

Peter Clarke: Hello. I'm Peter Clarke, this is Ear to Asia.

Jane Dutton: The Chinese government decided to abandon its controversial one child policy, allowing couples to have two children instead. However, China will feel the effects of the one child policy for decades to come.

Chris Brown: In just 15 years China will have over 210 million senior citizens and not enough young people to pay for them all. It's an economic disaster in the making that prompted China's Communist party to act.

Howard French: China will have the biggest aging crisis that the world has ever seen over the next generation. And this happens at a time when Chinese ambitions geopolitically speaking are expanding. And at some point these two phenomena will collide.

Peter Clarke: Ear to Asia is the podcast from Asia Institute, the Asia research specialist at the University of Melbourne. In Ear to Asia we talk with Asia researchers to unpack the issues behind news headlines in a region that is rapidly changing the world.

If demography is destiny then what kind of future is China facing after decades of reshaping its population with a combination of enforced family sizes and spectacular economic growth? China's one child policy which for 36 years imposed sometimes cruelly, limits on the number of children per family has only recently become history. Expanding economic and educational opportunities and rising incomes has seen China follow in the footsteps of other societies in the growth of an urban middle class, uninterested in raising large family broods. The nation's fertility rate has now dropped to well below population replacement. And as is now the case in Japan and parts of Europe, China will, in a couple of decades, be burdened with much of its population on the cusp of old age. Exiting the workforce and dependent on the resources produced by the young.

But how did China really get here? Was the one child policy officially seen as a success by Beijing only a sideshow to the larger driver of a skyrocketing economy in reducing the nation's fertility rate? How will China's aging population make itself felt in labor markets? And what will the tens of millions of excess men, a product of the cultural preference for male children and the one child policy, mean for marriage markets?

To give us a picture of China's evolving demography and its possible social and economic destinies, joining us today, long time China sociologist, Martin Whyte

who is John Zwaanstra professor of International Studies in Sociology emeritus at Harvard and a University of Melbourne Asia scholar. We also welcome development economic specialist, Dr. Lauren Johnston, recently of the Melbourne Institute of Applied Economic and Social research and now principal of New South Economics with the World Bank of Beijing as one of their clients. Lauren, Martin, thanks for joining us here on Ear to Asia.

Lauren Johnston: Hello Peter. Thank you.

Martin Whyte: Glad to be here.

Peter Clarke: Martin, of course this idea of the aging population, China is not alone in all that. We use this phrase, we hear this phrase, the one child policy. It trips easily off the lips. But what actually is the backstory to the one child policy?

Martin Whyte: It's a very peculiar backstory and the peculiar demography China has is not primarily due to the one child policy there's much misinformation about this. It's a rather cruel history but basically China started a mandatory birth limit program a decade before the one child policy was launched and it's known by the phrase, the later, longer, fewer campaign that already at that time they tried to mandatorily enforce limits of two children for urban families and three children for rural families. And they enforced it already in a quite coercive way during the 1970s and it was extraordinarily effective in reducing the fertility rate in China. So the fertility is sort of a projection, it's not an actual statistic of how many babies the average woman would have in her lifetime. And China went from close to six in 1970 to under three, 2.7, 2.8 by the end of that decade.

Peter Clarke: That's the fertility rate.

Martin Whyte: That's the fertility rate. So China was already well on its way using an already quite coercive policy to reducing fertility to closer to replacement level. Replacement level is 2.1 fertility rate. The one child policy was much more coercive using some of the same techniques and additional techniques. It produced a huge amount of abuse of the population. Coerced sterilizations and abortions, even third trimester Cesarean abortions if you can wrap your mind around that kind of concept. Smashing people's houses if the pregnant woman had run away and they couldn't get her to enforce their policies and so forth.

But in fact it didn't do all that much to reduce fertility further. The policy was formally launched in 1980. Initially the fertility rate fluctuated and the main driver of the reduction to below replacement fertility is China's very rapid economic development. There was no need to implement such an extremely

coercive policy that caused so much suffering and produced so much distortion of the demographic profile of China today.

Peter Clarke: I just want to come back to the economic forces at work on that in a moment but let's just delve a little more into the later, longer, fewer side of it. What did that involve? That was more, you said mandatory.

Martin Whyte: It was already mandatory. China did not totally neglect family planning in the Mao era earlier. There were voluntary family planning campaigns in the 1950s and again after the collapse of the great leap forward in the early 1960s. And China by the way, during this period, made advances. For instance they developed their own version of the contraceptive pill in the early 1960s soon after it was developed in the west. They developed a nationwide network of free distribution of contraceptives and so forth.

But this wasn't really very effective in controlling people's family size until 1970 when there was a very dramatic shifting of gears to a mandatory policy. In other words, if you had more than two children if you were an urban family or more than three in the countryside, you were subject to harsh coercion, at least potentially so especially during high tides of campaigns which was a characteristic of the Mao era. And particularly in urban areas you had systematic menstrual monitoring. You had local family planning workers that had records of every woman in the neighborhood or work unit that they were responsible for who would regularly check to see that they were having their periods on schedule so that they wouldn't have to wait at least in theory, to get the woman to agree to an abortion. Some women resisted and so you had these very late term abortions as well. It was already a very hard knuckles campaign but it wasn't as difficult to enforce as the one child policy. Especially in the countryside even though in the countryside eventually it evolved into a one and a half child policy.

The one child policy was enforced the most brutally in the early 1980s. In 1983 there were more than 20 million sterilizations performed in China. Now it's about one million a year. So 20 million and there were very large number of abortions, IUD insertions as well. And it caused such resistance that eventually they backed off a little and basically most rural areas allowed, if your first child was a girl you could have one more shot. So one and a half policy. But if your second child was a girl, you were supposed to stop and in many cases you were pressured or coerced into getting an IUD inserted or getting sterilized to make sure you wouldn't go beyond that. If your first child was a boy, you were supposed to stop right then.

Peter Clarke: Course this policy has been abandoned since the first of January 2016. Lauren, economic development being the best contraceptive. What are those clear links between economic development and population control?

Lauren Johnston: As economies develop, typically that's associated with women being in education for longer. So they will finish their education later in their lives and therefore have children later in their lives or even not have children at all and a richer society can afford to give those opportunities to women. It doesn't happen in all rich societies. For example some countries which are rich via oil exports rather than a slow and steady accumulation via industrialization have different fertility rates but that's one correlation between wealth and falling fertility is women's education.

And also there's an argument of a Nobel Prize winning economist Becker wrote about when you higher income you invest, you can invest more in the quality of your child and so it's about quality preferences. And if I'm not wrong there was some issue of quality over quantity in the push to have fewer children in China.

Martin Whyte: I would say one other fairly obvious component is the reduction in infant mortality and China has done an extraordinary job both in the Mao era and since then except for of course in the Mao era the great leap forward famine. There was very high rate of infant mortality. I don't have the figures at hand but maybe a third or more of your children that you had would die in infancy or childhood or whatever. So people can now much more anticipate that their children will survive and grow up. So in all countries that become economically developed you're going to have fewer children but you can invest more resources in them.

Lauren Johnston: And know they will survive.

Martin Whyte: And be pretty sure that they'll survive.

Lauren Johnston: Which is interesting because in other countries where they don't have a one child policy that fertility control mechanism, you find that there's a lag because people's behavior in responding, thinking, well now if I only have two children I can be fairly sure that they will live. It takes a kind of a 10, 20 year period for people to be sure that that's the case by which time they already have four children and all of a sudden those four children all then live. And hence you get this kind of demographic boom later on, a different structured boom. Whereas China almost avoided that period which might be another reason it has a kind of accentuated population aging issue now because there was a much more exaggerated fertility fall perhaps in places like sub-Saharan Africa.

Martin Whyte: But one of the features of China is because it tried to do something very extraordinary. No country has tried to say that you should only have one child. That's just inconceivable anywhere else. So on this issue of whether your child is going to survive. If you only have one child then the odds becomes a little dicier once again. And this was shown particularly in the 2008 Szechuan earthquake in which tens of thousands of children were killed by collapsing school buildings and this was a double scandal. The first scandal was just that apparently many of these school buildings had been poorly built with shady developers cutting corners and so forth so they were not going to be able to withstand the earthquake but then the second scandal was that in fact for large numbers of the parents that was their only child. In many cases they'd been sterilized after the birth of their child and so what are they going to do now? Who's going to care for them in their old age?

Peter Clarke: Getting old before getting rich, what is the nub of the concern amongst many Chinese officials themselves?

Lauren Johnston: Getting old before rich or actually literally in Chinese it's not rich first old. This was a notion that was put forward by a Chinese demographer in the mid 1980s where he kind of looked at the demographic trends that were emerging as a consequence of the one child policy and looked at what would be the projections of the rate of economic growth. And kind of fast forward to roughly around the year 2000 or the early 2000s and he could see that China would be demographically old before it would have reached a high level of industrialization or had reached the kind of peer economy status of Taiwan or Japan or South Korea. And there are a few factors that concerned him and the economists he brought into this thinking which was for example that China would have a high share of its population in the retirement category and that mean having to divert a lot of public resources to caring for them when actually they were still needed by the economy to get to a more developed level.

And another would be the shrinkage of the labor force. Before China had reached this industrial frontier would put pressure on wages that would reduce China's strength in this labor intensive manufacturing before China had reached a level of technology whereby it was able to compete with countries of the same wage level. So it would induce kind of premature wage inflation that would make China internationally uncompetitive. So these were kind of some of the concerns that Wu was thinking in the mid 1980s that if we get old before rich this might mean we never get rich. We get stuck in the middle income trap. Taking care of all these old people while Japan and South Korea and Hong Kong enjoy their prosperity because they got rich when they demographically young.

So China thought, my God, because of this one child policy we'll never be able to be like Japan, Hong Kong, Singapore, Taiwan, South Korea in getting rich when our population young and that's a comparative advantage.

Peter Clarke: You're listening to Ear to Asia, a podcast from Asia Institute at the University of Melbourne. I'm Peter Clarke with sociologist professor Martin Whyte and economist Dr. Lauren Johnston. We're discussing the coming challenges to China of an aging population and the demographic legacy of decades of population growth enforcement.

Lauren, is China unique in this regard? We do see other countries trying population control. Is it the sheer scale and diversity of China that's part of the conundrum here? From east to west the economic zones in the east, the much more remote and poorer parts of the west, north and south too. And the role of the provinces. Is that all part of this rather complex equation?

Lauren Johnston: I guess some parts of China are richer than other parts of China so the kind of balance between population aging and per capita income varies across China and that also therefore varies whatever is this burden of getting old before rich. So different provinces obviously have a higher share of old. Maybe those share of old are actually still relatively poor so even the burden of them on the local economy may be less than what it is in the richer parts. So this relationship between population aging and the economy is actually something that's really not well understood at all. 'Cause they came up with this old before rich notion in the mid 1980s when China wasn't particularly connected to the world. And they've seen this as their own problem because they're the only ones with the one child policy.

But actually thanks to this relationship between economic development and fertility decline it turns out that a lot of countries are now getting old before rich. And these include even some large developing economies like Turkey, Brazil, Thailand, Russia so there are a lot of countries that are now old before rich. And in fact some countries that even entered the high income group after becoming old. Now a lot of countries entering the high income group are old. China can probably learn a lot for the management of population aging if it studies how all these other countries that are experiencing population aging are dealing with the process too. Some of them are developing countries but then there's the whole OECD which is also encountering population aging and relationship between population aging and the economy will probably be very different in all of them.

In some cases being old before rich might be more disadvantageous to the economy than being old after rich but in other cases being old after rich like Japan might actually slow down the economy more. So there's really need to kind of take Wu's prescience on this old before rich notion and extrapolate it out so there isn't just old before rich. And old before rich is not even just a Chinese notion. But there is old after rich and how is this population aging affecting economies in different places? And then to work that back into the best policies which hopefully can generate the resources to manage population aging in any context while continuing economic growth.

Martin Whyte: I think Lauren's research on this question is very interesting. Sort of comparative macro looking at indices of aging and economic development and so forth. But I still have certain concerns because again China is really quite distinctive compared to even Japan or any of these other countries.

Peter Clarke: What are those key distinctions?

Martin Whyte: Well, one of them is the extraordinary rapidity. So it's not just that it's gotten old before rich but it's gotten old so rapidly. There's various kind of statistics people use to point to this. One is as late as 1995 there were at least in the population from 15 to 59 the potential labor force, there were seven or more potential workers for every person over age 60. By now it's down to four and it's projected within another couple decades to be down to two. China already has 240 million people over age 60. China has more people over 60 than all but about three or four countries in the world. Of course China has more of lots of things than the rest of the world.

Another very important part of it has to do with the fact that China has this very distinctive and strong family tradition and up to now families have been the main provider of support for the elderly and so forth. So whatever the impact on growth rates and so far and on other things there is just a changing situation in which a very small number of children in the youngest generation are growing up with a large number of parents, aging parents and grandparents to potentially provide support to. China up to now has relied particularly in the countryside, overwhelmingly on families. And there are some things that China could do to at least somewhat ameliorate the problem. One is that China has very young in the urban economy retirement ages which make no sense. It's very bizarre.

They are a legacy of the Soviet model. The Soviet Union instituted earlier retirement ages for women than for men and earlier for manual labor females.

So China still on the books woman in a manual labor job in the urban economy is supposed to retire at age 50.

Peter Clarke: Meanwhile in economies like ours they're pushing that retirement age up towards 70.

Martin Whyte: Yes. And China is already recognizes this, is having debates about it. Up to now it's been justified mainly by the fact that China also has very high rates of maternal employment compared to other countries. So how do you sustain very high rates of maternal employment by having grandmas retire early? Young grandmas to tend their grandchildren and tend house so that their daughters or daughters-in-law can be full-time employed. China has much higher rates than any western country. So again, the distinctiveness of Chinese families then plays into all of this and what's going to happen when in fact the need for assistance mainly turns in the other direction from the younger generation providing assistance to the elderly? And China is continuing into make progress on keeping people living longer.

Lauren Johnston: On this old before rich versus old after rich, it's probably not incidental or it's just coincidental timing just yesterday I think the world's oldest person died.

Peter Clarke: 117.

Lauren Johnston: 117. And Japanese not Chinese. So actually this longevity issue is still much more of an issue in the old after rich economies than it is in China today and maybe not somebody who's 117 but certainly Japan's demographic boom really lived most of their lives very, very prosperous and they were very prominent and dominant in shaping the Japanese economy. And they have pensions unlike say the Chinese who have very minimal pensions and they're slightly nervous about how to sustain themselves in old age. In Japan the average older person may not be a millionaire or may not be as prosperous as they were when they were working but they're actually relatively prosperous across their lifespan and certainly compared to a 65 old in China who has spent most of their life in a quite a poor country and thus had less of a chance to accumulate wealth and to enjoy a kind of a relaxed, casual, high consuming lifestyle.

For example, now China may be at the end of its main demographic dividend period where they had this massive share of workers who were able to produce readily for very few retirees and fewer children. So had a favorable dependency ratio but on the other hand its increasing share of elderly dependents are persons that enjoyed less education than the current working age population. So you see a kind of a dramatic shift. And I appreciate what this does is

introduce a lot of sociological issues because you have these highly educated children wanting to live in Shanghai and Beijing and Shenzhen and not in their village in Gansu for example. So you have the kind of sociological constraints on caring for the elderly and caring for families and parents.

But on the other hand you have a generation newly able to be productive. And that shift between generations in terms of education isn't being seen in places like Japan. I mean it might be at the margins but it's not dramatic. So you don't have a big potential shift in the productive capacity between generations in say the Japanese case or even in the European case. So the potential of the diminished workforce in Europe to generate the resources to fund what is an incredibly entitled older population. That's almost a double whammy in the opposite direction. Which doesn't answer the sociological issues of the Chinese case but I'm optimistic on the potential of China's shrunken workforce to generate resources and be innovative because they've had a very different lifespan and a much more privileged education than the retiring population ever had.

Martin Whyte: I would like to call attention to one very important sort of differentiating feature that we haven't talked about yet which is the rural urban gap in China which is really extraordinary. Arguably larger than the income and lifestyle and opportunity gap in maybe any other country on the planet due to complicated policies that really began under Mao. Again multiple ironies of the Chinese revolution that this son of the countryside who led a peasant army to power ended up producing a system that has been extraordinarily favoring a people in urban areas in his era and still today.

There's sort of two aspects that are relevant to the points that Lauren was just making. One is that up until very recently there were essentially no meaningful pensions for rural Chinese who were no longer able to be in the labor force. They're beginning just in the last few years to experiment with a very, talk about minimal, I think you get 50 yuan a month or something like this.

Peter Clarke: That's tiny.

Martin Whyte: You can't exactly live on that. But the other feature is that there's an extraordinarily large gap in educational opportunities, the thing that Lauren was focusing on between the modal educational attainment of an urban youth with an urban household registration is college today. I think it's 60, 70% of them can go to some college or are going to some college with very rapidly expanding university. The modal education of a rural youths is essentially junior high school or lower middle school is the Chinese. On the one hand the large

numbers of these rural youths with lower middle school education have been powering China's economic growth, they're the ones been working in these export factories. The construction. The sort of gleaming buildings you see in all these Chinese cities, these are built by predominantly or maybe totally the manual workers on those projects are rural migrants who've come into the city and so forth.

Insofar as they're successful and say they do accumulate resources. They can send remittances to help their families in old age but the older people also in the countryside did not accumulate any resources to speak of because of socialism. We even have accounts by anthropologists of the desperate anxiety of some older people in some rural villages. One dramatic case in which it's now increasingly expected even in the countryside, if you're going to marry off a son you need to build a new house. A family in this particular village in northeast China that couldn't afford to that, the parents moved into the animal shed to give their own house to their son and the new daughter-in-law to entice them to come back to the village which was not easy to do.

Peter Clarke: And to get a bride in the first place.

Martin Whyte: Yes. It's actually 30 plus million extra males at the moment and growing. And the main crunch is still to come because of course the highest imbalances of births, more males than females have been in recent years and they won't be marrying for two decades or so from now.

Peter Clarke: Lauren, Martin mentioned the family attitudes to looking after aged parents et cetera. I know that at least a decade ago the various colleges like vocational education and training colleges, some of them were bringing their focus onto age care training. Is there a big economic opportunity lurking there for age care? Building up that whole industry.

Lauren Johnston: In principle yes I guess that depends on the cultural preferences of older Chinese people, how they want to be cared for, how they end up being cared for. I believe around Shanghai and in Zhejiang, Jiangsu area, there is some experimentation with some quite luxurious nursing homes and elderly care facilities. These may not be something that most Chinese can afford as Marty was just saying. So this is this differentiation. It's probably along China's rich coastal provinces yes. And also just for lot of learning of what are the best policies? However big the commercial opportunity is, it's indisputable that there are opportunities for kind of crosspollination of ideas for policies that can make this as enjoyable and as prosperous and as affordable and sociologically sustainable as possible.

And just to bring this back a bit to the one child policy and the old before rich notion. If maybe in the kind of macro abstract long run sense I wonder if the fact that China implemented a one child policy whether they needed to or not in terms of to deliver the outcomes they were wanting as Marty has explained. In my sense, it made China very, very aware of the fact that it was compressing its period of demographic dividend but this model of kind of maximizing the return of this lesser educated population for building roads, building bridges, creating very, very cheap manufactured products for export, this was a kind of an almost an explicit maximization of what they understood would be a narrow demographic dividend period thanks to their family planning policies.

Now it turns out that other countries actually probably have a compressed demographic dividend too just because fertility has fallen faster than what was expected in other places. That's the arrival of contraception, female education, income gains and so on. But those countries weren't similarly aware, almost they weren't conscious of, well hang on a minute, we've only got this 25, 30, 40 year window because we've reduced our population so dramatically. So at least across countries that are old before rich, China may turn out in retrospect historically looking back to have been favorably positioned just because it made itself aware of its narrow demographic dividend. It kind of super charged its lesser educated population into lesser educated areas of employment that were advantageous to China's development in a long run sense. Building all the infrastructure. Building all the buildings, the houses. Working in low cost factories.

And now it's shifting that model just as that demographic dividend fades and it happens to have a disproportionately educated population to kind of try best as they can to move into that new higher productive, more innovation oriented, consumption oriented model and I'm not sure other developing countries are quite as prepared just because they didn't enforce the drop in fertility. So they were never so conscious of their demographic dividend window maybe.

Peter Clarke: So final question to both of you and a very obvious one. How do you see this trajectory going? Will the crisis bite very hard? Or are there things on the horizon that may ameliorate all this? Martin.

Martin Whyte: I'm not very good at predicting the future and nobody who studies China has done a very good job of predicting the future. When I first started studying China the cultural revolution was on. Pudong and Shanghai were a couple of warehouses and now it's these gleaming skyscrapers and so forth. I'm relatively optimistic that China will be able to get its economic act still going. They're still

doing much better in terms of growth rate at least and rising income and rising educational level. So I'm relatively optimistic. But in terms of sort of families and how they're going to cope with the trends in the future I think it's just going to be very painful and very difficult.

Peter Clarke: Lauren.

Lauren Johnston: I agree with Marty that the micro story of population aging in China may involve quite a bit of suffering and certainly if you compare that to the old after rich case of being old in contemporary Japan it's certainly a lot more comfortable than being old in Gansu or old in Guizhou. Like the poorer parts of inland China. So the micro story will be challenging no doubt. The macro story I'm also confident that China can manage that macro story. I wrote a piece, I think in 2012 and the last line was cut off so I'll say it now. Which was, "I would rather be old in Japan and young in China." In the end this old before and after rich, be better off as an old Japanese today than what is a young Japanese person's lifestyle or lifetime trajectory relatively. But you'd be better off being young in China.

Peter Clarke: Lauren, Martin, thank you for spending some time with us today on Ear to Asia. And for your insights. Thank you very much.

Lauren Johnston: Thank you Peter.

Martin Whyte: Thank you very much.

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I'm Peter Clark. Thanks for your company.