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Analysis of the Impact of Population Ageing on China's Economy

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Abstracts: This paper is based on the background of population aging in China's society and economy, in order to study how aging affects China's economy and how to cope with its impact. The paper is based on a literature survey and a case study approach to the topic of labor markets, the silver economy, and the consumption of the elderly population. The results of the study show that the labor force receives a larger ripple effect and that an increase in the aging population inevitably leads to a decrease in the labor force. The silver economy is a senior-centered economy driven by aging, and the aging of the population has increased the burden on society and the government. The Chinese government needs to introduce an appropriate security system for the aging population to facilitate the integration of the elderly into society and to guide the changes that need to be made in all sectors to cope with the aging of the population.

Keywords: population aging, labor force, silver-haired economy, consumers, policy.

1. Introduction

China is the country with the largest total population in the world, it has a total population of close to 1.4 billion people, so in the early days of China's social development, China had a large number of working people to produce products, and the import and export trade developed rapidly.

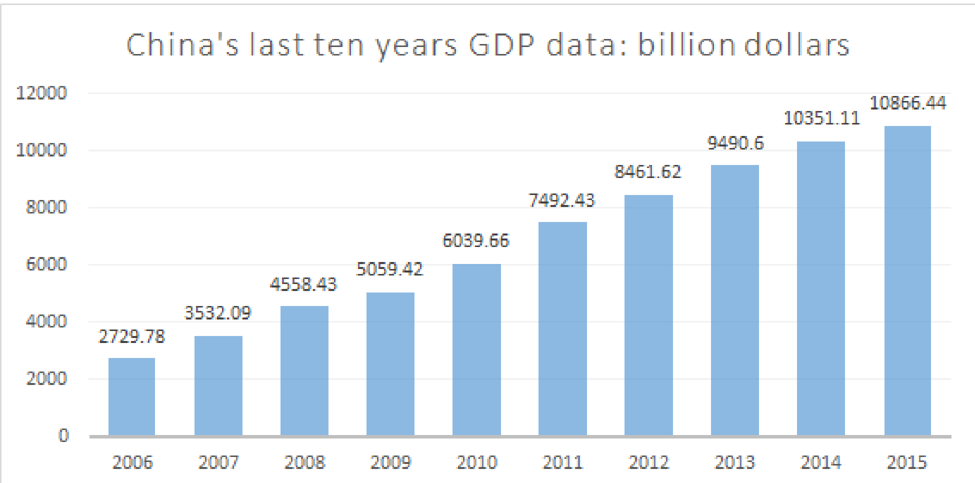

Figure 1: China's GDP data chart for the last ten years [1]

From Figure 1, it can be seen that China's total GDP has grown at a high rate from 2006 to 2015, which largely depends on the labor dividend brought by a large number of the young working population, and a large number of laborers have been invested in the construction of infrastructure as well as traditional industries, which have created a large amount of economic value in these industries in this decade [1]. However, these industries require a large number of working people to support them, so the aging of the population has led to the development of these important industries being hindered. However, there is a negative correlation between the fertility intentions of the population and GDP, as the economy grows, the improvement of the quality of life requirements of individuals and the gradual improvement of the social security system will lead to a continuous decline in fertility intentions [2].

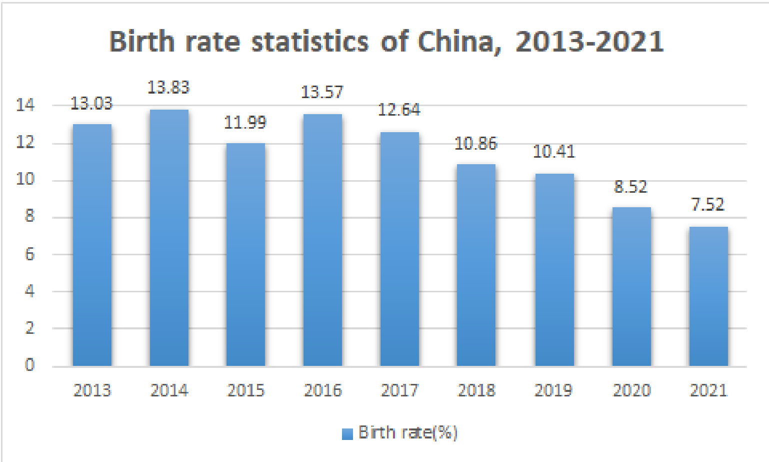

Figure 2: Statistics on birth rate in China, 2013-2021[3]

As shown in Figure 2, China's birth population has been declining for seven consecutive years and the number of births in China is not optimistic in the future forecast [3]. The number of births is not enough to offset the number of aging population, with the passage of time, having too much population will become a burden. A large number of the former working population gradually becomes old, and the aging population increases, which means that the working population is decreasing, the burden of social pension increases, and other problems appear one after another means that the problem of population aging is becoming increasingly serious. The increase in the aging population means that the working population will decrease and the burden of social pensions will increase, etc. The successive emergence of these problems means that the problem of population aging will become more and more serious. This will have a huge impact on China's economy. The purpose of this paper is to explore the impact of population aging on China's economy, as well as the opportunities and challenges it will bring in the future, and to suggest how the Chinese government should reasonably deal with the problem of population aging to ensure the healthy development of China's economy.

Population aging will affect China's market economy in many ways, for example, the labor market, consumption structure, and production structure. All need to be changed according to the needs of an aging society. The shortage of labor leads to inefficiencies in production, requiring more costs to sustain economic growth. The aging of the population will increase the cost of social pensions and health insurance, and the financial pressure will be even greater. Differences in consumption patterns between the elderly and the young, as well as the diversified needs of the elderly, will require the market to adjust to the market environment and to self-regulate.

In the face of the challenges posed by population aging, the Chinese government must be well-prepared to meet the problems it will face in the future to mitigate the impact of population aging

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on the Chinese economy. This paper will explore in depth how population aging affects China's economy through the perspective of the literature survey method and case study method and put forward reasonable policy recommendations to meet the challenges brought by population aging and promote the sustainable development of China's economy.

2. Current Status of Research

Many previous studies have shown the role of human capital and its relationship to production and economic growth. The long-term sustainability of various countries proves this idea because the growth of social productivity depends largely on it [4]. So the impact of the labor force on the productive labor in the country is significant.

The labor force is the basis for the survival and development of human society, with a sufficient labor force society can go through the construction of cities to develop agriculture and industry and so on, industry good development in order to promote economic development. So in social production, labor is the fundamental force to promote social development. At the beginning of China's reform and opening up, China had a huge population, which meant that there was also a large number of working people, so at that time China had an abundant labor force and rapid economic development. The increase in the labor force will lead to the investment of human capital, which can improve the quality of the labor force as well as the level of technology, further increase productivity, and promote the development of the economy. A larger labor force can also lead to the development of innovation capacity, promote enterprises to improve productivity, and develop advanced technology to form a favorable competitive environment. More working population means more income, people who have income will promote consumption, and promote the development of production and commodity economy [5].

The early years of reform and opening up did lead to rapid economic growth in China, but the resulting problem is that there is now a shortage of labor due to the aging of a large number of the early working population. This labor shortage has many implications, such as businesses being unable to recruit enough workers, which can lead to a decrease in their productivity, or they may have to pay more to hire enough workers to maintain their normal productivity. In the case of labor shortages, the working population may not be well-trained or educated. Also, in developing countries, financial literacy is generally lacking in much of the older population, which can lead to a lack of awareness of one's financial responsibilities as one grows older [6].

The "silver hair economy" refers to the economic phenomenon formed by the consumer demand of the elderly group and the development of related industries as the degree of population aging increases. In today's China, with the aging of the population, the "silver hair economy" is gradually being noticed and developed. As can be seen in Figure 3, the market size of China's silver economy is growing and maintaining a high growth rate from 2018 to 2022 [7]. This proves that the silver economy is becoming more and more significant and needs more attention from the government and enterprises.

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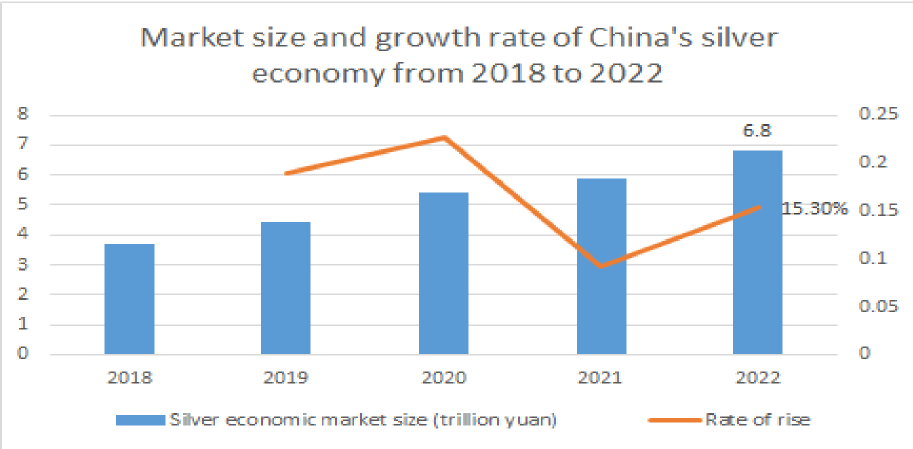

Figure 3: China Silver Hair Economy Market Size and Growth Rate, 2018-2022[7]

The "silver-hair economy" will transform many industries in response to the needs of older persons, such as health care, elderly services, culture and entertainment, tourism, and consumer goods. These industries will generate many business opportunities and provide new support for economic development. The elderly care industry will also need more capable people to join it, which will also provide an option for young people to develop skills and choose employment in the future.

3. Impact of Population Ageing on Consumption

The aging of the population means that the main body of consumption has gradually become the elderly group, and the government needs to meet the market demand of the elderly group as much as possible. Each group has its own unique needs, the needs of the elderly group, the government should regulate the market to meet the needs of the elderly.

With the increase in the aging population, there is a corresponding need to provide medical care, culture, and entertainment for the elderly. Society is gradually forming a consumption style dominated by the elderly, and the market is also developing along with the elderly. More resources will be invested in the areas that the elderly like, such as high-quality products and good services. The establishment of a market conducive to the consumption of the elderly can effectively guide the consumption of the elderly, so that more funds flow into the market to promote the development of better products, forming a good cycle. And when the elderly population has become the main consumer, their consumption concepts will gradually form the mainstream consumption of society, the overall consumption style of the elderly tends to be conservative, they are more inclined to save money rather than consumption. Therefore, it is necessary to create an atmosphere that can drive the elderly to consume, guide the elderly to consume reasonably, and provide more liquidity for production.

An aging society breeds the creation of industries that are unique to the elderly, such as community elderly service platforms, which provide the elderly with up-to-date information about the community and provide home nursing care for those who have difficulties in taking care of themselves. As the labor force decreases, enterprises are required to develop high-quality and improve their core competitiveness in order to attract more consumers. Individual industries will be greatly affected by the aging of the population, such as agriculture and other industries that require a large number of laborers. After the decline of the labor force, traditional industries such as agriculture need to do more to maintain their production capacity and thrive in the new social situation. The aging of the working population corresponds to the retirement age of the working population becomes larger, some of the older working population, no longer has a high labor value, but because this part of

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the population has been working in the enterprise for quite a long time, has produced a certain adhesion to the enterprise, so the enterprise this will have an impact on the enterprise's hiring and dismissal policy. Some companies may implement negative hiring policies, i.e., downsizing their workforce or taking a conservative approach to business. Today's China is facing such a problem, that enterprises do not need excess labor, and a large number of college graduates cannot find a job, the resulting social phenomenon reflects this problem [8].

The aging of the workforce and the increase in labor costs have had a greater impact on all industries. Traditional handicrafts, manufacturing, agriculture, and so on all need a lot of labor to maintain the development of enterprises, now gradually into the aging society. This requires these industries to carry out transformation and upgrading, according to the traditional development mode, enterprises cannot have enough advantages to occupy the market in the future competition.

The reduction in the supply of labor factors will have a variety of minor impacts on the enterprise, the enterprise undertakes the risk as a risk-consuming activity, so the enterprise's activities have a certain resource dependence [9]. The aging society will lead to more resources tilted toward the elderly group, and the resources that enterprises can utilize are decreasing, which undoubtedly brings great challenges to the development of enterprises. Enterprises need to adopt good strategies for transformation and upgrading to improve productivity.

As the main consumer has gradually become an elderly group, the elderly also have a variety of needs, which require corresponding adjustments on the supply side. Elderly people belong to a vulnerable group in society, and the supply side needs to make exclusive programs for the elderly group. For example, in today's China, online payment is particularly fast and convenient, but many elderly people do not understand the most advanced technology, they only use cash. They do not know how to use smartphones, which many young people take for granted in life, for the elderly may be a difficult task, so in order to take good care of the elderly group, China needs to do a good job of personalized service, when the elderly need to provide them with the right guidance [10].

4. Impact of Ageing on Public Resource Allocation and Policymaking

The impact of aging on public resource allocation and policymaking is a complex and far-reaching topic. As population aging intensifies, the allocation of public resources and policymaking in society face many challenges and demands for change. This requires the Government and society to adopt some means of regulation, through which the challenges of ageing can be better addressed and a better and more harmonious social environment created for the older population.

An aging society requires a more rational allocation of public resources. As the proportion of the elderly population increases, so do their needs in terms of medical care, old age, and education. Therefore, the Government needs to adjust its public resource allocation strategy to ensure that the basic needs of the elderly population are met. This includes increasing investment in medical institutions, upgrading the quality of elderly services, and optimizing the allocation of education resources. Through a more rational allocation of public resources, the government can better meet the needs of the elderly population and improve their quality of life.

The government needs to introduce policies to safeguard the needs of the elderly. In response to the problem of old age brought about by aging, the Government needs to formulate a series of policies and measures, such as improving the old age insurance system and promoting community-based old age services. These policies aim to ensure the economic security and livelihood protection of the elderly population while reducing the burden of old age on families and society. In addition, the Government should encourage social forces to participate in elderly care services and promote the diversified development of the elderly care industry.

The government should regulate and guide the senior care industry. With the increase in demand for elderly care, the elderly care industry has developed rapidly. However, this process has also revealed a number of problems and challenges, such as uneven service quality and inadequate industry regulation. Therefore, the government needs to strengthen its regulation and guidance of the elderly care industry, formulate industry standards and service specifications, and strengthen industry supervision and law enforcement. This will help raise the overall service level of the elderly care industry and protect the rights and interests of the elderly population.

The health insurance industry provides basic protection for old age. As the health problems of the elderly population become more and more prominent, the role of medical insurance in old age is becoming more and more important. The Government needs to strengthen cooperation with the medical insurance industry, improve the medical insurance system, and increase reimbursement rates and coverage. At the same time, it also needs to promote the integration of medical insurance and elderly care services, so as to provide more comprehensive and convenient medical services for the elderly population.

5. Conclusion

The impact of population aging is relative since the dividends brought about by a large population in the early years have to be borne in the period of aging that follows rapid development. Negatively, population aging will lead to a shortage of labor and a tight labor market, which will have a negative impact on economic development. On the positive side, population aging will promote the process of innovative transformation of society, and innovative development can effectively enhance the productivity of society, effectively alleviating the problems that may be faced by population aging.

The increase in the aging population will form an economic situation with the elderly as the main body, and a large number of industries are expanding their business around the elderly, forming the "silver-hair economy". The research direction of enterprises is also gradually tilted towards it, so enterprises carry out structural reforms to the supply chain so that enterprises can better adapt to the trend of the development of the aging society and have new strategic advantages in the new round of market competition.

This paper suggests that government departments need to formulate relevant policies to meet the challenges posed by the problem of aging and give more protection in terms of basic measures. At the same time, it is also necessary to protect the retirement life and spiritual life of the elderly, some of the elderly cannot keep up with the pace of development of the times lack of understanding of new things will lead to their inability to communicate with other people normally. Government departments should pay attention to this phenomenon, guide older people to participate in understanding new things, actively participate in the development of the new era, and strive to become members of the development of the new era.

In summary, population aging is an unavoidable challenge to China's economic development and the impact of population aging on China's economy is multifaceted. The consequent impacts require effective adjustments among enterprises and industries, and the promotion of supply-side structural reforms to adapt to new social demands. An increase in the aging population means an increase in the pressure on the elderly, and more money needs to be invested in the needs of the elderly financially. Therefore, it is particularly important for the government to formulate a reasonable old-age policy, which should take into account the vulnerability of the aging population and give them help, as well as the problem of financial expenditures.

The purpose of this paper is to study the impact of population aging on China's social and economic development, as well as to make reasonable suggestions for the Chinese government on how to better cope with population aging. The viewpoints in this paper have some limitations and cannot comprehensively illustrate that population aging brings about all the impacts. Since the data are all from other people, the data argumentation in this paper may not be rigorous enough. Future

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research can improve the study of population aging so that each country can have a better plan to deal with similar situations in the future.

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