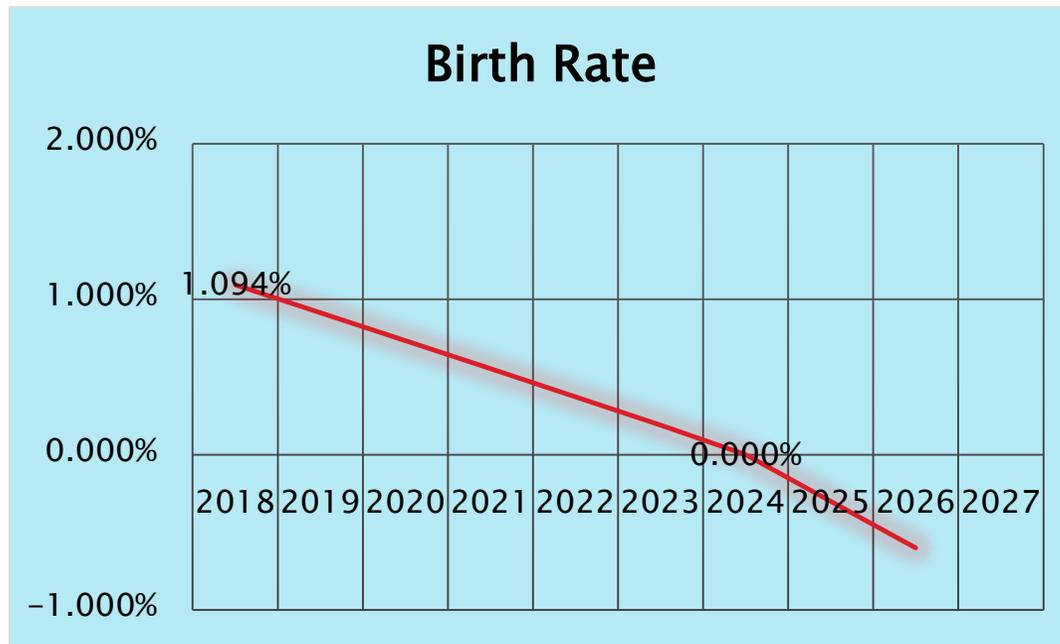


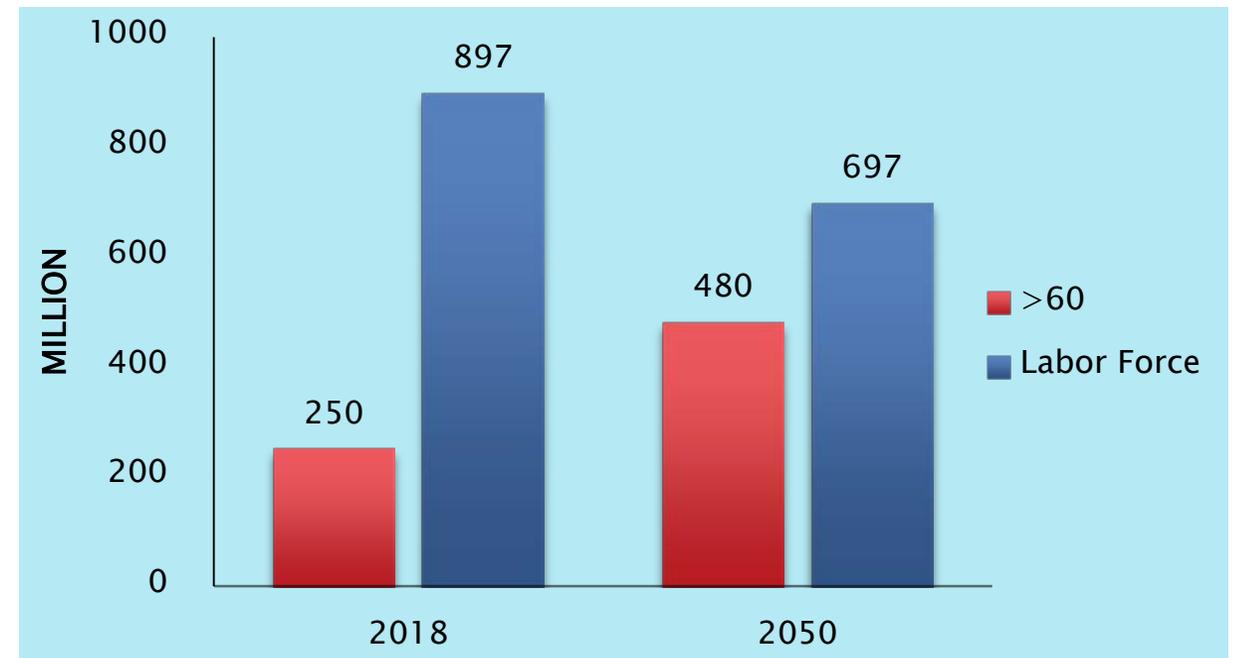
Aging and Its Fiscal Implications for China

Aggravating Trend of Aging Population

1. Lowering Birth Rate

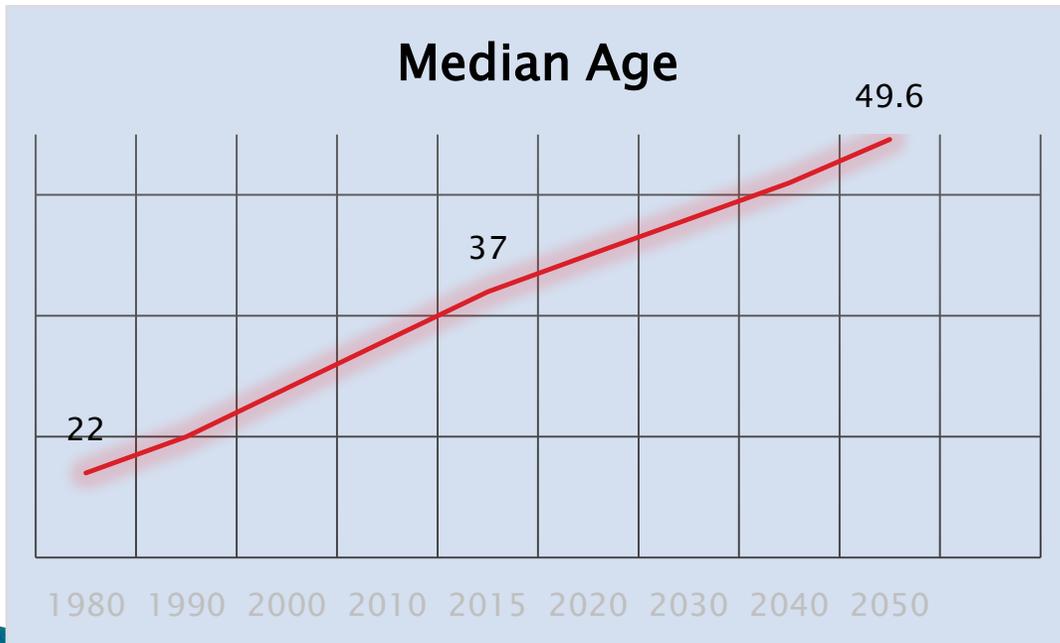


2. The Increase of Aging Population



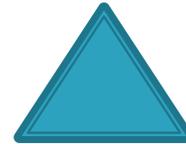
Aggravating Trend of Aging Population

3. Increasing Median Age



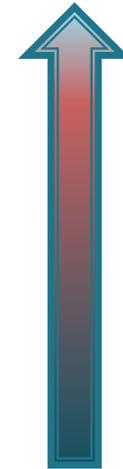
4. The Change of Dependency Structure

940 million

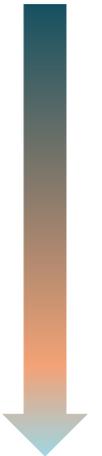


Amount of Labor Force in 2011

Growth of the Youth



Growth of the Aged



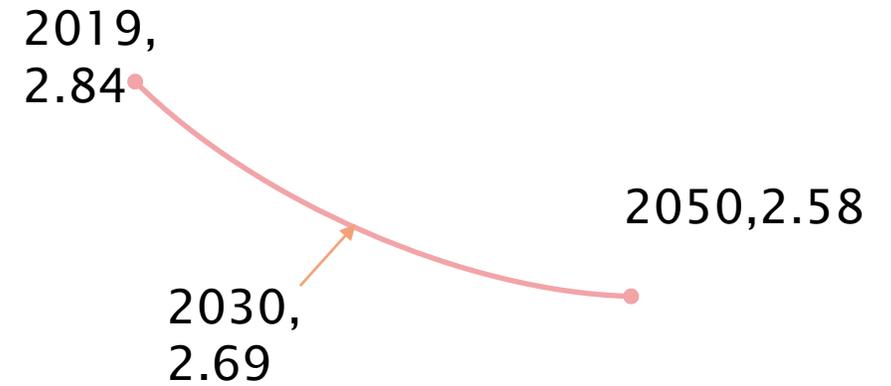
Changes of Family Structure and Social Net



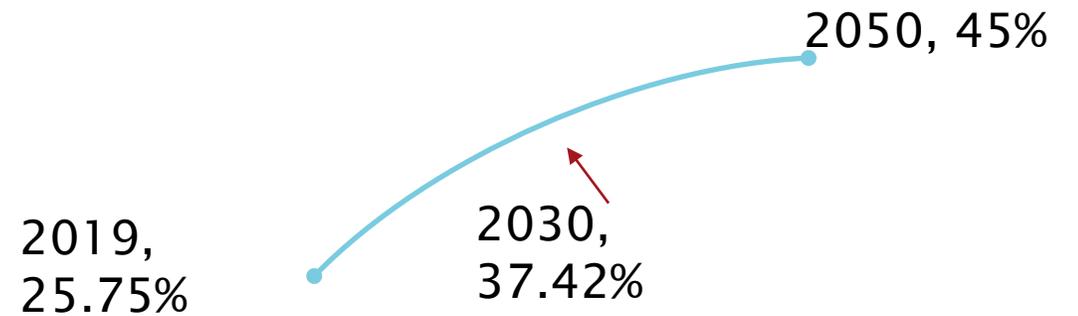
Traditional Value: in a long lasted Ethical Value system and Social Order in China, taking care of parents is a person's responsibility and core value for a family



The industrialization and marketization trend of the society is challenging the traditional family structure and traditional value in China



Average Family Size in China



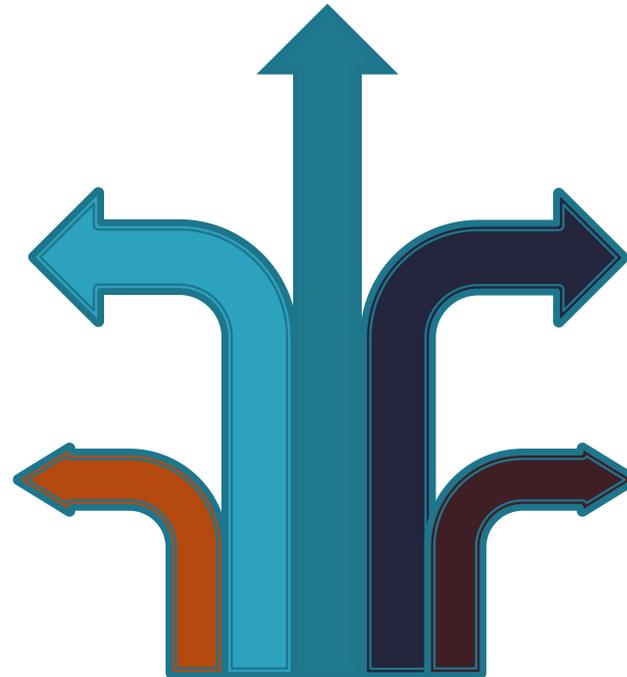
Ratio of the Family with 65+

Challenges from Aging Population

Pension is not well funded.

Basic Service for the Aged needs to be extended.

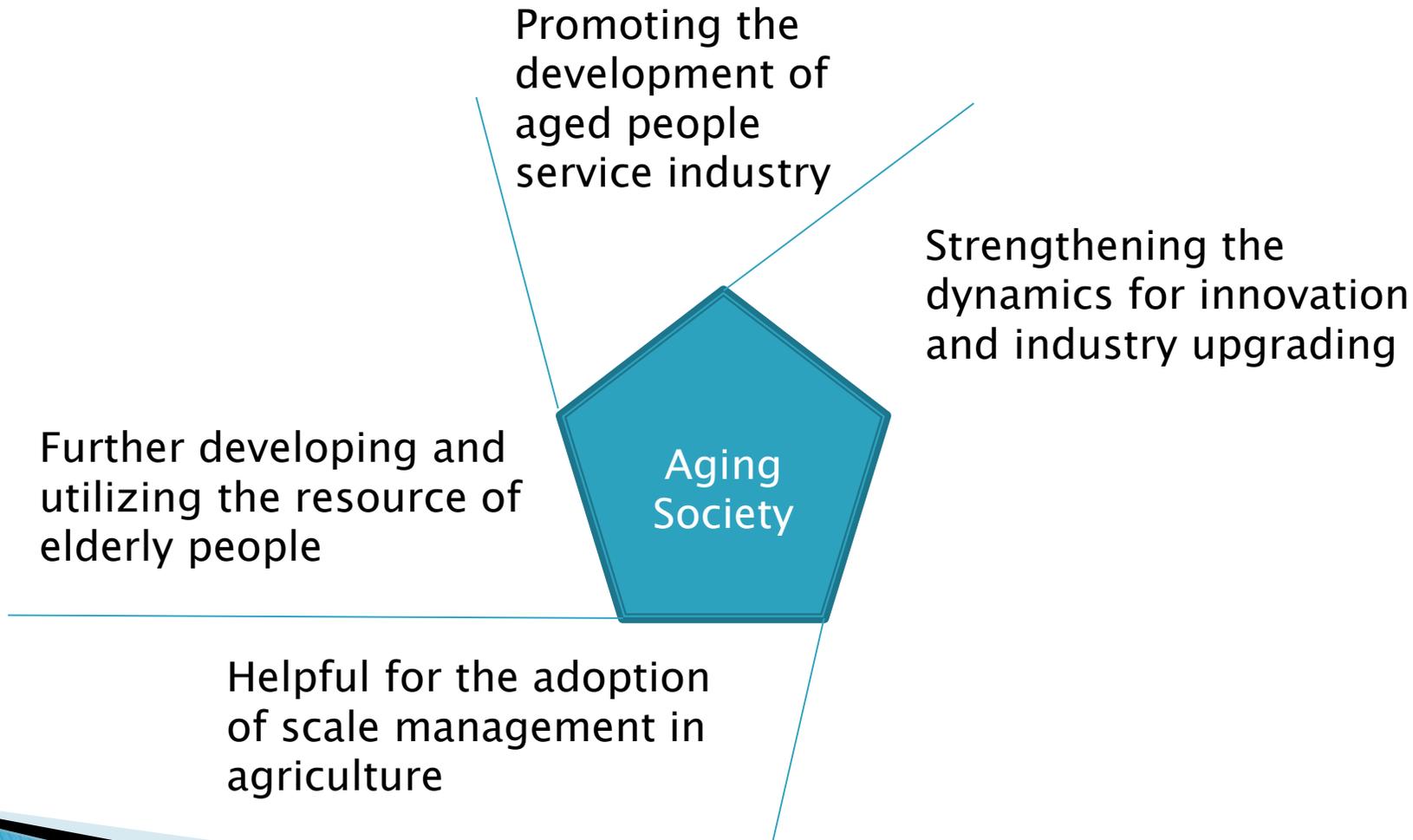
A long-term nursing system for the aged needs to be established urgently.



The quality of services, provided by the community, for the home-stay elderly people need to be improved.

A big gap for the well-trained nurses.

Challenges and also Opportunities



The Implication of Aging on Chinese Economy

- ▶ **Influence on labor productivity.**

From the negative side, the aging labor force structure leads to the decrease of labor participation rate and lower labor mobility, and restricts the growth of labor productivity, regarding the fact that labor-intensive industry still plays the main role in Chinese economy.

On the other hand, from the positive side, the decrease of labor force supply will increase labor costs and promote market competition, and indirectly stimulates social innovation and improve labor productivity.

The Implication of Aging on Chinese Economy

- ▶ **Influence on industrial structure.**

From the international experience, aging will facilitate the development of service sector, bring opportunities for the **development** of "silver industry" which targets on elderly people, such as health care, nursing and leisure tourism.

In China, a divergence occurred. In well urbanized areas, aging goes along with the development of service sector. While in less urbanized areas, aging restricts the upgrading of industrial structure.

The Implication of Aging on Chinese Economy

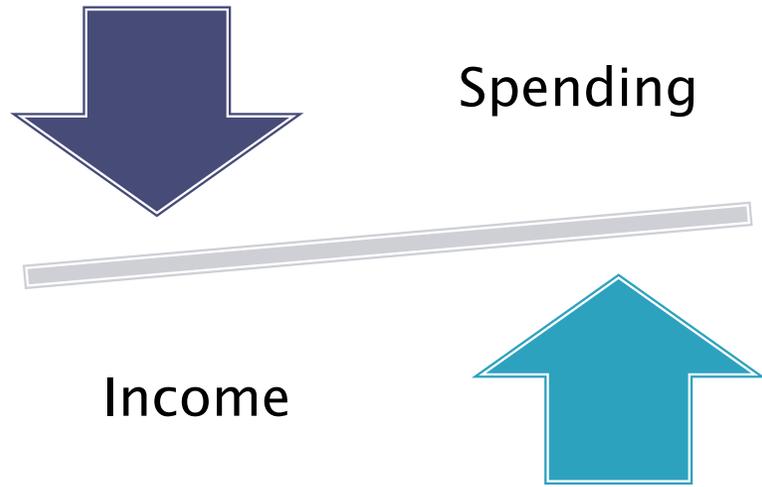
- ▶ **Influence on current account.**

Many empirical research draw the conclusions that aging is negatively related to the current account balance. Aging leads to an increase of elderly dependency ratio, and domestic consumption, a growth of imports and a decrease in domestic savings.

At the same time, due to the relative scarcity of labor force, wages go up, and output goes down, domestic products become less competitive, export becomes weaken and the surplus declines.

The Implication of Aging on Chinese Economy

Pension Insurance Fund



Basic Pension Insurance Fund for Urban Workers

▲ In 2017

◎ spending 3,805.2 billion RMB, with year-on-year growth of 19.5%

◎ income of 3340.4 billion RMB.

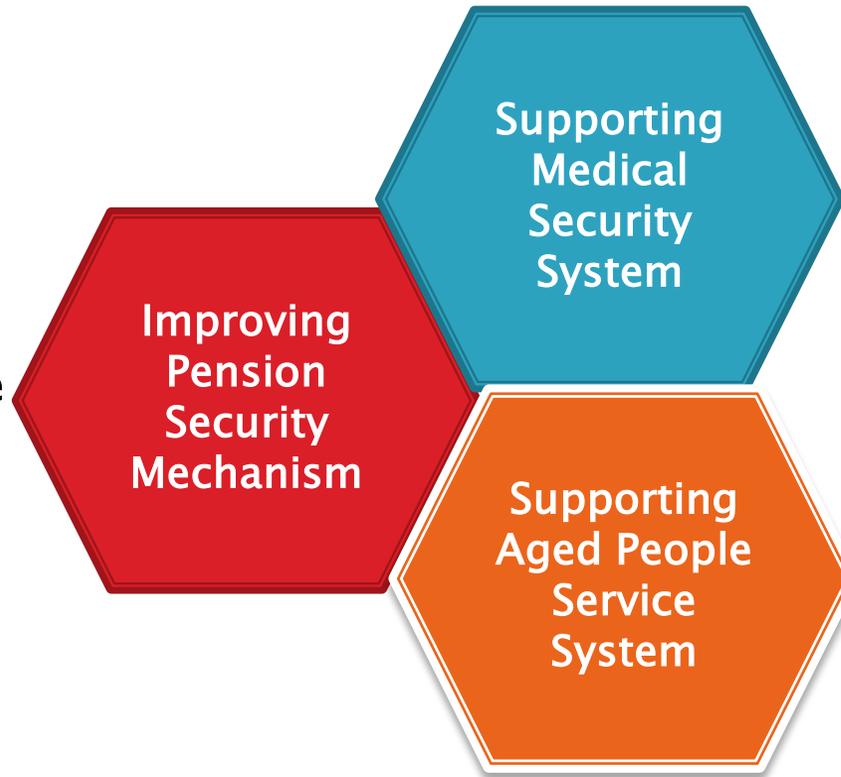
There was a gap of 464.9 billion RMB.

2020: Aged People Service System

Fully complete national-wide plan of pension insurance for employees

Set well the standard of basic pension benefits for urban and rural residents and make sure that the related adjustment mechanism work well

The pension payment will be fully supported by central government's budget



Fully reform the medical insurance payment system, well manage the related spending

Improve sustainable financing of basic medical insurance and benefits adjustment mechanism

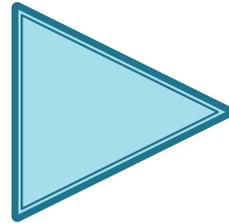
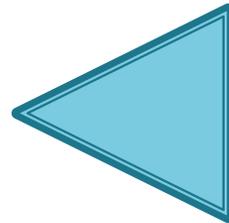
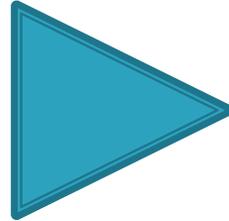
More preferential policies, in tax, financing and land, for aged people service industry will be issued

Pilot projects of long-term nursing are implemented, and the long-term nursing system is being built up

The General Vision of Aged People Service in New Era in China

**Mid of 21st Century:
Fully Developed Aged People Service
System with Chinese Characteristic**

2020 Aged People Service System:
based on home-stay, supported by
community, Institutions as
complimentary, Family care together
with medical care



**2035: Aged People Service System
with Chinese Characteristic is to be
well set.**

Fiscal Policies Responding to the Challenges from Aging

- ▶ **Strengthening reallocation of pension fund among provinces**
In 2019, the reallocation rate is enhanced to 3.5%, with 630 billion RMB.
- ▶ **Transfer some state-owned assets to social security fund**
Since Oct. 2017, some state-owned assets valued about 860 billion RMB have been transferred to social security fund.
- ▶ **Increase the subsidy to the basic pension insurance fund by central government**
In 2019, 528.5 billion RMB, from central government's budget, is planed to be injected to the basic pension insurance fund.
- ▶ **Further deepening related reforms, to establish a more balanced and well managed pension system**

Promoting International Cooperation

- ▶ **Aging is a global phenomenon. Countries could share experiences and learn from each other.**

Multilateral: G20 Osaka Summit

Adapting to demographic change is one of the three pillars of discussion in employment theme.

Bilateral: China and Japan

MoF of China and MoF of Japan could strengthen related cooperation and work together to conduct joint research.

- ▶ **The booming of new technology, such as Artificial Intelligence (AI), could benefit aging society, but could also cause global challenge, which requires international policy cooperation in labor force.**

AI represents new productive force. In positive side, AI could play a complimentary role in a aging society to bridge the gap between labor demand and supply. And it could be used in nursing and medical care for elderly people. In negative side, if AI replaces labor force disorderly, the unemployment rate will rise and social stability will be affected. It's urgent for international society members to collaborate with each other, make research, issue strategy and set rules.