

## Policy Response to Low Fertility in China: Too Little, Too Late?

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# AsiaPacific

## I S S U E S

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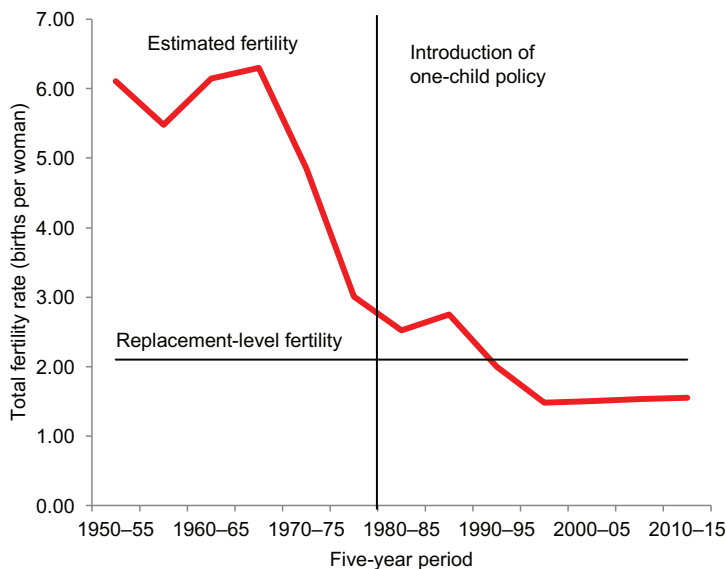
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**INTRODUCTION** In 1970, Chinese women were having an average of nearly six children each. Only nine years later, this figure had dropped to an average of 2.7 children per woman. This steep fertility decline was achieved before the Chinese government introduced the infamous one-child policy. Today, at 1.5 children per woman, the fertility rate in China is one of the lowest in the world. Such a low fertility level leads to extreme population aging—expansion of the proportion of the elderly in a population, with relatively few children to grow up and care for their aging parents and few workers to pay for social services or drive economic growth. China's birth-control policies are now largely relaxed, but new programs are needed to provide healthcare and support for the growing elderly population and to encourage young people to have children. It will be increasingly difficult to fund such programs, however, as China's unprecedented pace of economic growth inevitably slows down.

### China's Fertility Decline

Most of China's fertility decline took place in the 1970s, before the government launched its one-child policy in 1980 (see Figure 1). During the 1980s, fertility fluctuated, for the most part above the replacement level of 2.1 births per woman, which would maintain a constant population size. Then in the early 1990s, fertility declined to below-replacement level, and since then it has further declined to around 1.5 children per woman today. If very low birth rates persist, eventually the population starts to shrink, and it can shrink very quickly. Today's low fertility could lead to a decline in China's population by as many as 600 million people by the end of the 21st century.



**Figure 1.** United Nations estimates of total fertility rate (average number of births per woman) in China, 1950–2015.

The Chinese government has been exceptionally slow to recognize this problem. In response to concerns about low fertility, the government finally announced, in November 2013, a cautious step toward phasing out its 30-year-old one-child policy. Couples in which one or both are only children are allowed to have two children. Despite the enthusiastic popular response to the announcement, however, there was little change in fertility behavior. As of August 2015, nearly two years after the new policy was initiated, only 1.69 million couples had applied to have a second birth. This represents about 15 percent of the estimated 11 million eligible couples, far below all the projections made before the policy change.

In November 2015, in part due to this lukewarm response to the partial relaxation of the one-child

policy, the Chinese government announced the total lifting of the one-child rule, allowing couples to have two children without getting prior approval. In 2016, the first year following the end of the one-child policy, China reported 18.46 million births, a number that is only 1.4 million higher than the average number of birth in the preceding five years. Despite the government's claim that such a limited increase is within its expectations, this rebound is well below the increase in births that the government had projected, which was between 2.3 and 4.3 million a year.

Such a weak response in the early days of a historical policy change illustrates the much broader challenges facing the Chinese government today. In addition to abolishing the one-child policy, China needs to introduce policies and programs that will make it easier for people to have children. Programs are also required to provide financial support and healthcare for the country's rapidly growing elderly population.

### Low Fertility Is Here To Stay

China's steep fertility decline occurred as the nation entered a phase of broad social and economic reforms and an unprecedented economic boom. During the most recent phase of falling fertility—the two decades beginning in the early 1990s—China saw the fastest pace of urbanization, expansion of higher education, and improvement in living standards in the nation's history.

Income levels increased by nearly tenfold, and the share of China's population residing in urban areas nearly doubled. Secondary-school enrollment more than doubled, and college and university enrollment increased eightfold. Two important forces linked to this rapid economic change contributed to China's steady fertility decline—a shift of the cost of childrearing from the collective to the family and intensified pressure to “get ahead,” generated by the opportunities and uncertainties associated with a period of hyper economic growth.

Beginning in the early 1980s, China's socialist planned economic system started to break down, first in the rural areas and then in the cities. Under the socialist system, the state and the collective had supplied considerable support for childrearing, as well as food, housing, and employment. During the early years of the reforms, in rural areas in particular, public education and healthcare systems deteriorated rapidly, which shifted the cost of education and healthcare to individual families.

*A shift of the cost of childrearing from the collective to the family and intensified pressure to ‘get ahead’ both contributed to China's fertility decline*

*If today's fertility level persists, by 2030 one in four Chinese will be age 60 or above*

Since the early 1980s, massive numbers of young people have moved from the countryside to the cities, motivated by unprecedented economic opportunities. Housing prices skyrocketed, especially in China's major cities. Suddenly, young parents who grew up in the post-Mao era realized that having children is truly expensive, both in terms of time and money.

The weak response to the government's relaxation of the one-child policy conveys a clear message: Many young Chinese think it is too expensive to have children. Studies of the preferred number of children among Chinese couples all portray a similar picture—the one-child family is the new norm.

Indeed, surveys find that less than 30 percent of qualified couples want to have a second child. This suggests that even if the government's birth-control policy were completely dismantled, fertility would increase only modestly. If young Chinese men and women act on their fertility preferences, then China will have below-replacement fertility for a long time to come.

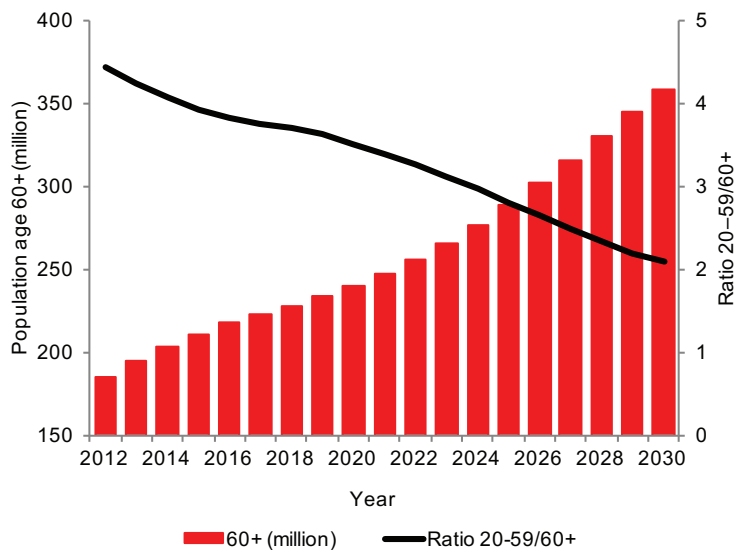
### Short- and Long-Term Implications

The prolonged period of below-replacement fertility during the past two decades is contributing to a dramatic acceleration of population aging. China's latest census reported that in 2010 nearly 14 percent of the population was age 60 and above. Assuming

a fertility level of 1.47, which is very close to the current level, the proportion of Chinese age 60 and above will rise to 25 percent by 2030. Over the same period, the number of Chinese in this age group will increase from about 180 million to more than 350 million (Figure 2). This places China, along with South Korea, Taiwan, and to some extent Japan, among the fastest-aging societies in the world.

Prolonged low fertility and the associated rate of population aging pose daunting challenges for policy-makers. The ratio between the working-age population age 20–59 and retired persons age 60 and above will be more than halved over a 20-year period—from almost five workers for every elderly person in 2010 to only two in 2030 (Figure 2). The economic ramifications of this shift are many, ranging from labor-force supply, levels of saving and investment, tax burden, consumption patterns, and the welfare of all age groups.

China's three-decades-long enforcement of the one-child policy has also resulted in a special feature—a large share of Chinese families with only one child. China now has more than 150 million families with one child, or one in every three households in the nation. And in urban areas, more than 90 percent of families headed by young couples have only one child. Many of these only children, when they grow up, will face a substantial burden of providing care and economic support to their elderly parents—either through taxes that pay for government pensions and services, or within the family, or both.



**Figure 2.** Population aging in China: Size of population age 60 and above (red bars) and ratio of population age 20–59 to population age 60 and above (black line), 2012–2030 (based on an assumed total fertility rate of 1.47).

### Policy Response to Low Fertility

China's policy response to below-replacement fertility and to rapid population aging has been extraordinarily slow. It took researchers almost a decade to confirm the drop in fertility, and it took the Chinese government another decade to accept the findings of scholars. After years of resistance and denial, the government seems to have finally come to terms with the new demographic reality. In addition to lifting the one-child policy, China also announced a gradual extension of the retirement age.

But even with the latest policy changes, the Chinese government has not given up its control over reproduction: couples are still not allowed to have more than two children. Retaining this last control is perhaps a political face-saving strategy, but it serves no good demographic or social purpose.

***Birth rates went down very quickly, but the government was slow to recognize the problems this created***

Apart from reforming birth-control policies, the Chinese government faces two daunting tasks. One is to reform the nation's social security and health-care systems, and the second is to create more family-friendly conditions for young couples who want to pursue careers and start a family.

China's social-security system is currently highly inadequate and inequitable. In 2010, only about 30 percent of the elderly relied on public transfers, such as pensions, as their major source of income, and almost all of those receiving pensions were urban residents.

The same is true for the healthcare system. While coverage has been extended in recent years—in principle, to the entire population—the level of coverage varies widely among different segments of society. With costs rising much faster than incomes, the current system is not only inadequate and unfair, but also unsustainable.

In addition, the Chinese government will need to initiate policies that support young couples who wish

to have children. Today, the lack of accessible and affordable childcare and problems in balancing work and family life are becoming major factors affecting fertility.

All these reforms and policy changes will become more difficult to introduce and implement than in the past because China's period of very rapid economic growth has come to an end. The growth rate of government revenue is slowing down just as the demand to support young families and the elderly is going up.

It did not take long for China to reach below-replacement fertility. It only took one decade to bring fertility down from more than five to close to two children per woman and only one more decade of fluctuation around the replacement level for fertility to fall even further. What took a long time was the official recognition of fertility decline and the beginning of a policy response. As a result of this delay, China has lost precious time either to slow down the process of population aging or to prepare for the effects of the new demographic reality on Chinese society.

## Note

This policy brief is based on "China's Long Road Toward Recognition of Below-Replacement Fertility," by Wang Feng (2015). In Ronald R. Rindfuss and Minja Kim Choe (eds). *Low and Lower Fertility: Variations across Developed Countries*. Cham, Switzerland: Springer.

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