

Analysis of the Impact of Delayed Retirement on the Labor Market: A Case Study of China

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Abstract: This paper adopts the method of data analysis and literature review. First of all, by consulting published academic papers and government reports, it can be learned from the existing research results and overview. Secondly, relevant data, such as the employment rate of different industries, are collected for analysis. Thirdly, according to the information, this paper will discuss the disadvantage and advantage of this policy. analyzes and discusses the latent influence of the delayed retirement policy on the labor force through table or statistical calculation. Finally, the paper will give some suggestion and how to solve or improve the negative impact on labor market. This paper has certain social significance. Aging population is an important problem facing in China. Delaying retirement is a popular way to deal with this phenomenon. Through analyzing the effect of retirement act on labor market, it can offer more clear reference frame for government, labor and entrepreneur. It can also help them to develop better retirement policies.

Keywords: Delayed retirement, labor market, aging population.

1. Introduction

The Central Committee of the Communist Party of China's Decision on Further Comprehensively Deepening Reform and Promoting Chinese-style Modernization was most recently released, this decision will steadily and orderly promote changing the statutory retirement age by gradually raising it in line with the involuntariness and flexibility principles. The central government clearly lists 'volunteerism and flexibility' as the basic principles of determining the statutory retirement age. At present, the legal their pension age in China for workers is still 60 years old for men, 55 years old for female cadres, and 50 years old for female workers, which is the standard in the relevant regulations announced base by the State Council in 1978. China's elderly citizens is currently large and aging is occurring quickly. Previously, the Fifth Plenary Session of the 19th Central Committee designated actively responding to population aging as a national strategy [1]. By the conclusion of 2023, the elderly population aged 60 and above in China has accounted for 21.1% of the total population, and the elderly population aged 65 and above has accounted for 15.4% of the total population. The purpose of this article is to analyze the impact of China's delayed retirement policy on the labor market and provide a reference for policy and reasonable implementation.

2. Literature Review and Practical Analysis

The Institute of Population and Labor Economics of the Chinese Academy of Social Sciences proposed a plan to delay retirement, which mentioned that it would gradually raise the legal retirement age of men and women to 65 in about 20 years. Take the original retirement age as the minimum retirement age, and add 5 years as the maximum retirement age on top of the legal retirement age, thus forming a range of flexible retirement between men between the ages of 60 and 70 and women between the ages of 55 and 70 (shown in Figure 1).

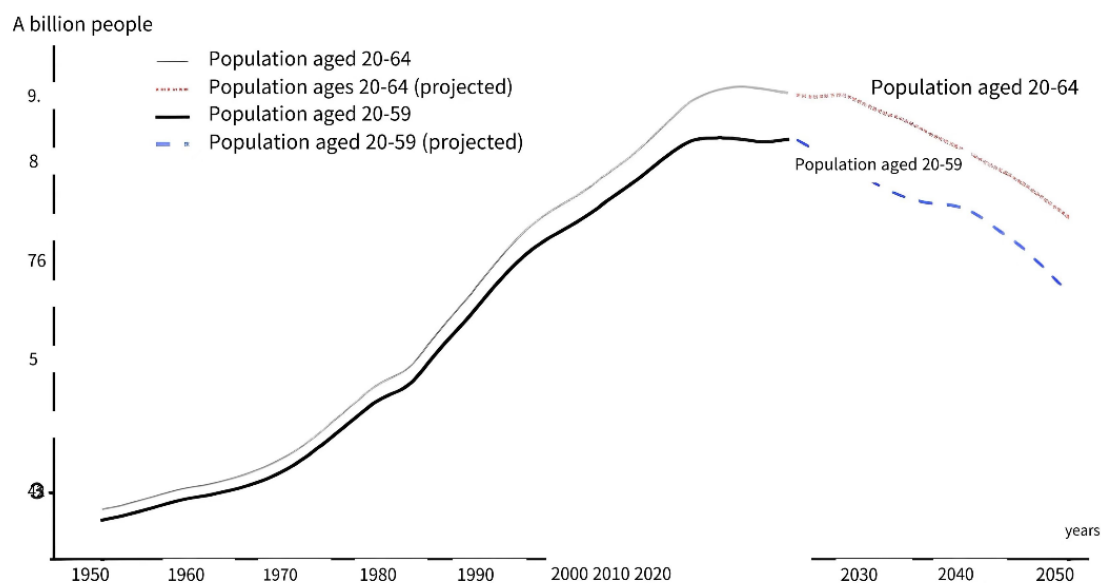


Figure 1: Aging population in China [2].

According to the National Bureau of Statistics of China, the population aged 20-59 and 20-64 in China reached its highest point in 2016, and at present, the absolute population size has shown a downward trend. The average fertility level is the basis for the United Nations forecast, by 2035, the size of China's population aged 20-59 and 20-64 will drop to 740 million and 850 million respectively, equivalent to the levels of 2002 and 2008 respectively; by 2050, it will drop to the 1990s of the last centuries. The level of generation. Although the population that is older 20-64 continues to decline in the next 30 years, the change trend is relatively stable, while the change in the population of 20-59 years old is influenced by the change in the previous population policy, so it fluctuates greatly. Among them, 2025-2035 is the week with a large decline. Period, after that, there will be some easing, and there will be more significant adjustments after 2040, indicating that the potential contradictions in employment supply will be further escalated. The results of the 7th national population census reveals that in China, women of reproductive age will have a 1.3 overall fertility rate in 2020, which is already at a low level. After implementing universality of the two-child limit and the fertility rate returned on a short-term basis, but then gradually decreased and remained at a low level [2].

In China, 13.50% of the population is 65 years of age or older. This represents a higher level of population aging than the global average (9.3% of the population 65 years of age or older), but a lower level than the average of developed nations (19.3% of the population 65 years of age or older). Based on data from the most recent census released by the National Bureau of Statistics, the A growing elderly population is a significant problem that China is facing, and it is also a fundamental state of the nation in the long term. This presents both an opportunity and a challenge. Population aging will result in a decrease in labor force supply, resulting in a rise in available people. The burden

of elderly care for young and middle-aged families is increasing, and there is a strain on the availability of fundamental public services. Simultaneously, the aging population has been observed to have contributed to the growth of the silver economy, increased the demand for senior-focused goods and services, and advanced technical advancements, all of which have created new avenues for economic growth. Therefore, this paper will discuss the advantage and disadvantage of retirement and how it affects labor market, help government to develop better policies [3].

As demonstrated in the Figure 2, the employment rate is experiencing a downward trend, and the unemployment rate has been above 0.48. It is generally believed that if the unemployment rate is higher than 5% or 6%, it is defined as high unemployment rate, which means that China has been in a state of high unemployment for more than 10 years.

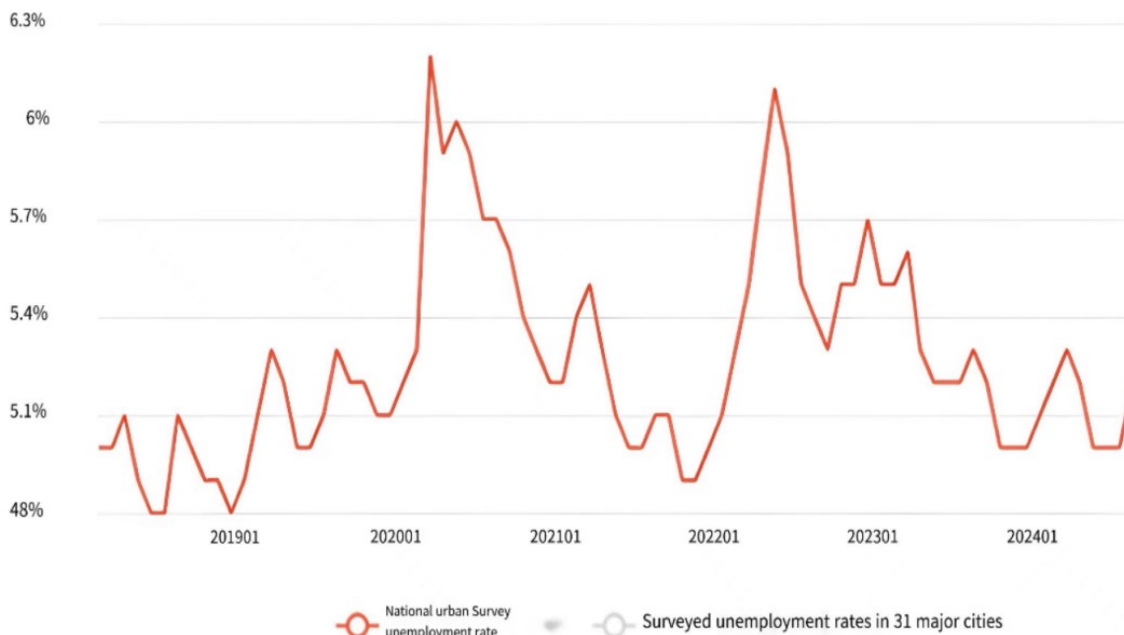


Figure 2: Urban survey unemployment in China [3].

The Global Development Report reveals that global life expectancy rose from 66.8 years in 2000 to 73.3 years by 2019. In China, the life expectancy reached 77.9 years in 2020, significantly surpassing the worldwide average. Given this context, China's existing retirement age of 60 for men and 55 for women is becoming increasingly outdated, making a shift towards later retirement necessary. For instance, recent legislation in Russia has set the retirement age at sixty for female and at sixty-five for male. Meanwhile, Japan—boasting the highest life expectancy globally at 83 years—has postponed its retirement age to 70 to better align with current societal needs. According to the 2021 Population Statistical Yearbook of China, the labor force in China was 780.24 million people in 2021, with 74.652 million employed, which was lower than that in 2020. This indicates that China still faces a supply-and-demand contradiction in terms of labor resources [4].

According to existing academic studies, they hold different views on the impact of delayed retirement on the labor market. Some believe that delayed retirement will have an impact on youth employment. Delayed retirement means that fewer people will quit their jobs, and enterprises may reduce new recruitment, resulting in the employment crowding out effect of the old population on the young population. It is thought that in the future, employment for the younger generation of senior citizens will flow more to the knowledge-intensive service industry, such as education, medical care, finance, information technology, etc., which will affect the young people in this industry [5].

However, there is also a contrary view that delaying retirement is beneficial to youth employment, because it can ease the difficulty of labor supply. If some young elderly people continue to work, it means that they have a sustainable income, which can help stimulate the total demand. Therefore, enterprises can produce more products or provide more services, thereby increasing job provision and helping young people to find jobs [6]. And improve the quality of the labor market. Since the elderly have to continue to work, they need to learn new technologies and new knowledge, keep pace with The Times, and help improve the quality of the elderly labor force.

For one thing, delayed retirement increases the total labor time input, decreases the marginal labor cost, and expands the optimal output scale. For another, the total number of idle workers rises because of the delayed retirement, decreases the number of pensioners, reduces the system support rate, thus reducing the level of contribution rate necessary for the balance of pension insurance funds, and reduces the overall labor cost of enterprises.

3. Discussion

3.1. The Advantages of Delayed Retirement

The increase in working years means that they have a fixed and relatively stable income for a longer period of time, which can help share family expenses, such as daily expenses, medical insurance, etc. To help reduce the economic pressure of the younger generation, in recent years, there are more only children in China. There is a couple who need to support four elderly people and several children at the same time, and the economic pressure is quite great. After helping to reduce stress, young people will have more time to rest and maintain good energy to work, which can promote their efficient output and create new technologies to promote economic growth.

Extend the time frame for the elderly to contribute to society. Many old people have no children to accompany them all year round because they are busy with work [7]. After a long time, the elderly are prone to have negative emotions and think that their existence is worthless. Work is a good option to reflect their valuable contribution, which helps the elderly to maintain a healthy heart and society. Contact. This also means that children do not need to spend more time leading the elderly for treatment, helping to improve their work efficiency, and their labor contribution will increase accordingly.

The increase in the income of the elderly helps to drive up demand. For example, in some service industries, the elderly need to work so much that they don't have time to look after their children or do basic housework at home, so the demand for housekeeping and nanny industries may rise, which means that more jobs will be created. So as to increase the employment opportunities of young people and help reduce the unemployment rate.

Delayed retirement can allow experienced elderly employees to stay in the industry, especially in high-end industries, such as medical care, engineering, etc. They can impart more experience and improve the skills and efficiency of the whole team. And people have more time to deeply develop and study the fields they are good at, make more contributions to the industry, which is conducive to filling the shortage of skills, developing high-tech products, maintaining the stable operation of enterprises, and promoting economic growth. The gradual aging of the population is causing problems, the proportion of young labor is increasing year by year. Delaying retirement can slow down the decline of the labor force population and make up for the labor shortage in some industries.

3.2. The Negative Impact

When the elderly continue to work in their positions, there will be fewer vacancies in new jobs, which can affect your young labor's opportunities to enter the market, which may lead to an increase in the

unemployment rate of young people or a decline in the quality of employment [8]. For example, graduate students can only deliver takeaways if they can't find a job.

When some positions are occupied by elderly employees all year round, resulting in the inability of other classes of employees to be promoted and raise salaries, it will not motivate employees to work harder. Once employees lose motivation, it will lead to a decline in their work efficiency and output quality. According to Maslow 'hierarchy, human needs are divided into five levels, from low to high in order: physiological needs, safety needs, social needs, esteem needs, self-actualization. Promotion can usually meet the respect needs and self-realization needs of employees [9].

In some high-tech industries, enterprises may need experienced and highly senior employees, but in some manual labor industries, the elderly employees' physical functions decline as they grow older, resulting in a significant reduction in work efficiency, thus affecting output and productivity. Increasing the challenge of the human resources management department means that enterprises need to spend more money to hire more powerful human resources management [10]. For example, salary and welfare expenditure, employees with delayed retirement are often in the high-paying class, and pensions, medical insurance, etc. are increasing year by year. How to control and manage the increase in these costs is an important challenge for human resources management. And enterprises are likely to manage employees of multiple ages at the same time, because ideological differences and cultural differences caused by age differences may affect the obstacles of daily work communication. How to balance the relationship between several generations of employees and effective communication methods is also one of the major challenges. Employees of different ages have different focuses on training. For example, when it involves new technologies such as artificial intelligence, the learning speed and adaptability of new employees are generally higher than those of the elderly. However, in some high-end technical knowledge categories, experienced senior employees learn faster than young people, so how to be targeted and effective? Training is also a big challenge.

4. Limitation and Outlook

The shortcoming of this paper lies in the relative conflicts and contradictions of advantages and disadvantages, which is not conducive to the stage of existing resources, such as whether to inhibit the employment opportunities of young people? Because on the other hand, it also provides more employment opportunities in disguise. Does it reduce the pressure on children? The income of the elderly can be used to subsidize the family and relieve the economic pressure. However, because the children of their children are unattended, it is necessary to spend extra money to hire midwives, nannies, etc. Which one costs more? Is it the income subsidy for the elderly to ease more economic pressure, or under the amount of hiring a nanny, these subsidies? It is the tip of the iceberg and does not have a significant effect. Because it is impossible to obtain a fair and general data for specific calculation, it can only be discussed by situation and cannot be defined

5. Conclusion

According to current research, delaying retirement can relieve the support pressure of the younger generation, increase labor supply, drive market demand growth, and promote the inheritance of work experience. The disadvantage is that it will affect the employment opportunities of some young people, and young people may need to spend more money to hire dedicated people to take care of families and small Children, and there should be different policies for different industries, such as manual labor categories, construction site brick moving, moving business, etc. This kind of work requires extremely high physical quality and is not suitable for extending the working age, because the gradually aging organs of the elderly cannot support overloaded work, and young people have an absolute advantage in such industries, which promotes high output with high efficiency, which is

conducive to economic growth. And for high-end knowledge industries, such as doctors. For some occupations that require a certain amount of work experience, it can be promoted the method of taking the original retirement age as the minimum retirement age, adding five years as the maximum retirement age on the basis of the statutory retirement age, and appropriately linking the pension to it, encouraging people in high-end industries to extend working hours, helping The industry will further develop and bring the old to the new to help young people in the new industry integrate quickly. The second disadvantage is the crowding of young people's positions. Regarding this problem, Zheng Bingwen once said that the short-term delay in retirement will have an impact on the employment market and will raise the unemployment rate of young people. Especially in the early stage of the reform, it will be more obvious. But in the medium and long term, the contradiction will gradually be diluted by time. In the two most extreme typical cases, the legal retirement age in the United States is currently 65 years old, which will be raised to 67 years old in 2027, and the actual retirement age will be even higher, but the unemployment rate in the United States remains at about 5%. Delaying retirement can increase the demand for specific industries, such as the service industry, nannies and maternity matrons, etc., which can also provide certain vacant positions.

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