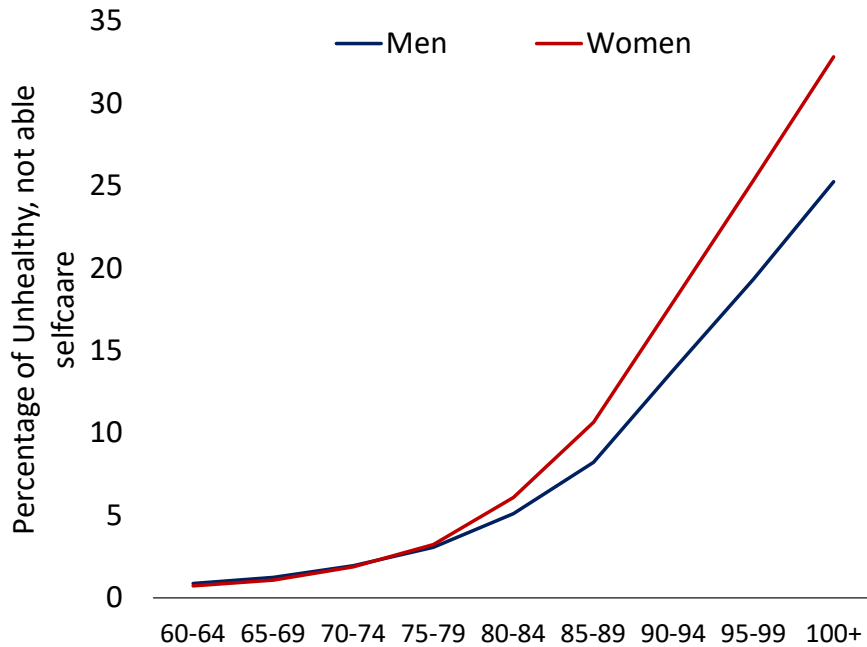
... but lower income families are less financially protected, and some are opting out.



Source: National Health Security Administration.

Outcomes may deteriorate more for the poor

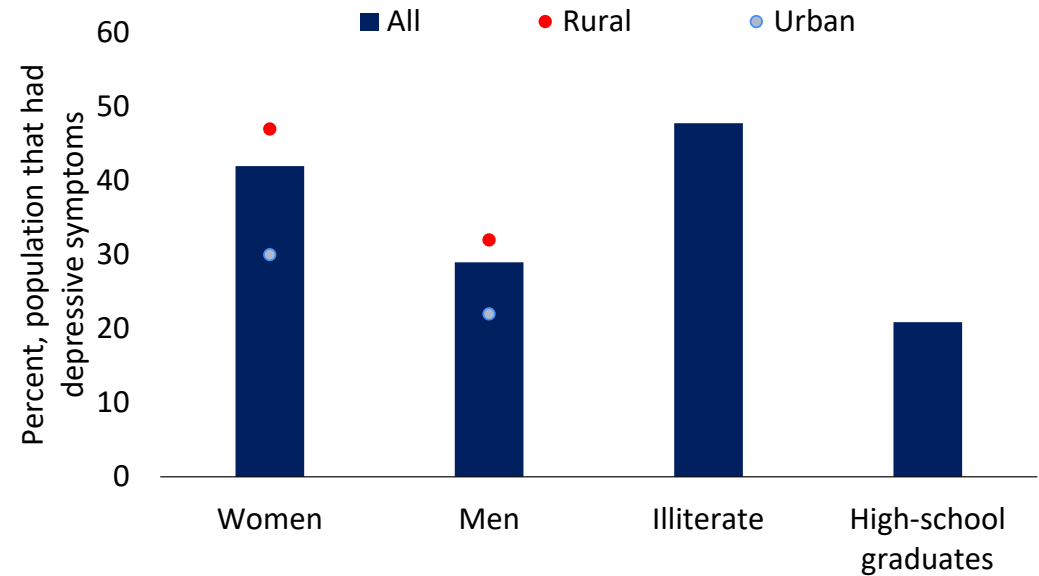
(3) Care needs rapidly increase with age, while unmet needs remain particularly among poorer rural residents



Source: NBS Population Census 2020.

... and other aspects of a dignified life may deteriorate more for lower-income, less educated households.

Prevalence of depressive symptoms



Source: Chen et al. 2022. *Lancet review*, based on 2018 CHARLS

Looking forward (policy directions)



Expand the labor force

Incentives to increase **fertility** (\$, child/eldercare, parental leave, education costs).

Encourage **female labor force** participation, care services, family friendly policies)

Extend **productive lives** (retirement age, incentives to retain/hire older workers, adapt the workplace environment for older individuals,)



Increase productivity

Invest in **skills creation, upgrading and adult learning programs**, with demand-driven models

Promote **market competition to crowd out private sector participation** in the Silver Economy and support innovation.



Safeguard common prosperity

Close **educational gaps** to ensure equal advantages from birth

Provide **adequate pension benefits** in a sustainable manner (expand urban employee coverage, improve adequacy of residents' system),

Support **healthy aging** (preventative care, lifestyle changes, medical insurance)

Strengthen **long-term care system** with appropriate financing, expand community-based care .

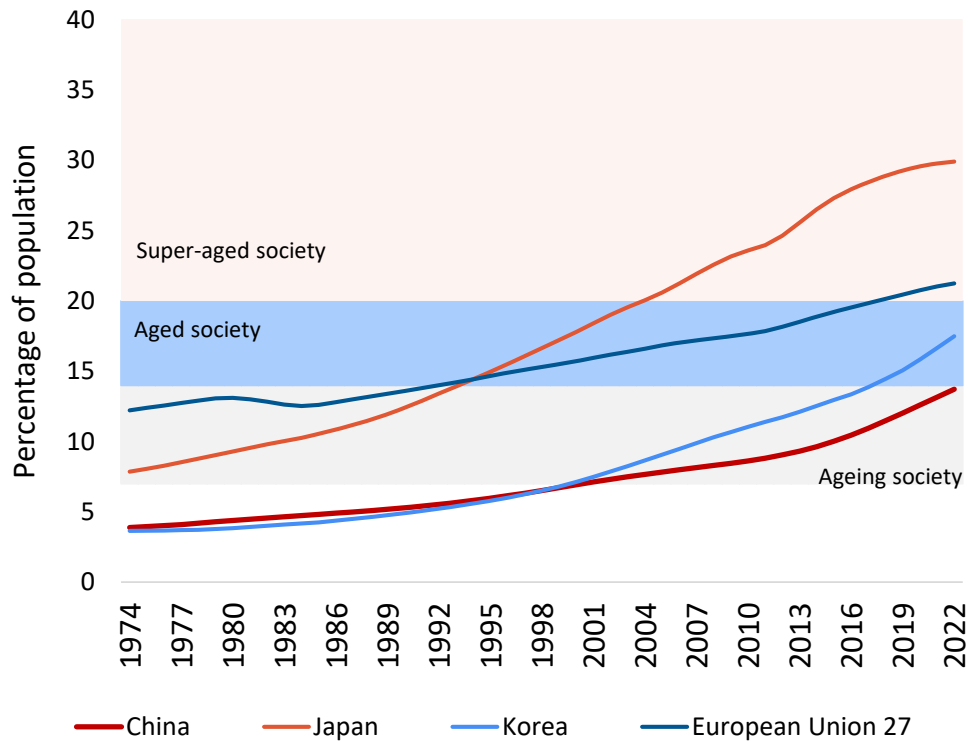
谢谢！

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China is soon becoming an aged society, ...

Rising longevity and declining fertility contribute to population aging in China, ...

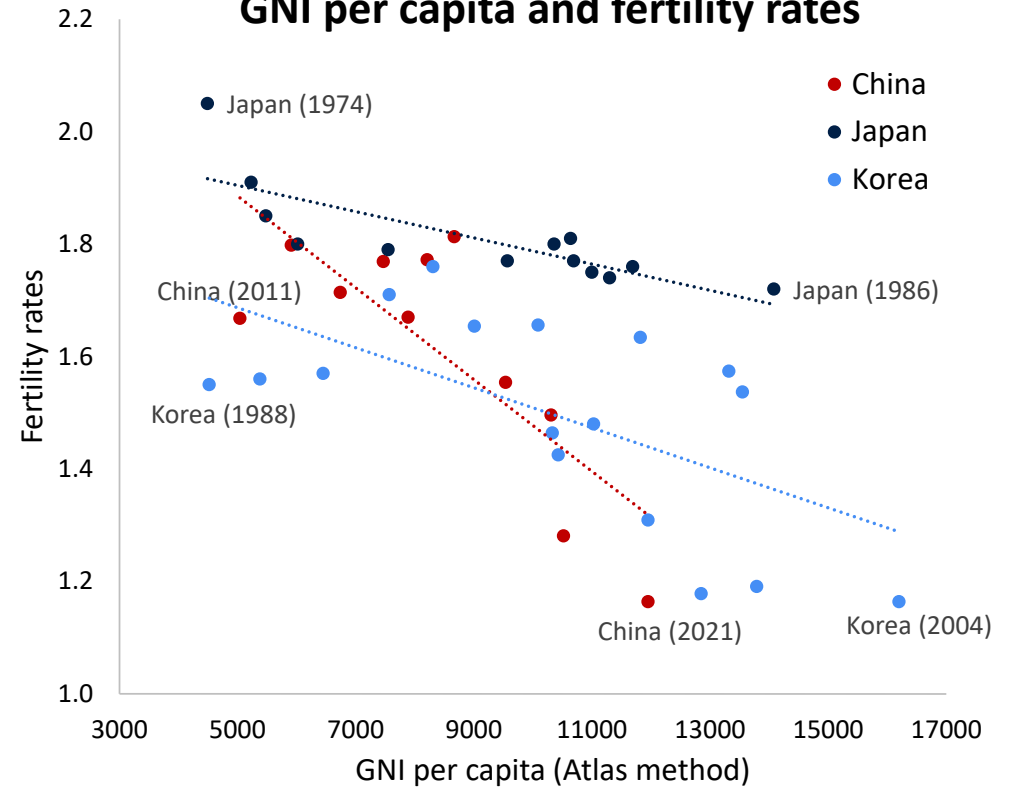
Population 65 and above



Source: UN

... with a fertility ratio falling faster than other aged countries at higher stage of development.

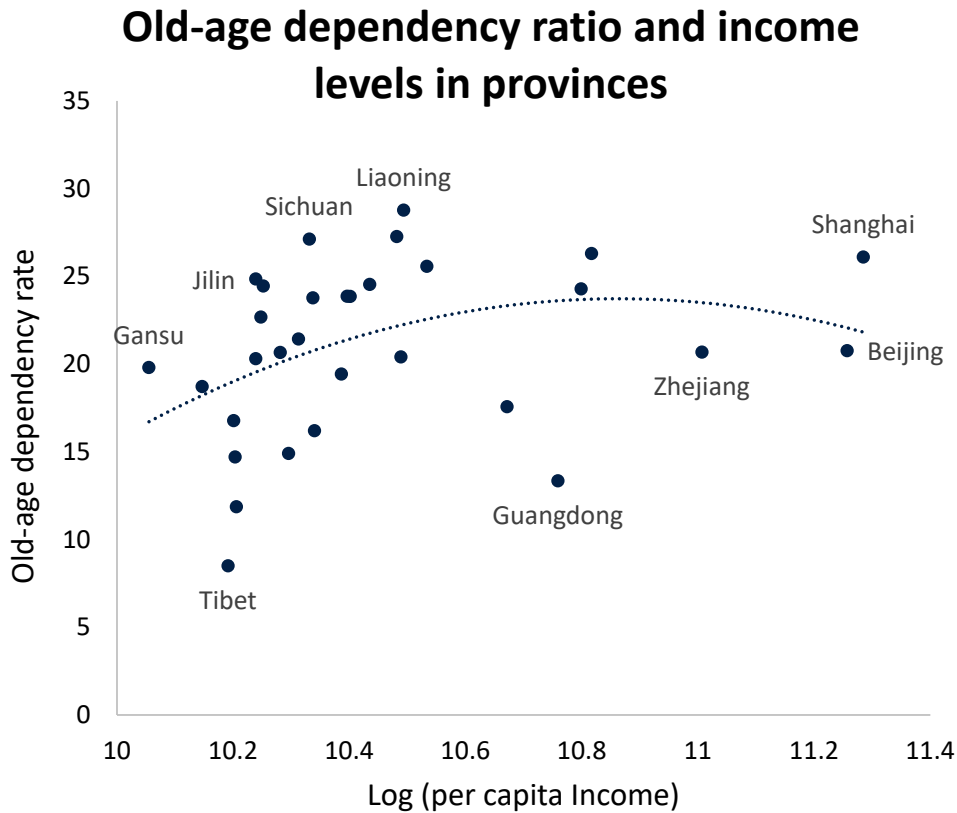
GNI per capita and fertility rates



Source: UN; WDI

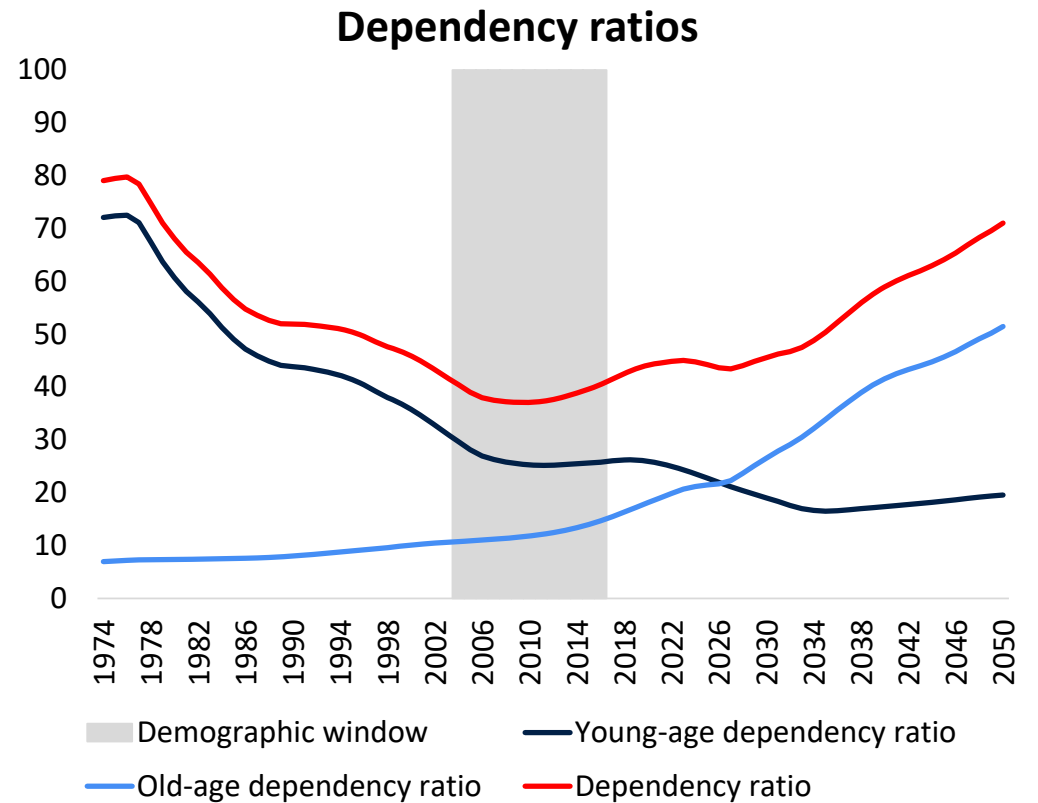
... where the demographic window has closed.

Regional experiences have varied, but even some poorer provinces have already aged.



Source: China NBS

Steadily increasing old-age dependency has raised overall dependency ratios.



Source: UN; China NBS; World Bank staff estimates
 Note: Demographic window based on UN definition