OLD AGE CARE IN CHINA

ZHAO Litao & SHENG Sixin

EAI Background Brief No. 432

Date of Publication: 26 February 2009

Executive Summary

1. China's population is ageing more rapidly than those in most developing countries. The number of aged people (65 or above) totaled 107 million at the end of 2007, about 8% of the national population. Meanwhile, socioeconomic changes, such as stringent birth control and massive rural-urban migration, have made family a less effective institution in providing old age care.

2. While the family remains the cornerstone of old age care in both urban and rural China, the government has begun to play a larger role in expanding pension, health care, and eldercare services to workers in the non-state sector and to farmers in the countryside.

3. The urban pension system, which consists of a compulsory basic pension, an optional enterprise complementary annuity and a voluntary personal pension, pools contributions from the government, the employers and the employees. In recent years it has been expanding to include workers in the private sector.

4. Access to pension and old age care, however, is highly unequal. Employees and retirees in government organizations and public institutions are the most privileged, followed by workers in state enterprises. The coverage rate remains low for farmers and rural migrant workers.

5. Within urban China, the government sees the need to deliver old age care in a variety of ways. Specialized nursing homes are common, but home-based eldercare, with the government or the private sector as the service provider, has gained much popularity. Community-based eldercare is also a preferred model as it allows for the participation of family, friends, neighborhood and volunteers in looking after the elderly.

6. Other than the narrowly defined care, China has paid much attention to the general well-being of senior citizens. Through official organizations, semi-official associations, and informal groups, the aged are involved in

group-based recreational activities and volunteer work instead of leading a secluded life after retirement.

7. China has started to see the aged more positively as an asset rather than a liability. For political and social purposes, it identifies five seniors—senior cadres, senior soldiers, senior experts, senior teachers, and senior model workers—and promotes them as role models for the younger generation.

8. Through *China Youth Concern Committee* (中国关心下一代工作委员会), a semi-official organization with a mission to educate the youth, the aged serve as a bridge in the intergenerational transmission of values and beliefs.

9. However, these organizations and groups are largely urban based. In the countryside, with large numbers of young and more educated people leaving for higher paying jobs in the cities and coastal areas, rural-urban migration has greatly weakened the organizational capacity of local communities. As a result, while many urban retirees are well positioned to live a healthy, positive and pro-active life, there are many more in the countryside who have to live with whatever their family and/or local community is able to offer.

10. While there is no short-term solution to such a rural-urban inequality, China also faces another challenge. Its population ageing is taking place at a much lower level of socioeconomic development but at a much faster pace than was the case in developed countries, resulting in a problem of "getting old before getting rich" (未富先老) as opposed to the normal sequence of "getting rich before getting old" (先富后老).

11. The low levels of pension benefits have made Chinese pensioners a vulnerable group, who is falling quickly behind the working population. For the Chinese government which continues to view economic development as its priority, the daunting challenge is how to raise the spending on old age care without undermining its capacity to sustain high economic growth for as long as possible.

OLD AGE CARE IN CHINA

ZHAO Litao & SHENG Sixin*

Two Approaches to Old Age Care

1.1 Population ageing, which did not begin until the second half of the last century in Western Europe and North America, is rapidly becoming a global phenomenon. While developed countries have a much higher proportion of older persons, developing countries have a much faster pace of population ageing. China's transition to an aged society has been even more rapid, attributable to its stringent birth control policy and breakneck economic growth.

1.2 Two approaches to old age care have emerged in different historical and cultural contexts. The first approach emphasizes the role of the state in providing care to the elderly. In the more developed Western societies and after the welfare state policy first appeared in Germany and Britain, governments have instituted universal coverage of pension and health insurance, and made such system compulsory. Meanwhile there has been a growing trend toward standardization and formalization in the delivery of caregiving services.

1.3 The second approach, more easily found in East Asian societies, emphasizes the role of family in providing old age care. This approach highlights the personal and relational aspect of the care, which is above and beyond any functional assistance. The obligation of providing care falls primarily on the children, a form of filial piety derived from the teachings of Confucius and practiced for centuries in societies influenced by Confucianism.

* Dr. Zhao Litao is a Research Fellow at the East Asian Institute, National University of Singapore; Sheng Sixin is a Research Officer at the same Institute. They would like to thank Professor John Wong for going through their drafts and giving very helpful comments.

1.4 The two approaches do not have to be exclusive. China makes an interesting case in this regard. As of today, China still features family-centered old age care. However, China is also learning from the first approach, expanding pension coverage for both urban and rural population.

1.5 Moreover, what China has been doing is more than finding a middle way between the two approaches. China sees the elderly not simply as a liability but also as an asset, whose life experience has much to offer to the society in general and school-age children in particular. China also puts much emphasis on the general well-being of senior citizens rather than the more narrowly defined care such as medicare, long term care and ADL-functional care.[1]

1.6 Between the state and the family, China pays much attention to the role of community and informal groups in the involvement of senior citizens in recreational activities and other forms of social life. Active participation in group activities fosters a sense of belonging that the elderly desire but the state or the family does not provide.

1.7 While China is moving in the right direction as it views the elderly more than as a care-taker, focuses on their general well-being instead of specific care needs, and encourages them to lead an active rather than a secluded life, its old age care is nonetheless constrained by the fact that its population ageing is taking place at a much lower level of socio-economic development than was the case in developed countries.

1.8 Moreover, the state-constructed old age care system is in favor of urbanites and government employees, thereby perpetuating rather than mitigating the large socio-economic inequalities that divide China along urban/rural, coastal/inland, and haves/have-nots lines. While many retirees are well positioned to live a healthy, positive and pro-active life, there are many more who have to live with whatever their family and/or local community is able to offer.

[1] Activities of Daily Living (ADLs) consist of self-care tasks such as dressing and undressing, bathing, eating, walking, and so on. Health professionals often use the ability or inability to perform ADLs to assess what kind of health care services should be provided to the elderly, the mentally ill, and those with chronic diseases.

Population Ageing in China

2.1 In 2000, China became an aged society, with the aged population (65 years and above) reaching 7 percent of the total population, an internationally recognized benchmark for defining the aged society. As projected, population ageing will continue well into the 21st century.

TABLE 1 TOTAL POPULATION AND AGE DISTRIBUTION, 1953-2050, CHINA

Year	Total population (million)	Age group (%)			Dependency ratio of the aged (%)
		0-14	15-64	65+	
1953	594.4	36.3	59.3	4.4	7.4
1964	694.6	40.7	55.8	3.6	6.5
1982	1008.2	33.6	61.5	4.9	8.0
1990	1133.7	27.7	66.7	5.6	8.4
1995	1189.1	26.7	66.6	6.7	10.1
2000	1265.8	22.9	70.2	7.0	10.0
2005	1281.9	19.6	71.4	9.1	12.7
2006	1315.0	18.5	72.3	9.2	12.7
2007	1321.3	19.4	72.5	8.1	11.2
2010*	1349.9	19.0	72.6	8.4	11.6
2020*	1424.8	18.5	69.4	12.0	17.3
2030*	1441.6	15.8	67.6	16.6	24.6
2040*	1431.0	15.0	62.6	22.4	35.8
2050*	1382.8	15.2	60.8	24.0	39.5

Sources:

a. The figures for years 1953, 1964, 1982, 1990, and 2000 are based on the *National Census Data* conducted in corresponding years. Please refer to *China Population and Employment Statistics Yearbook 2007*, p.12.

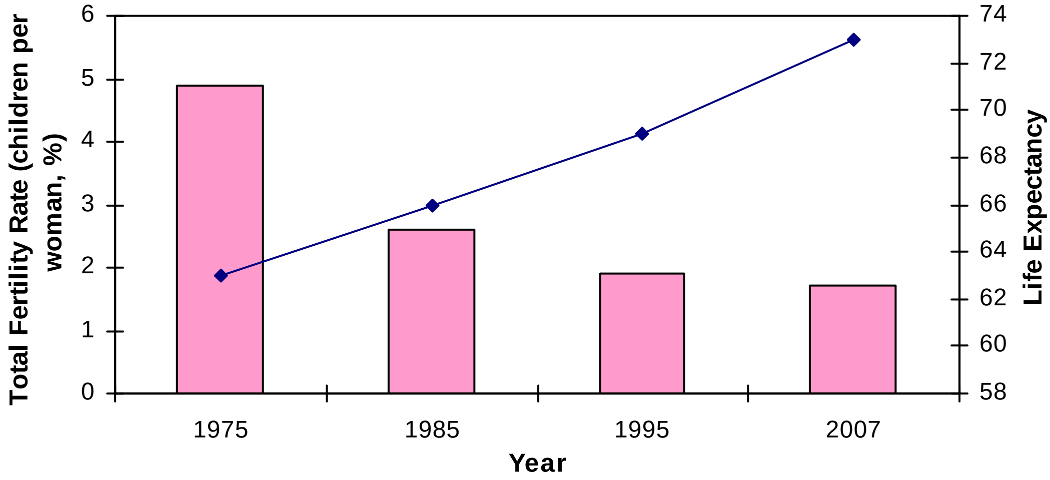
b. The figures for years 1995, 2005, and 2006 are based on *Population Sample Survey* in each year, and please refer to *China Statistical Yearbook 1996, 2006 and 2007*.

c. The figures for year 2007 came from CPIRC (China Population Information and Research Centre) official website: http://www.cpirc.org.cn/tjsj/tjsj_cy_detail.asp?id=9229.

* Re-compiled projection figures made by Chen, Wei (陈卫). 2006. The Developmental Trend of Chinese Future Population: 2005-2050. *Population Research*, Vol.30, No.4. July: p.94.

2.2 Population ageing is caused by two demographic factors: decreasing fertility rate and lengthening life expectancy. The total fertility rate—the average number of children born to a woman over her lifetime based on the current age-specific fertility rates—declined from 4.9 in 1975 to 1.7 in 2007, below the replacement level.[2] Meanwhile, the life expectancy of the Chinese population increased from 63 to 73 in the same period. These two factors have made the share of the older population to grow faster than the total population.

FIGURE 1 TOTAL FERTILITY RATE AND LIFE EXPECTANCY IN CHINA: 1975, 1985, 1995, 2007



Source: United Nations Department of Economic and Social Affairs/Population Division (2008). *World Population Policies 2007*. http://www.un.org/esa/population/publications/wpp2007/WPP2007%20web/Countries/WPP2007%20Frame.htm.

2.3 In contrast to developed countries, China's aged population in the rural area (5.3 percent of the total population in 2005) is denser than the urban area (3.8 percent in 2005), and the aged dependency ratio in the rural area (13.9 percent in 2005) is also higher than that of the urban area (11.3 percent in 2005).[3] To a large extent, this is due to the large scale migration of young people from the countryside to urban areas.

2.4 From a regional perspective, provinces and municipalities in the more developed coastal regions, such as Shanghai, Jiangsu, Beijing, Liaoning, Tianjin, Zhejiang, and Fujian, are more likely to have a higher aged dependency ratio. However, Chongqing, Sichuan, Anhui, Hunan and Hubei, which are located in the inland

---

2 The replacement fertility rate is 2.1 in most developed countries, and 2.5 to 3.3 in developing countries due to higher mortality rates.

3 The aged dependency ratio shows the degree of strain on the productive part of the population to support the aged population. It is defined as the ratio of the number of people aged 65 and over to the number of people aged 15-64.

region, also have a higher aged dependency ratio than the national average (12.7 percent in 2006).

2.5 Compared with other developing countries, such as India and Vietnam, China's aged dependency ratio will be considerably higher in the next 40 years. On the other hand, China's situation is better than that of most developed countries and newly industrialized economies (NIEs) such as Korea, Hong Kong and Singapore.

TABLE 2 PERCENTAGE OF AGED POPULATION (65+), 1950-2050: INTERNATIONAL COMPARISON

	Percentage of Aged Population (Dependency Ratio of the Aged)				
	1950	**1975**	**2000**	**2025**	**2050**
China	4.5 (7.2)	4.4 (7.8)	6.9 (10.0)	13.2 (19.4)	22.7 (37.2)
India	3.3 (5.8)	3.8 (6.8)	5.0 (8.1)	8.3 (12.1)	14.8 (22.6)
Viet Nam	4.2 (6.6)	4.9 (9.3)	5.3 (8.7)	8.1 (11.9)	17.1 (27.1)
Germany	9.7 (14.5)	14.8 (23.3)	16.4 (24.1)	24.6 (39.0)	31.0 (54.7)
Japan	4.9 (8.3)	7.9 (11.6)	17.2 (25.2)	28.9 (49.0)	36.4 (71.3)
Korea	3.0 (5.5)	3.6 (6.2)	7.1 (9.8)	16.9 (25.1)	27.4 (48.8)
Hong Kong	2.5 (3.7)	5.4 (8.4)	10.6 (14.5)	20.0 (30.1)	29.2 (51.3)
Singapore	2.4 (4.2)	4.1 (6.5)	7.2 (10.2)	21.5 (33.4)	28.6 (49.8)

Source: Population Division, DESA, United Nations: *World Population Ageing 1950-2050*.

2.6 However, the national average conceals substantial regional variations. In fact, China's municipalities resemble the developed countries more than their neighboring provinces in terms of the aged dependency ratio. For instance, Beijing, Shanghai and Tianjin already have a higher dependency ratio than Singapore.

TABLE 3 AGE DISTRIBUTION OF BEIJING, SHANGHAI, TIANJIN, AND SINGAPORE, 2006

	Age group (%)			Aged Dependency ratio
	0-14	**15-64**	**65+**	
Beijing	10.0	78.8	11.2	14.3
Shanghai	8.1	77.5	14.4	18.6
Tianjin	12.1	77.4	10.6	13.6
Singapore	19.3	72.2	8.5	11.8

Source: *China Statistical Yearbook 2007*; *Yearbook of Statistics Singapore 2007.*

Providing Social Security to the Elderly

3.1 China's population ageing is taking place when China is in the transition from an old social security system to a new one. In the old system, social security including pension was provided through the work unit, which was a state-owned enterprise (SOE), a party organization or government agency, or a public institution. The majority of the population—farmers, workers in the informal sector and urban non-working population—were not covered by the old social security system.

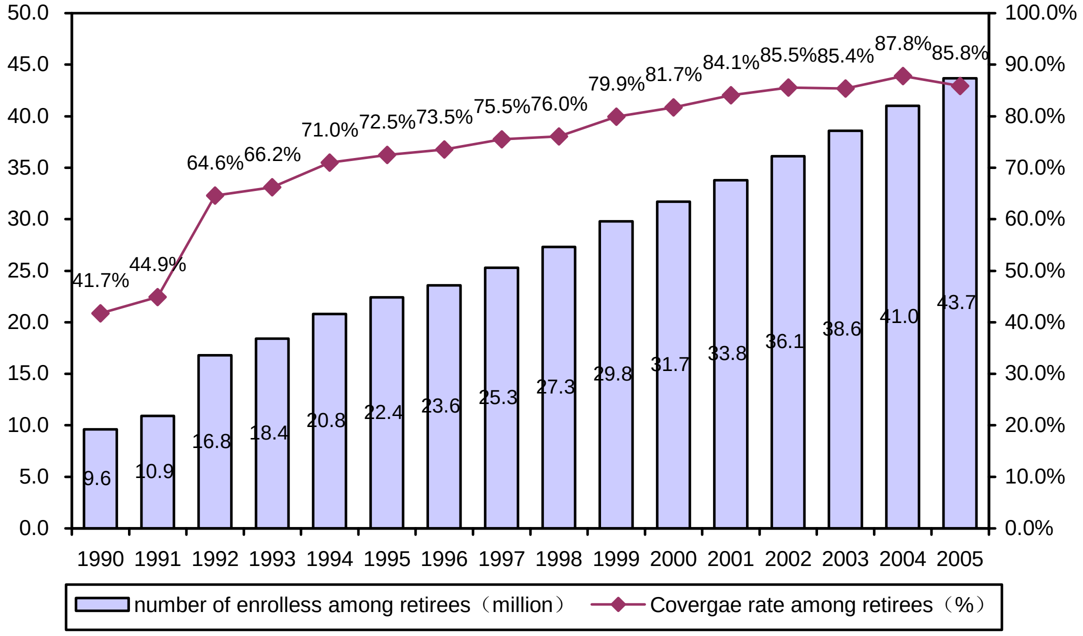
3.2 From 1991, China began to reform the pension system in the enterprise sector. The new system had three pillars: basic pension (基本养老保险), enterprise complementary annuity (企业补充养老保险), and personal savings (个人储蓄性养老保险), with contributions pooled from the government, the employer and the employee.

3.3 Initially, basic pension only covered employees in SOEs and collective enterprises. In 1999, it expanded to include employees in private enterprises and foreign/joint-venture enterprises. In 2002, it further expanded to include the self-employed and those without a regular job. Since 1997, basic pension consists of a personal account (个人账户) and a social unified account (社会统筹账户).

3.4 In general, employees have to fund 4%-8% of their monthly salary into the personal account, while the employers are required to pay another 8%-20% for the social unified account and/or their employees' personal account. In addition, governments at different levels make contributions to the social unified account. In 2000, the National Social Security Fund was created for covering local deficits in current obligations. At the sub-national level, every city independently manages the pension through its social security fund administration center (社保中心).

3.5 Basic pension is compulsory for all employees. Into the new millennium, the coverage rate has been high, above 85 percent among urban retirees, with pensioners reaching 40 million in 2006 (see Figure 2). In contrast, the coverage rate has been low—around 50 percent—among the urban working population, which includes employees in both formal and informal sectors. However, the coverage rate increased by 12 percentage points in 2006 (see Figure 3).

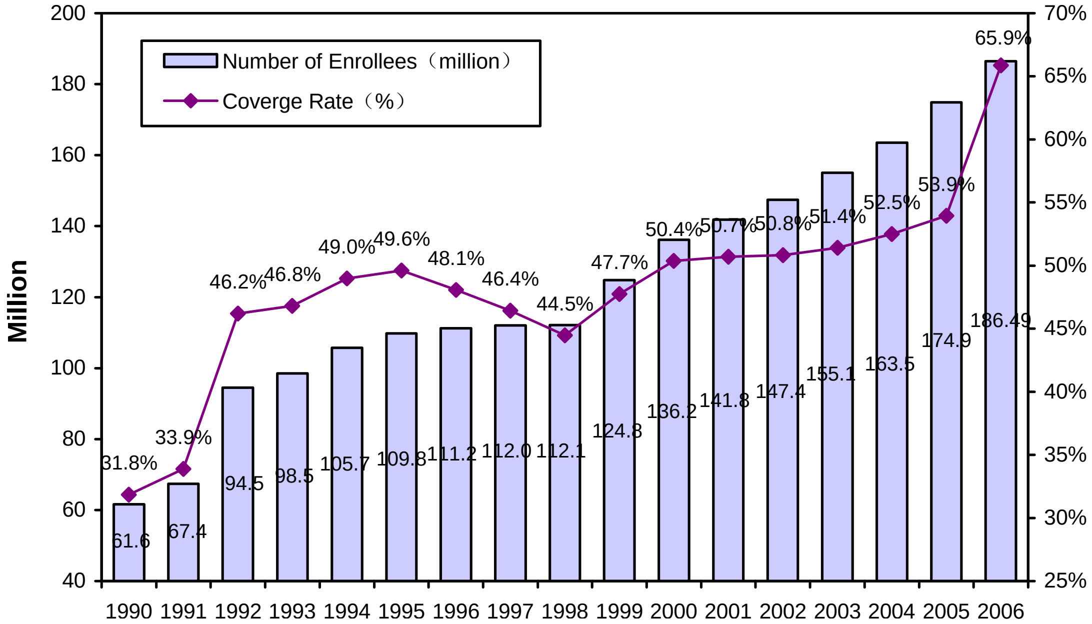
FIGURE 2 COVERAGE RATE OF BASIC PENSION AMONG URBAN RETIREES[4]: 1990-2005



Source: *China Labour and Social Security Yearbook: 1991-2006*.

4 Urban retirees are those who worked in government agencies, public institutions and state enterprises until they reach the retirement age (set at 60 for male and 50 for female in 1978, but with many exceptions) or meeting other conditions for retirement such as loss of working ability. Urban retirees are smaller in number than the urban aged population.

FIGURE 3 COVERAGE RATE OF BASIC PENSION AMONG URBAN WORKING POPULATION: 1990-2006



Source: *China Labour and Social Security Yearbook: 1991-2007*.

3.6 Other than the basic pension, the other two types of pension plans—enterprise complementary annuity and personal pension—are voluntary. In general, only enterprises and individuals in better financial positions are willing and able to fund the two supplementary pension plans.

3.7 Employees in the state apparatus (国家机关) and public institutions （事业单位） have a separate pension system financed entirely by the government or the organization with which they are affiliated. From 2009, China has decided to reform the pension system for public institutions into one that is being practiced in the enterprise sector. The main purpose is to reduce the government's financial burden by lowering the pension benefit to the same level as that in the enterprise sector. The reform will kickstart in five provinces--Shanxi, Shanghai, Zhejiang, Guangdong and Chongqing. It is not clear when it will be implemented in other provinces.[5] In addition, the reform aims to replace the presently city-based pension system to a provincial-wide one.

5 Some public institutions are self-financed ones. Their pension system is the same as the one for enterprises. But for the majority of public institutions which are fully or partially financed by the state,

3.8 In rural China, the government had little to play in looking after the elderly in the Mao era. As the birth control policy began to weaken the family support model, the government has attempted to establish a basic pension system since 1992 under the principle of "individuals making contributions, collectives providing subsidies and government giving policy support." However, without the strong support of the government, the rural pension system did not function well in its initial stage.

3.9 In 1998 the central government even took a step back, pointing out that rural areas were not ready for a pension system. As of 2006, only 53.7 million or 7.3 percent of rural residents were covered by the rural pension system. A new round of reform did not begin until 2007 in a number of provinces and municipalities such as Shandong, Beijing, Jiangsu and Zhejiang. For the first time, the government was willing to partially fund rural pension. The plan for 2009 is to cover rural residents in 10% of the counties with rural population.[6]

3.10 Another challenge is to increase the coverage rate for migrant workers. Some provinces such as Guangdong have established voluntary pension schemes for migrant workers within their jurisdiction. However, the coverage rate remains low. As of 2006, about 12 percent of migrant workers or 25 million were covered[7]. The low coverage rate is mainly because migrant workers as low wage earners are less willing to make contribution, and because their pension accounts are not movable from one city to another.

3.11 As in the case of pension, the coverage of healthcare has been low in rural China. However, the new rural cooperative medical system (新型农村合作医疗), with 80 percent of contributions from the central and local governments, had rapidly

---

their pension is funded by the government budget on a pay-as-you-go basis. As pension benefit is pegged to one's wage prior to retirement (adjusted by the number of service), on average a retiree can still have about 90% of his/her pre-retirement wage. In contrast, the figure for a retiree from a state enterprise is about 60% because the benefit depends on the contribution to the pension account. See http://insurance.cnfol.com/080318/135,1518,3919816,00.shtml, accessed 10 February 2009.

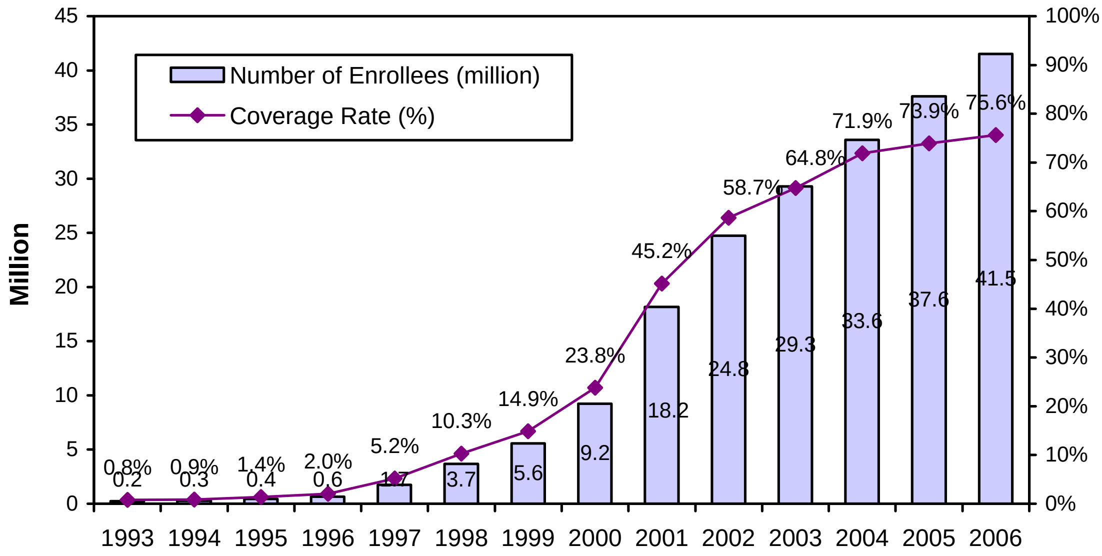
6 See http://news.sina.com.cn/c/2009-01-28/090617117716.shtml, accessed 10 February 2009.

7 See Jin Shubin. (2007). Reasons and Solutions for the Low Coverage Rate of Pension for the Migrant Workers in China. *Finance and Economy*. Vol.12:40-43.

improved the coverage rate from 10.8 percent in 2004 to 86 percent as of September 30, 2007.[8]

3.12 In urban China, the coverage rate of basic healthcare insurance was also low in the 1990s. However, substantial progress was made between 2000 and 2004. As of 2006, more than 75 percent of urban retirees were protected by the basic healthcare insurance (see Figure 4).

FIGURE 4 COVERAGE RATES OF BASIC HEALTH CARE INSURANCE OF URBAN RETIREES: 1990-2006



Source: *China Labour and Social Security Yearbook: 1991-2007*.

3.13 As part of the social safety net, China has also put into place a system of minimum livelihood protection. First initiated in 1997 to deal with the massive layoff of state enterprise workers, the urban system had achieved a nearly universal coverage as of 2006, with 22.4 million urban poor receiving government subsidies. The rural system covered 16 million in 2006, with another 12 million protected by a separate social assistance program, which combined to provide a nearly universal coverage of rural residents under the absolute poverty line.

8 See http://www.chinadaily.com.cn/china/2008-01/07/content_6376171.htm, accessed 16 July 2008.

3.14 Finally, for parents who have one child or two daughters, the government has decided to provide a one-child old age care subsidy (独生子女养老津贴) when they reach retirement age. The government is ready to play a larger role in the traditionally family-centered old age care.

Old Age Care in Urban China

4.1 Apart from the social security system, China has built institutions to strengthen family- and community-based old age care. Moreover, it has paid much heed to improving the general well being of senior citizens above and beyond the narrowly defined "care".

4.2 In 1996, China passed a law to protect economic and social rights of the aged (中华人民共和国老年人权益保障法)[9]. The law stresses family-centered old age care, making it the obligation of the children to support their elderly parents. Meanwhile the government has a major role to play in looking after the elderly who have no children or whose children lack the ability to provide the care.

4.3 The local governments have founded *Homes for the Aged* (养老院) and *Nursing Homes* (疗养院) to help those needy and childless aged people. As of 2004, China had invested 13.5 billion RMB on 38,000 welfare institutions and 1.13 million beds for the elderly, most of which were located in urban areas.[10] One problem is that with the graying population soaring in China, the supply of nurses, social workers and nursing homes cannot keep pace with the demand.[11]

4.4 Local governments are also trying to develop a *home-based eldercare system*, because the overwhelming majority of the aged—more than 85 percent—prefer

---

9 The full text of this law is available at http://www.gov.cn/banshi/2005-08/04/content_20203.htm.

10 http://news.xinhuanet.com/zhengfu/2004-09/07/content_1952488.htm.

11 In 2006, China needed 1.8 million nurses to care for the elderly, and this number will be expanded to 6.5 million by 2020. See the survey done by China National Committee on Aging in 2008: http://www.cnca.org.cn/default/iroot1001310000/4028e47d182f303c01183f052d2e02f6.html.

to live in their own homes instead of formalized welfare institutions.[12] The government or the private sector is the service provider in this system. In another system that highlights *community care*, the service providers are mainly family members, friends, neighborhoods and volunteers. The Chinese government has set a goal to provide eldercare service in every urban community by 2010.

4.5 China's senior citizens have many privileges in accessing public services. In some cities the elderly enjoy free rides on public buses and free admission to local events or tour spots. Many cities have *Service Centre for the Elderly* (老年人服务中心) to provide various kinds of entertainment and some basic health care. Senior citizens can also receive continuing education for free in the *University for the Aged* (老年大学).

4.6 At the national level, the Ministry of Civil Affairs has played a leading role in formulating policies for the elderly, while *China National Committee on Aging* (CNAC, 全国老龄工作委员会) and its local branches are responsible for coordinating relevant departments in policy implementation. Within every government organization, public institution and SOE, there is a retirement office managing internal retirees. These retirement offices organize various activities for the elderly, such as fishing, calligraphy, painting, Chinese chess and bridge, singing and dancing, shadowboxing, gate-ball, mountaineering, outing and so on. They also send greetings to the aged on public holidays.

4.7 At the grassroots level, Urban Residents' Committee (居委会) organize various activities for local senior citizens, including artistic and cultural programs (such as calligraphy, painting, exhibitions, concerts, musical performance, and poem recitation), sports games, and social or group activities (such as holiday gathering, group travel, volunteer work, and tutoring primary school students). When organizing such activities, they often work closely with voluntary associations of the aged, such as *Senior Citizens' Painting and Calligraphy Association* (老年人书画协会) and *Senior Citizens' Arts Performance Troupe* (老年人艺术表演团).

12 *Ibid*.

4.8 The government also sees the elderly as an asset rather than a liability. In particular, the central and local governments identify five groups of senior citizens (五老)—senior cadres, senior soldiers, senior teachers, senior experts and senior model workers—and promote them as role models for the younger generation.

4.9 The elderly can be organized to participate in social affairs. *China Youth Concern Committee* (中国关心下一代工作委员会), a semi-official organization with a mission to educate the youth, is mainly constituted by the aged. Since 1990, China Youth Concern Committee and its local branches have played an active role in helping disadvantaged children and keeping students away from social ills.

4.10 In sum, China has been building and expanding institutions for funding and delivering old age care. Meanwhile it has emphasized the personal and relational aspect of old age care, highlighting the role of family, local community and associations in involving senior citizens in leading a healthy, positive and pro-active life.

4.11 However, China still faces many problems and challenges. There is a large rural-urban gap in terms of old age care. China's pension system is divided in a way that reflects the larger social structure. The pension system for the government sector provides the highest level of benefits, followed by the one for the enterprise sector. By contrast, the rural pension system has made little progress and the coverage rate remains extremely low until recently.

4.12 Another challenge is that China's population ageing is taking place at a much lower level of socioeconomic development but at a much faster pace than was the case in developed countries, resulting in a problem of China "getting old before getting rich" (未富先老) as opposed to the normal sequence of "getting rich before getting old" (先富后老). The Chinese elderly are being left behind as their pension benefits cannot keep pace with rising wages of the working population. For the Chinese government which continues to view economic development as its priority, the daunting challenge is to raise spending on old age care without undermining its capacity to sustain high economic growth for as long as possible.