CHINA PLANS TO RAISE RETIREMENT AGE (I): EVOLUTION OF POLICIES AND NEW CHALLENGES

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Executive Summary

1. The Chinese state has enacted a series of regulations on the retirement policy, including policies on retirement age, since the establishment of the People’s Republic China. Before 1978, these laws were limited to protect the rights of and provide pension benefits to workers in state-owned enterprises and collectively owned enterprises, as well as government cadres.

2. Since the late 1970s, the tenet of China’s retirement policy has evolved towards establishing a nationwide social security system, which provides pension benefits to a much larger population.

3. The danwei-based pension system had given way to a broader-based social insurance system since 1997, which was followed by the reformation of the pension system for civil servants in 2015.

4. Despite its importance in determining the age of receiving retirement benefits, the legal retirement age has largely remained unchanged since the 1950s.

5. Over the past 10 years, China’s policies on retirement age are facing increasing challenges amidst the tremendous demographic and socioeconomic changes. The current retirement age set in 1950 has yet to catch up with the increasing life expectancy. Retirement age in China is relatively low, even though life expectancy at birth in China is comparable to that in developed countries.

6. Another issue is the gender gap with respect to retirement age. Women retire at the same age as men in most Organisation for Economic Co-operation and Development countries. In comparison, Chinese women retire five to 10 years earlier than their male counterparts despite their longer life expectancy.

7. The continuous dive in birth rate also presents serious challenges to elder support. While economic development and expansion of health care are two factors, the “one-child policy” has played a prominent role in further lowering the fertility rate.
8. China’s population profile is ageing rapidly on an unprecedented scale and before the nation reaches the goal of a highly developed country (weifuxianlao 未富先老).

9. China’s newly established social security system is also under tremendous financial pressure. In particular, the social insurance fund is in danger of budget deficit. Raising retirement age has been suggested as an effective measure to ease such pressure.

10. Raising retirement age is a global trend amidst the fast ageing population worldwide. With the new administration in place, many changes are expected to take place.