

**CHINA RELAXES POPULATION
CONTROL TO EASE FUTURE
LABOUR MARKET PRESSURE**

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EAI Background Brief No.1054

Date of Publication: 27 August 2015

Executive Summary

1. Labour is an important factor of production and key to a country's economic growth. As the world's most populous country, China has rarely encountered the problem of labour shortage.
2. On the contrary, it had to adopt population control measures to address the rapid population boom in the 1950s, from instructions on birth control in 1962 to the restrictive one-child policy in 1981.
3. However, as total fertility rate continues to decline and the population rapidly ages in recent years, there have been calls for the government to relax population control. Many fear that a serious labour shortage is looming in China.
4. In 2013, the Chinese government eased the controversial one-child policy, with limited effect and China's fertility rate continues to decline. A United Nations survey forecasts that by 2050 China will have a labour shortage of 250 million.
5. The 2050 potential labour shortage in the context of a fourfold increase in elderly population in China will be especially significant. According to the same survey, the potential support ratio by 2050 will decrease to 2.7, implying that every elderly person in China will be supported by 2.7 working-age people only compared to 10 in 2000.
6. If taking into account the enhanced life expectancy and increased average wage level, China's 2050 monetary support ratio afforded by the working-age group would be even more significant than 2.7. This will bring China a labour supply crisis in the foreseeable future.
7. This potential crisis requires the Chinese government to commit to stronger policy efforts to boost current fertility so as to alleviate pressures on China's labour market.

8. The timing of the policies also matters. China's childbearing-age population has declined rapidly in recent years. The post-90s female population is 25% less than that of the post-70s. The Chinese government needs to act promptly for the post-70s and post-80s to fill the gap in its labour market.
9. There is a long time lag before population policies take effect. The Chinese government in the 2015 *Lianghui* showed its awareness of a future labour shortage problem. After the easing of the one-child policy in 2013, new measures to relax the population policy have been imminent.
10. This new population policy is a reflection of the future of China's labour market, as well as the future pattern of China's economic growth.