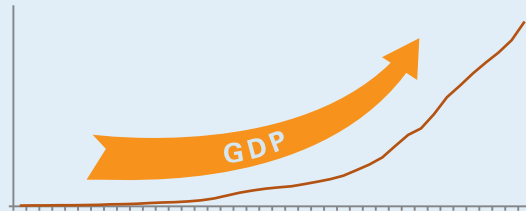


# CHINA

## The Economic Miracles and Demographic Dividend in China

### Abstract



中国人口与发展研究中心 China Population and Development Research Center



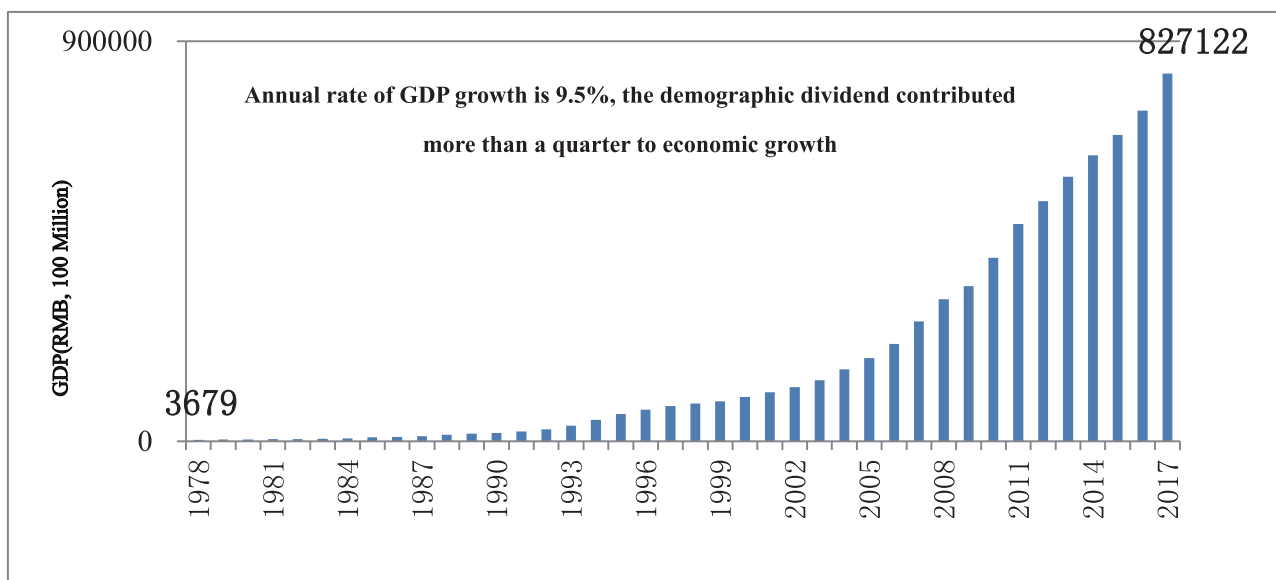
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United Nations Population Fund in China

### Economic Growth in China

- From 1978 to 2017, China achieved a rapid economic growth for 40 years, with GDP rising from US\$ 149.5 billion to US\$ 12 trillion.
- At present, GDP per capita exceeds US\$ 8,800.
- China's position in the world economy moved up from the 10th place at the beginning of reform and opening-up in 1978 to the 2nd place, becoming the second largest economy after the United States.



Source: National Bureau of Statistics, China Statistic Yearbook 1978-2017.



### Demographic Window in China

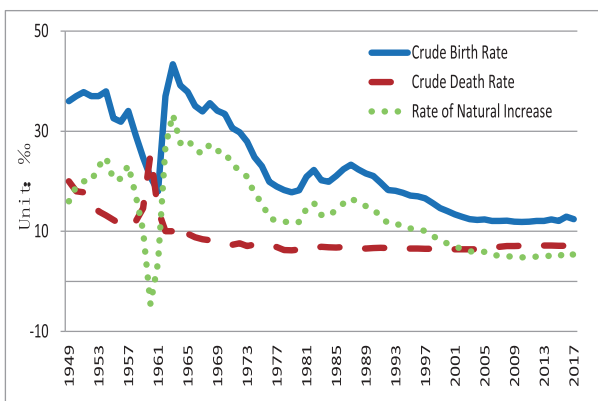
**The crude death rate declines rapidly.** In 1949, the crude death rate in China was as high as 20‰. Accompanied by the economic and social development, it dropped to 10‰ by the end of 1950s, and to 6‰-7‰ by the middle of 1970s, and has remained at the level until present. Life expectancy at birth has risen rapidly, from 35 years in 1949 to 76.7 years in 2017, with an increase of nearly 42 years in more than 60 years.

**The fertility rate fell drastically.** Since the 1970s, the crude birth rate declined, from 33‰ to 20‰ in 1990, and currently fluctuates around 12‰.

Before 1970, the total fertility rate was about 6 and continued to decline since then. It fell to replacement level in the early 1990s and remained at below the replacement level in the last decade.

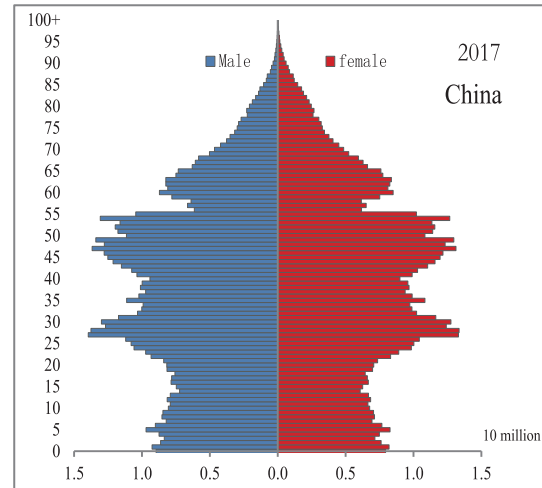
Correspondingly, rate of natural increase gradually decreased from over 20‰ to less than 15‰ in 1990 and below 10‰ in 1998. It has been stable at 4‰ to 6‰ in recent years.

**Family planning policy accelerated the demographic transition.** Implementing the basic state policy of family planning, China took comprehensive measures to control the population size and improve the quality of human capital. By the end of the 1990s, the historical transition from a ‘high birth, low death and high growth rate’ to a ‘low birth, low death and low growth rate’ was achieved. The population in China has stepped into a modern type of reproductive pattern and completed the demographic transition.



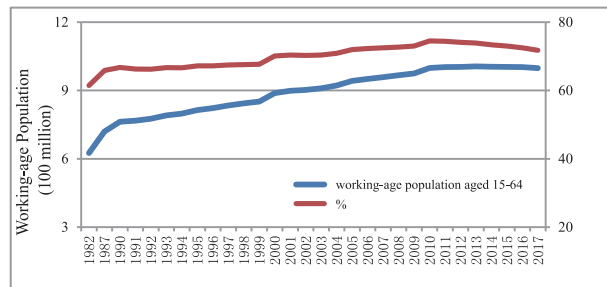
Source: National Bureau of Statistics, China Statistic Yearbook 1949-2017.

**Population age structure became conducive to economic growth.** Along with the demographic transition, the population age structure of ‘the middle part is large while the two ends are small’ has gradually been formed since the 1980s. The size of the working-age population has steadily increased, and the dependency burden has been lowered, gradually opening a window of demographic opportunity.



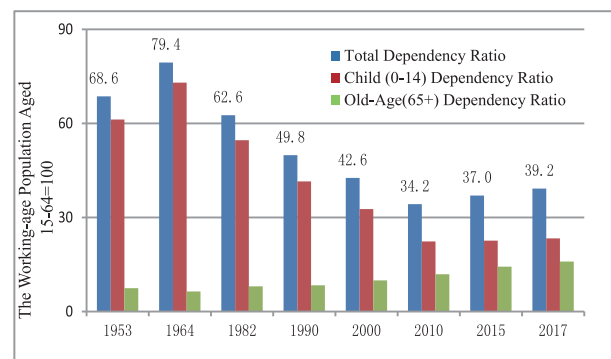
Source: Data Laboratory of China Population and Development Research Center.

In 1982, the working-age population aged 15-64 was 620 million, accounting for 61.5% of the total. With the baby boom of the 1950s and 1960s entering the working age period, the working-age population kept growing. It exceeded 800 million in 1995, 900 million in 2002 and 1 billion in 2011. It reached a peak value of 1.006 billion in 2013, and then declined slightly. By 2017, the working age population was 998 million people, holding more than 71.8% of the total population.



Source: National Bureau of Statistics, China Statistic Yearbook 1949-2017.

**The dependency burden is relatively light.** In 1982, the total dependency ratio (The population aged 15-64=100) of the population was 62.6. In 1990, it decreased to a level of below 50 at 49.8. In 2010, the total dependency ratio was 34.2 and then it gradually increased to 39.2 in 2017.

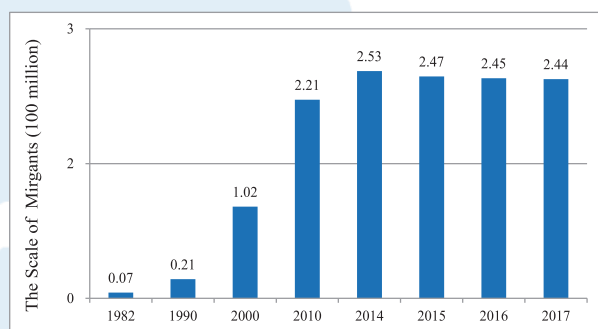


Source: National Bureau of Statistics, China Statistic Yearbook 1949-2017.

## Reform and Opening Up

China's reform and opening-up in 1978 was one of the world's most significant and influential events in the 1970s. China has broken the drawbacks of its planned economic system, gradually established a socialist market economy system, implemented an important policy of internal reform and opening up to the outside, and adopted a series of policies on economic and social development that are beneficial to the achievement of its demographic dividend.

**Promoting free movement of laborers.** A large number of farmers have sought employment opportunities in cities, achieving the largest cross-sector allocation of labor force elements in human history. Rural-urban and urban-urban migrants were only 7 million in 1982 but increased to 244 million in 2017.



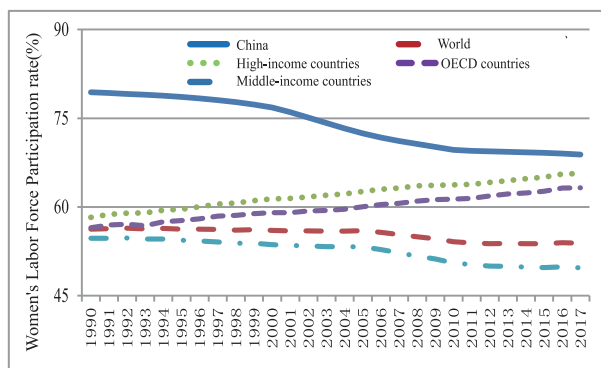
Sources: (1) Statistical Communique of the People's Republic of China on the 2017 National Economic and social Development. (2)SSB, China Statistic Yearbook 2017. (3)Duan et al. (2008). Nine Trends in China's Floating Population since the Reform and Opening Up, Population Research,06: 30-43

**Developing labor-intensive industries.** China has taken advantage of the large and low-cost resources of its labor force and has developed industries that provide more job opportunities, such as materials manufacturing, food, catering, internet economy, logistics, express delivery, sharing economy and so on. The total number of employees in 2017 was 776 million people, accounting for 77.8% of the working-age population.

**Reforming the system of employment and entrepreneurship.** In the mid to late 1990s, China achieved a relatively full employment through the implementation of employment system reform focusing on proactive employment policies, support and encouragement of rural labor migration, removing unreasonable restrictions on migrant farmers' employment in urban areas and creating a unified labor market in both rural and urban areas. The registered urban unemployment rate was 3.90% in 2017.

**Promoting equal participation of women.** In 1995, China formally proposed a basic state policy of gender equality. Law of the People's Republic of China on the Protection of Rights and Interests of Women, amended in 2005, stipulates that 'the country has a basic national policy of gender equality' and

grants it legal status. From 1982 to 2015, the average life expectancy of women increased from 67.3 to 79.4 years. In 2015, the proportion of female students enrolled in high school, colleges and universities, and graduate schools was 50.7%, 52.5% and 50.6%. In 2017, women's labor force participation rate was 68.8%, significantly higher than the world average (53.9%), that of OECD countries and middle-income countries.



Source: World Bank Open Data, <https://data.worldbank.org/>.

**Implementing the strategy for invigorating China through science and education development.** The expenditures on education in China have been under continuous increase. In 2016, the amount reached 3.9 trillion yuan (RMB), of which the fiscal expenditures on education reached 3.1 trillion yuan (RMB), accounting for 16.7% of the total fiscal expenditures, the largest share of national fiscal expenditures. The Compulsory Education Law of the People's Republic of China was promulgated in 1986 and the nine-year compulsory education system was implemented in both urban and rural areas. Since the new century, higher education has entered the popularization stage. At present, there are 171 million of people who have received college education or above.

## Favorable International Economic Environment

**Establishing special economic development zones.** Through reform and opening up, China has succeeded in seizing the opportunities of economic globalization. China endeavored to set up four special economic development zones of Shenzhen, Zhuhai, Xiamen, Shantou and Hainan, open a number of coastal cities, establish economic and technological development zones, export processing zones, comprehensive bonded zones, and free trade zones, etc., in order to actively undertake the industry transfer of developed countries and promote a rapid development of manufacturing industries by the introduction and use of technology, capital and other international resources.

**Actively absorbing foreign investment.** Since 1978, China has implemented the strategy of opening up to the world, seized the opportunity of international industrial transfer and capital flow, and actively absorbed the most needed capital and advanced technology in China. The quality and level of

foreign investment that China utilizes have improved markedly, with 131 billion dollars in 2017, ranking the first among all developing countries and making important contributions to economic and social development.

**Integrating into the world economy.** In 2001, China formally joined the world trade organization and participated in economic globalization. In 2017, the worth of import and export goods for the entire year in China was 27.79 trillion yuan (RMB) and the worth of import and export of services was 4.7 trillion yuan (RMB), making it the largest trading country in the world. A large number of fortune 500 companies have invested and developed in China, such as Intel, Mercedes-Benz, Adidas, Siemens and Ford etc. A number of Chinese companies, such as State Grid Corporation of China, Sinopec, Industrial and Commercial Bank of China, Shanghai Automotive Industry Corporation, Alibaba and Tencent, have also become the fortune 500 companies and gone international.

**Implementing the Belt and Road Initiative.** Based on the principle of achieving shared growth through discussions and collaborations, Asian Infrastructure Investment Bank (AIIB), Silk Road Fund and the BRICS New Development Bank have been set up. By the end of 2017, China had built 75 overseas economic and trade cooperation zones in more than 20 countries, the trade in goods with the Belt and Road countries exceeded 5 trillion US dollars, and the outbound direct investment is more than 70 billion U.S. dollars. China endeavors to create a new win-win and multi-win international trade environment where the world share the dividends of China's economic growth.

### Harvest the Demographic Dividend

**The empirical formula for reaping demographic dividend.** Demographic dividend is an economic concept based on demography. The important precondition of reaping demographic dividend is the demographic window created by demographic transition, however, the demographic window will not automatically be turned into demographic dividend.

China's experiences have proved that demographic window could only be turned into demographic dividend and become an important source of economic growth if coupled with compatible domestic economic and social development policies and the favorable international economic environment. It could be expressed by an empirical formula:

$$\begin{aligned} \text{Harvesting Demographic Dividends} = & \\ & \text{Demographic Window} \\ & + \text{Domestic Economic and Social Development Policies} \\ & + \text{Favorable International Economic Environment} \end{aligned}$$

The three conditions of reaping demographic dividend -demographic window, reform and opening-up policy measures and the favorable international economic

environment have historically converged in China. China has seized the opportunity to successfully turn the demographic window into the demographic dividend and produce huge impetus for national economic growth. Demographic dividend, contributed more than 1/4 to the economic growth, and created the economic miracle in China.

### How to Harvest the Demographic Dividend in the New Era?

**The opportunities of demographic dividend still exist in China, and the window of qualitative demographic dividend has been opened.** Labor resources remain vast. Before 2036, the size of working-age population in China is still over 900 million. By 2047, it is still above 800 million, which is over 200 million more than what was in the early stage of reform and opening up.

**The burden of dependency is low.** By 2030, the total dependency ratio will reach 50, meaning that the demographic window will remain open until 2030.

**The human capital stock is growing.** In 2015, among the total population of China, 12.4% of the population received education from college or above, and 15.4% from senior high school, accounting for 27.8% if combined. At present, the average education age of the new labor force has reached 13.3 years. From the intergenerational perspective, the average number of schooling years for the 'post-60s' to 'post-90s' is 9.01, 9.63, 10.74 and 12.19 years respectively, indicating a rather substantially rising education level of new labor force in the future.

**Transforming the development modality and reaping the new demographic dividend.** Efforts are required to apply the new vision of innovative, coordinated, green, open and shared development and develop a modernized economy. Efforts are also required to further supply-side structural reform and implementing such strategies as the strategy to invigorate China through science and education development, the strategy to develop a quality workforce, the innovation-driven development strategy, the rural vitalization strategy, the coordinated regional development strategy and the sustainable development strategy, in order to reap a comprehensive demographic dividend from the perspectives of population quantity, quality of human capital and improved health, etc.

