

Study on China's Economic Slowdown in the Context of Ageing Group and Economic Active Population

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Abstract: Recently, there has been a significant fall in the Chinese economy, which could cause by many reasons, but this paper will mainly discuss this problem in the context of the ageing group and the economic active population. This paper mainly used research methods by viewing what the previous people have done, concluding their points and pointing out what they have done wrong or can be done better, also includes the investigator's personal view of the ageing crises of China. Based on the study so far, it can be concluded that China has reached its inflection of population and further development, where China now has caught into a dilemma where if developing the capital sides the labor will go worsen whereas if China starts to realize the problem of labor and starts to cure it, then the capital will be left behind. In the future, China's population will be decreasing as has been predicted by various resources, but what investigator thinks that China might need to slow down the steps of catching up, take a certain period to find out the equilibrium point of China and then decide the future development. For the low fertility rate, the best thing is to raise the social benefits to encourage childbearing.

Keywords: Economic slowdown, ageing group, economic active population.

1. Introduction

Since 1949 the establishment of the new China, the Chinese economy has shown an increasing trend overall. During the 1980s and '90s, there was an economic boom, and the inflation rate reached its highest point of 28.40% in 1989. On November 26, 1990, the Shanghai Stock Exchange (SSE) was established, pushing the Chinese economy further. However, although these all seem relatively positive for a country's economic growth, one of the key factors, laborers, contributing to the economy, has been worsening each decade recorded. China's fertility rate has significantly declined over the period, and it recently reached its lowest point of 1.616% birth per woman. Assuming that in the future, the Chinese government does not change the retirement age, the situation will get worse, as there will be fewer and fewer new laborers added to the labor market. Over decades of economic development, China did manage to catch up world's leaders' step, even surpassing the world's second-largest economy, Japan, becoming the world's second-largest economy and it's still catching up. However, China chose to develop more in capital rather than the labor force, and the ageing group became a serious problem, not just for China but for the world, though China's situation is getting worse. Graphs from the National Bureau of Statistics show the growing trends of the elderly ageing group (assuming those who are aged 60 and above), starting from between 0.5%(those who are aged

60) and 0.0%(those aged 80 or above)of the whole population in 1953, till 2020, although the population percentage of those aged 60 as decreased to 0.4% of the whole population, citizens which aged above 60 has increased significantly, the change in the structure of ageing group can be harmful to the economy, as more and more population retired, fewer and fewer Economic Active Population, which means those who are in the labor force and being employed. In this paper, it will investigate the fundamental problems of the Chinese population, why has the ageing gone worse and other problems that affect the economic slowdown of China. The key assumption in this paper will be assuming the Chinese government does not vary the current retirement age(which is around 60 for all careers, quite complicated as women laborers has lower retirement age than men laborers).

2. Literature Review

The report indicates that China's population began to decline in 2022, with 2021's population of 14.261 billion potentially being the peak. The report projects future population trends under three scenarios: low, medium, and high growth. By 2035, it has been predicted that the population difference between these scenarios possibly reach 30 million; by 2050, it could be 60 million, and by the end of the century, the gap may expand to 200 million. These projections highlight significant uncertainty in China's future demographic trends [1]. Another report has concluded that the ageing problem's determinant is caused by the decline in the fertility rate rather than the death rate. Foreign scholar F. W. Notestein suggested three fundamental factors affecting fertility rates: industrialization, urbanization and economic modernization. American demographer R. A. Easterlin emphasized more fundamental factors such as improvement in public health and general education, introduction of new products and lastly family planning service [2]. A new term “prospective Ageing” by the International Institute for Applied Systems Analysis (IIASA) redefined elderly standard as the average life expectancy at birth deducted by 15 years, that is, when the average life expectancy at birth is less or equal to 15 years, would be regarded as entering the elderly age. This definition will vary dynamically as life expectancy continues to increase. This statement changes the public views on the elderly as expected longevity rather than surviving years [3]. By the end of 2018, China's labor force began to decline, with a noticeable shift in employment structure. The working-age population is shrinking, and the labor supply has reached an inflection point. It's predicted that the traditional concept labor force will decrease significantly, with 200 million fewer potential workers in 20 years. However, labor availability will remain stable at around 900 million over the next two decades. However, there is a growing mismatch between labor supply and demand, as the need for cheap labor decreases and demand for high-end labor increases in more advanced industries [4]. Back to the ageing problem, since 1999 the overall ageing population is around 14.3% of the whole Chinese population, and it has been accelerating. As foreign countries such as the United States entered its ageing period around the 1990s, GDP per capita was still \$10,000. In contrast, Chongqing, one of the major cities of China, would only have \$417 when the city entered the ageing period [5]. One of the factors that affects ageing is the extension of life expectancy, a report has stated that since 1949, the life expectancy per average population was less than 49 years, 60 years later this figure has reached 73, which has been predicted by the time between 2045-2050 the number will be 80 years [6]. General data on the ageing population (those aged 60 or above) in China where that in 2000, the percentage was 10%, 2009 this number jumped to 12.5% [7]. Until 2008, in all 33 provincial and civic regions the ageing population was 10% of each province or city population and Shanghai has the most ageing population 22.5% of its population. In the long-term view, there will be a rapid growth trend of the Chinese ageing population which is estimated to reach its peak of 40% around 2050-55, although the trend will slow down, but the percentage will stay at around 34% [8]. In the economic field, the ageing problem will have impacts on savings, taxation, investments and consumption, social welfare, the labor market and industrial structure. In the social sphere, ageing will place new demands on the health and healthcare

system and also has an impact on the family structure, relations between generations, housing and migration [9]. Between 2006-2008, the pension expenditure rose from 4897 billion yuan to 7390 billion yuan [10].

3. Analysis and Discussion

By viewing the data of the previous demographic census of China, the structure has been enormously changed, a dangerous sign of ageing begins to appear in people's conversation, and the fertility rate drops, causing pressure on the labor supply to the economy, although one of the reports have stated that in the next twenty years, it will be plenty for the country, but what about twenty years later? This leads to the question of why the ageing problem has gotten worse and other factors that affect the ageing problem in China. One of the key factors that has been stated a few times is the drop in the fertility rate, it is easy to understand as fewer and fewer newborns are being born, youth will decline over the period and the population will grow a trend of ageing. There are less new blood injections to the economy, which can cause more and more existing labor to reach their retirement age, theoretically new laborers will take over the places and continue to contribute to the economy, but the situation is different. The drop in the fertility rate of China causes a shortage of supply to the labor force, which leads to job vacancies but no one is taking them as the economic active population shrinks due to the low fertility rate, leading to underproductivity and economic slowdown eventually. So, what causes the decline in the fertility rate? There are five main factors: financial pressure, education and career development, lifestyle and concept change, late marriage and childbirth and lastly changes in the population policies.

The first point is easy to understand. As the living standard rises, this means a family needs to take more burden, especially the price of house, education and medical services rising gradually, the fee of one additional member is hard to accept by those families.

The second point is moreover about women as the era changed, nowadays more and more women start to take higher education such as bachelor and master degree and they choose to develop even further in their career. Due to this reason, many women choose to delay childbirth or even reject to do that.

As it has been mentioned the times have changed, and people's lifestyles and concepts of living vary with the trend. More and more young people choose free love and they seek more freedom, they see family as a constraint to themselves. This decreased their interest and wants in marriage and childbearing, this happens more especially in the urbanized areas, where the environment is competitive and pressurized.

The fourth point is due to various reasons, such as career pursuit and pressure, this means that people will spend more time and energy on careers and choose to delay marriage, also the concept has changed as people nowadays are willing to wait until the experience and economy are mature for them, then talk about marriage.

Lastly, the policy. Though China has changed and abolished the one-child policy, over the decades this has affected lots of generations' conceptions of marriage and childbearing, it is not likely that people will change this in a short period. It takes time for people to change their views on the old concept and start to accept new ones.

Above are some ideas that the investigator believes could affect the fertility rate and Ageing group in China. For instance, the investigator has given some policy advice to solve this problem, the main problem is economic pressure as the rapid rise in the price level causes many people to hardly maintain their livelihood, the government could raise the benefits of childbearing such as social welfare, free tickets, etc. Also, the government can give more aid to help the family who have trouble maintaining basic living costs. In the long term, the government can increase the quality of free education to correct people's old and cliché childbearing policy of China and willingness to give birth

to more children, some regions in China still hold a very sexist idea that men are more important than women, people there rather abort girl newborn to give birth to boy newborn, this can seriously damage the population structure, it decreases the fertility rate and sex distribution which indeed in long term, will damage the structure even more. Ageing problems do not just affect the labour market, but also the economy, as the article mentioned, there was an enormous rise in pension expenditure, and in the future, it will rise further. This can cause huge economic pressure on the Chinese government and budget deficit. Ageing is inevitable for all countries, but clearly, in the current circumstances, other countries do it much better than China, as China still lacks the basics of social welfare, and nursing institutions for the elderly population.

4. Limitation and Future outlook

This paper has pointed out the problem of the Chinese ageing group in a quite clear way, however, the research was quite biased, as there is no information on the economic active population, which the investigator assumes this overlaps the concept of employment-population. Many articles found on websites such as Google Scholar and JSTOR are given the same idea, for instance, this is a quite narrow topic, also some of the articles cannot be opened which makes it even harder to find out useful information and reference it in this paper. Also, many of the resources are quite old, many of them were published around the 2000s, so the data might not match up with the current situation.

In the future, the investigator can discuss the economic slowdown in China from another point of view such as changes in economic structure, inflation, government policies, etc. The investigator predicted that if the government still does not realize the problems in the population, then China soon will lose its competitiveness in globalization or even end up relying on imports, which may be like some island countries like the United Kingdom, Greenland, Japan, etc. Then China's economy might take a nosedive.

5. Conclusion

Looking back the essay, it has discussed mainly the labor supply and current labor population, China might reach its inflection point, if China keeps developing its capital side, then the situation of labor will worsen, but if China starts to solve the problems of labor, then the capital development will be stopped. What China requires now is the high technology that other countries possess, like lithography machines that are used to produce chips, which China still falls behind the world's leaders. Though China's economy now is unlosable globally, mainly because of its high population which has more consumers to purchase whether domestic or foreign goods and services, in fact, the purchasing power per person in China is not strong enough, it's still lower than United States, United Kingdom and Japan, China has the lowest benefits and welfares compare to those countries and yet laborers are being exploited even more. To help the problems, China could decide to slow down the developing step and solve all the existing problems, improve the social benefits and welfare, improve the treatment of the labor force and use education and aid to encourage people to childbearing.

Still, labor is just a part of the factors of production, many other elements caused the economic slowdown in China, it may possibly not be the main reason for the economic slowdown, perhaps now is the recessionary period of the world not just China but the rest of the world is suffering from various problems in their economy, soon, this may be changed as the economic cycle indicated that the world would entry the recovery period.

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