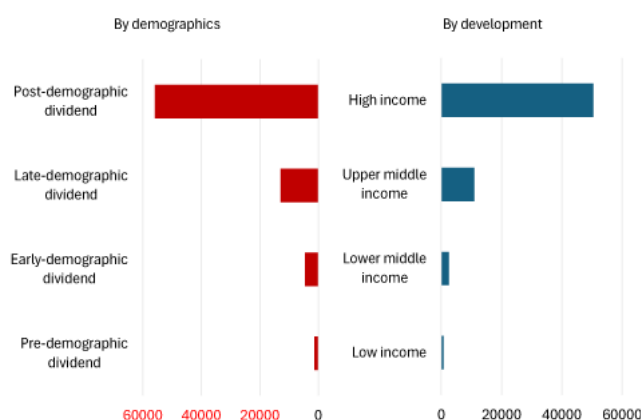

Responding to Demographic Changes: Lessons from China

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1. Introduction

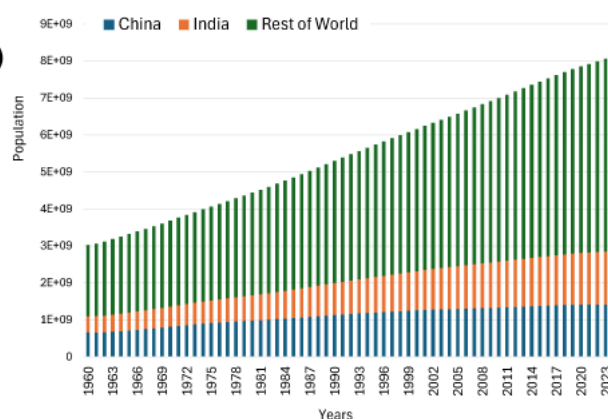
Why Does Population Matter?

- The perfect matching of stages between economic development and demographic transition implies that demographics is phenomenon of social and economic development
- That is, either of the pair may have impact on or even change the other if necessary conditions are met



China Lessons Matter by Having

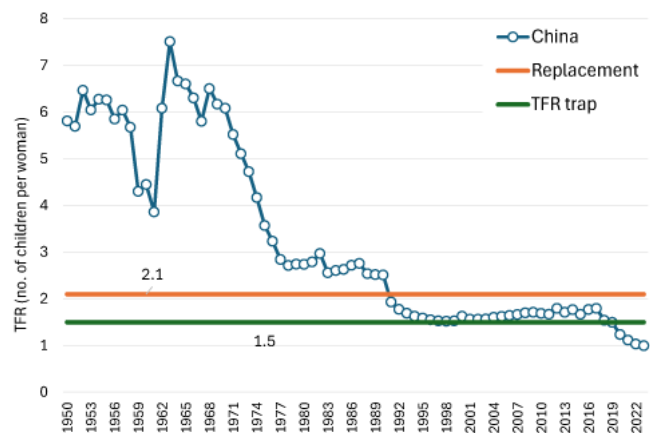
- Held position of largest population in the longest time (over 300 yrs bef. 2022)
- Completed the largest demographic transition in shortest period of time
- Witnessed the largest migration in peace time of human history
- Been phrased as growing old before getting rich, which has implications to other middle-income countries



2. China's Population Facts

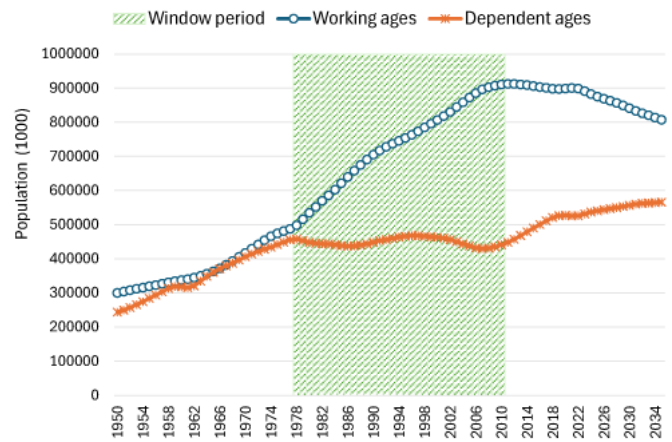
Sharp Fall of Total Fertility Rate

- China's TFR fell below replacement level in 1992, 10-20 years lag behind Korea and Japan, and had taken only 30 yrs for population to reduce, much shorter than in Korea and Japan
- Now TFR is low and declining, even below demographer-defined "trap level", a level betw. Korea and Japan



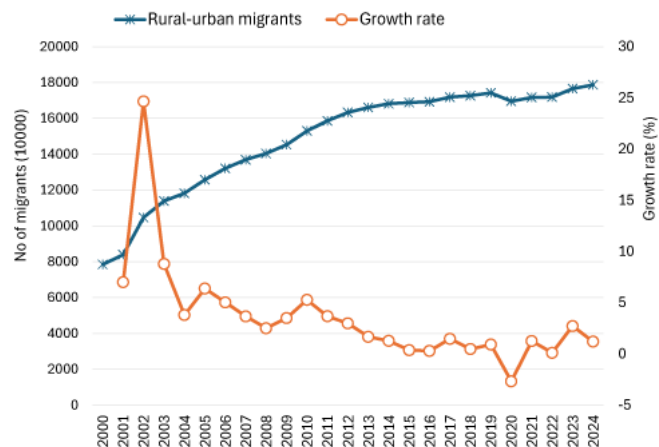
Opening and Closing of Population Window

- Scissors-shape formed by different dynamics between working age and dependent age population opens and closes opportunity window in 1980 and 2010, respectively
- That window has corresponded the period of double-digits growth rate, which we call demographic dividend



Massive Migration and Its Slowdown

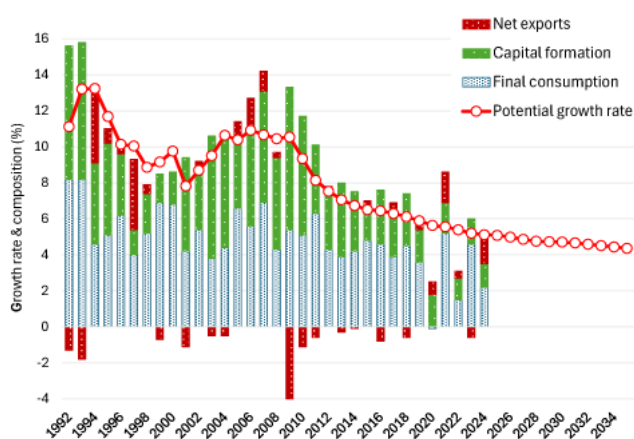
- Rural-to-urban migration supplied labor, improved urban age structure, delayed diminishing return to capital, contributed roughly 1/3-1/2 of productivity growth thru reallocation
- And earned migrants wage and social security, which reduced rural-urban gaps in income, human capital, and access to public services



3. Challenges When Dividend Gone

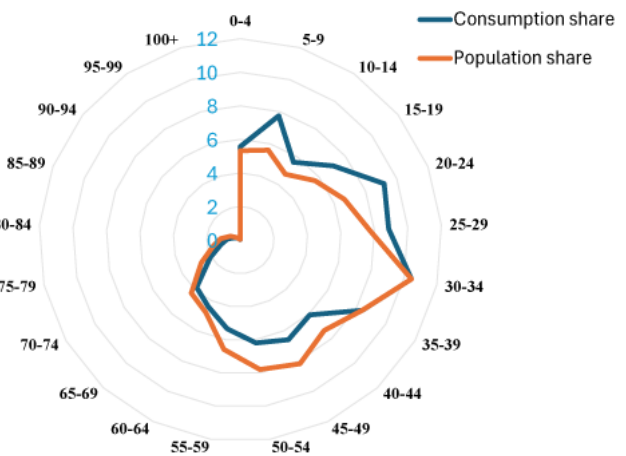
Impacts of Supply and Demand Side

- In fast-growing time, supply supported demand by creating jobs & increasing income. When dividend diminishes, economic growth slows, whereas demand weakens even further
- As for supply, increase productivity to gain growth momentum; for demand, improve consumption to support growth. Reforms such as of *hukou* system bring dividends to both sides



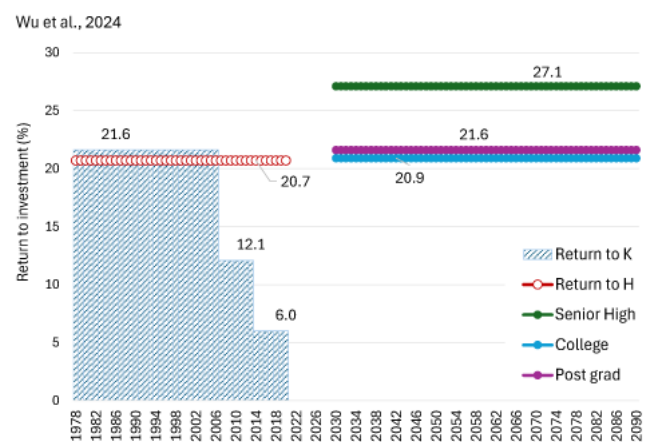
Aging to Weaken Consumption

- One property of “growing old before rich” is embodied in lower income and weaker consumption of the elderly
- Another in “pay-as-you-go paradox”: working people shoulder three burdens: contribute to the scheme, support family elderly, and save for their own, all three weaken their consumption



Not Physical but Human Capital Returns

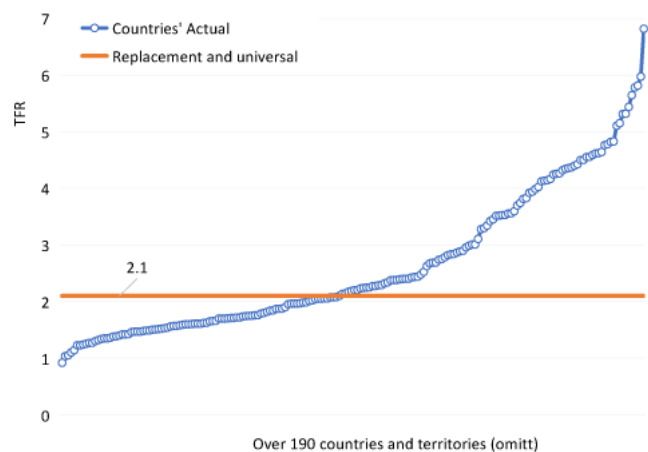
- Demographic dividend is not just the amount of labor but combination of quantity and quality of labor force
- Second dividend thus won't come from savings rate but human capital, because the latter helps to increase productivity and lead to increasing return on all factors input



4. Implications to Rest of the World

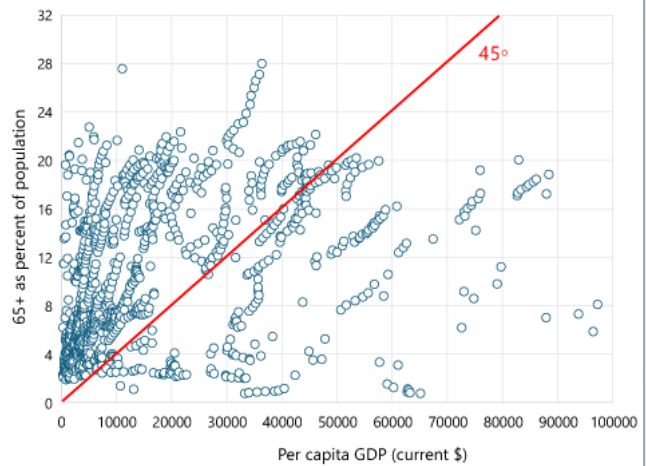
Unhappy in Their Own Ways

- Almost all countries (families) make efforts to reach fertility goal of 2.1, though from different directions
- We know more and do better about reducing than enhancing TFR
- Evidence from some countries shows that high accomplishments in human development and gender equality are promoting factors of fertility



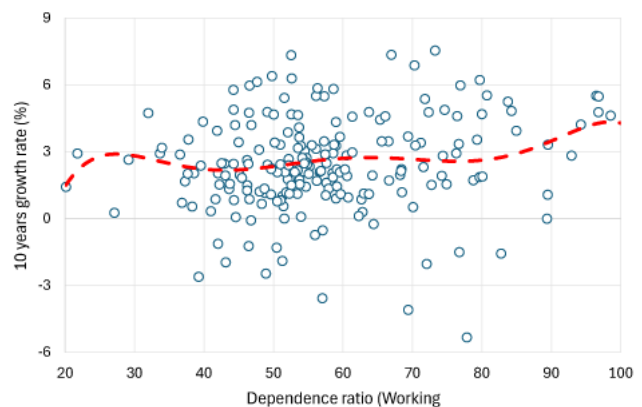
“Old before Rich” Seen Everywhere

- Some countries are characterized as “old before rich” due to natural growth of population, while others due to mechanic growth, namely immigration
- The latter help understand differentials in demographic changes and economic implications among regions within country and among countries



No Such Thing As Good or Bad Demographics

- If catching-up depends on conditional convergence (Barro&Sala-i-Martin), demographic dividend depends on variety of necessary conditions
- Population impacts world trade and geopolitics in different ways depending on corporation or confrontation or how big efforts individual countries make



Thank you

Except for sources cited, data come from

NBS (<https://www.stats.gov.cn/>)

World Bank (<https://data.worldbank.org/>)

Author's publications