Sujet traité : La lutte à haut enjeu de la Chine pour défier le désastre démographique / China's high-stake struggle to defy demographic disaster

Source : The Economist Date : 04 avril 2024

China's high-stakes struggle to defy demographic disaster

economist.com/china/2024/04/09/chinas-high-stakes-struggle-to-defy-demographic-disaster

The Economist

China | An ageing autocracy

The Communist Party puts its faith in robots, gene-therapy and bathing services

Photograph: Magnum/Jim Goldberg

Apr 9th 2024|Beijing

IF CHINA'S OLD people formed their own country, it would be the fourth most populous in the world, right behind America. This silver-haired state would be growing fast, too. China's over-60 population sits at 297m, or 21% of the total. By 2050 those figures are expected to reach 520m and 38%. Yet demographers describe China's future as greyer—and smaller. For while its oldest cohorts are growing, younger ones are not (see chart). China's total population declined for the second year in a row in 2023. The country's labour force has been shrinking for most of the past decade.

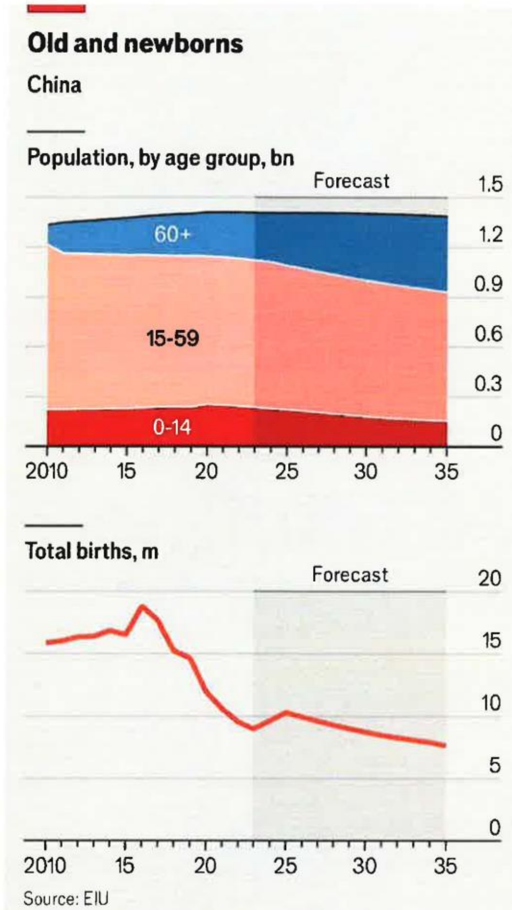

Chart: The Economist

China's economy risks shrinking, too, as a result. With an enormous burden of care on the horizon, the government senses an impending disaster. To date its efforts have focused on boosting the fertility rate (average births per woman), which stands at 1.2—far below the 2.1 required to keep the population stable. Now, though, it is talking about adaptation. During his state-of-the-nation speech last month, the 64-year-old prime minister, Li Qiang, sketched out what he called a "vigorous national strategy" on ageing, covering everything from insurance schemes to pension reform.

China is far from the only country facing demographic decline. The populations of Japan, Italy, South Korea and many other nations are expected to shrink at an even faster rate over the next two decades. The median age in Japan has shot up close to 50, whereas in China it is around 40. And it could be argued that China has another advantage: its autocratic government need not cater to elderly voters, whose electoral influence often distorts policy in democracies. In fact, the elderly in China expect little from the state.

Chinese officials, then, appear to have no cause for timidity. On top of being vigorous, one might have expected Mr Li's plan to be bold. So far, though, China's leaders have not pursued the types of reforms needed for their country to escape its demographic destiny. And the longer they wait, the harder their task becomes.

Working the problem

Broadly speaking, China faces three big challenges. The first is how to counteract the decline in the labour force in order to avoid a slowdown in GDP growth. Over the past four decades the economy has expanded by a dizzying 9% a year, on average, aided by a bulge of working-age adults. Now, though, many of these workers are hitting retirement age. Worse, China is getting old before it gets rich. In 2008, when Japan's population started to fall, its GDP per person was already about $47,500 in today's dollars. China's is just $21,000. It may therefore have to forgo some productivity-boosting investments in order to spend more on protecting its ageing citizens.

Still, there is much that China can do to keep its economy growing. To start, it could raise the retirement ages for drawing a public pension. China's are among the world's lowest. Most men can stop working at 60. Women who work in offices can retire at 55 and those in factories at 50. Since these rules were set last century the average life expectancy in China has risen from under 60 to close to 80. "If China's elderly were to have the same labour force participation as in Japan—not a very ambitious target—by 2035 some 40m more people would be at work," writes Bert Hofman of the National University of Singapore. Chinese officials have been floating the idea of reforms since 2008, but only now do they seem serious. Observers expect a staged increase in retirement ages to begin next year.

Meanwhile, China can make better use of the workers it has. Half of Chinese aged 20 to 24 have attended university or vocational college, compared with just 7% of those who are about to retire. In rural areas, though, few people make it past high school. Improving the skills of this group would go a long way. Mr Hofman reckons that, all other things being equal, the shrinking labour force will cost China one percentage point of GDP growth each year over the next decade. But a longer working, better educated labour force could cancel out that effect, he says.

The changes should not stop there. Officials need to think harder about what Chinese workers do and where they do it. About a quarter of them work in agriculture, compared with less than 3% in rich countries. China's supreme leader, Xi Jinping (age 70), talks a big game about boosting advanced manufacturing in order to create high-productivity jobs. These are likely to be in cities. But China's *hukou*, or household registration system, impedes the movement of workers. The country's urbanisation rate is about 65%. It should aim for 75-80%, says Alicia Garcia-Herrero of Natixis, a bank.

In the longer term, demographers believe more machinery and labour-saving technology will also help compensate for a smaller labour force. China has about 400 robots per 10,000 workers, which is higher than most countries. But it is still less than half of South Korea's level of automation. China is trying to catch up. In 2022 half of all the industrial robots installed worldwide were fitted in China, according to the International Federation of Robotics, an industry body. Assuming the country is able to double its number of such machines to 3m by 2050, "the 'robot dividend' could make up for more than half of the future labour shortage", according to a study led by researchers at Beijing Foreign Studies University.

Old money

If China's first challenge is how to produce as many goods and services as possible from a diminished workforce, the second is how to make sure the elderly have a sufficient claim on those items. At the moment, many old people rely on their families for support. That might please Mr Xi, who often talks about the Confucian virtue of filial piety. Shortly after he came to power in 2012, China made it illegal for children to neglect their parents. But with fewer young people around, oldsters will increasingly have to support themselves.

Pensions are the solution in most countries, and China has its own schemes. The largest state-run fund relies on contributions from employees and companies. It pays out about 3,600 yuan ($500) a month on average, or around 50% of what recipients were earning before they retired. That compares with over 60% in the OECD, a club of rich countries. Still, the Chinese beneficiaries get enough to pay for basic expenses in most urban areas. But the fund only covers salaried workers in cities, less than half of the labour force. A separate scheme covering the rest of the workforce relies, for the most part, on state subsidies. It pays out a measly 200 yuan a month on average.

A lack of generosity is not the only problem. As the number of retirees swells, these schemes are running out of money. The larger one is on track to go broke by 2035, according to projections by a government think-tank. To maintain them both at their current benefit levels, spending would have to double by 2050, reaching 10% of GDP. (Pensioner benefit spending in Britain, by contrast, is about 5% of GDP.)

In order to ease its burden, the government is trying to convince more people to sign up for private pensions. Since 2022 workers have been able to set aside savings in tax-deferred accounts accessible upon retirement. Only 50m people have enrolled so far (attracted by incentives like discounts on phone bills). Most of the accounts are still empty. Officials say workers don't understand the importance of pension planning. But a deeper problem is that many Chinese distrust financial products, preferring to put their money in property.

That leaves the government with some tough choices to make. It could press companies to contribute more to the larger state-run pension scheme. At present, many smaller firms dodge this responsibility. Or the government could hike taxes to fill the gap in its funding. That would involve root-and-branch reform of the fiscal system, says Christine Wong of the National University of Singapore. China's tax revenue accounts for about 20% of GDP, compared with an average of 34% across the OECD.

Another option is to make the state's pension schemes even less generous. But that risks sending more old people into poverty. Unlike in many Western countries, the elderly in China tend to be poorer than people from younger generations, who prospered more during the boom years. A study by researchers at Peking University found that 13% of China's over-60s lived on less than 300 yuan a month in 2020. So this option appears to be a non-starter. "We will continue to increase basic pensions for retirees," said Mr Li last month.

Invest in silver

It will be tricky enough for the government to ensure that the elderly have a sufficient claim on the country's output. But it must also make certain that the economy is producing the right stuff to satisfy an older population's needs. That is the final challenge—and the government is relying on market forces to play a role in allocating resources. Mr Li has promised to "develop the silver economy", a term used to describe goods and services aimed at old people. The sector will be worth 30trn yuan by 2035, up from 7trn today, according to official estimates.

Companies see opportunities, producing such things as medical equipment that can monitor old people's health at home and alert doctors in an emergency. The demand for nutritional supplements like calcium (for ageing bones) has increased. Analysts reckon the market for adult diapers could overtake the one for infant products by 2025. Meanwhile, the state is subsidising private investment in everything from companion robots to anti-ageing gene therapy. New kinds of jobs are emerging, too. Paid escorts, for example, accompany the elderly to hospitals and offer them emotional support.

But when it comes to more substantial care services, the scale of demand is such that the government will have to step up. As the number of old people suffering from chronic diseases and disabilities increases, the potential cost of long-term care nationwide will triple to $247bn per year by 2050, according to estimates from researchers at Chongqing Technology and Business University.

In cities like Shanghai, where local coffers are flush, the government seems to be doing a decent job. Officials have launched a programme to renovate the houses of old people, adding elevators, handrails and alarms. Cheap community canteens, which deliver, are being built in some districts. Officials also subsidise home bathing services for those with disabilities or dementia, taking notice of a practice that is common in Japan.

Most local governments, though, are short of cash. The care homes they maintain are either shoddy or have long waiting lists. Then there is the problem of staffing. China has 500,000 trained carers. It needs 6m, estimates Xinhua, an official news agency. In rural areas, officials are relying on what they call "mutual aid" projects, where younger old people help care for older ones.

For now few are complaining. Many have lived through far more difficult periods, such as the great Chinese famine (from 1959 to 1961) and the Cultural Revolution (from 1966 to 1976). Lauren Johnston of the University of Sydney calls China's old people the "suck-it-up generation". Indeed, they were forced to do just that when the government lifted most of its covid-19 restrictions in late 2022, without having adequately prepared for a big wave of the disease. Over 1m people are thought to have died in the months that followed. Most of them were old. The ruling Communist Party, which covered up the true death toll, paid no real political price.

But China's leaders do not completely ignore the feelings of old people. Indeed, one reason so many died of covid was because the government refused to mandate vaccination for fear of a backlash from the elderly. The next generation of oldsters may have more considerable demands. In 2049 the party will celebrate 100 years of its rule. By then half a billion Chinese will be over the age of 60. They will have grown up during boom times and may expect to while away their sunset years in comfort. If the party gets things wrong, its biggest critics may not be young liberals, but old curmudgeons. ■