

Financial security of elders in China

Yang Cheng, Mark W. Rosenberg

Queen's University, Department of Geography,
Kingston, Ontario, Canada, K7L 3N6

5yc5@queensu.ca, mark.rosenberg@queensu.ca



Agenda

- Introduction
- Demographic changes in the Chinese population
- Current financial security for elders in China
- Discussion
- Limitations
- Conclusions

Introduction

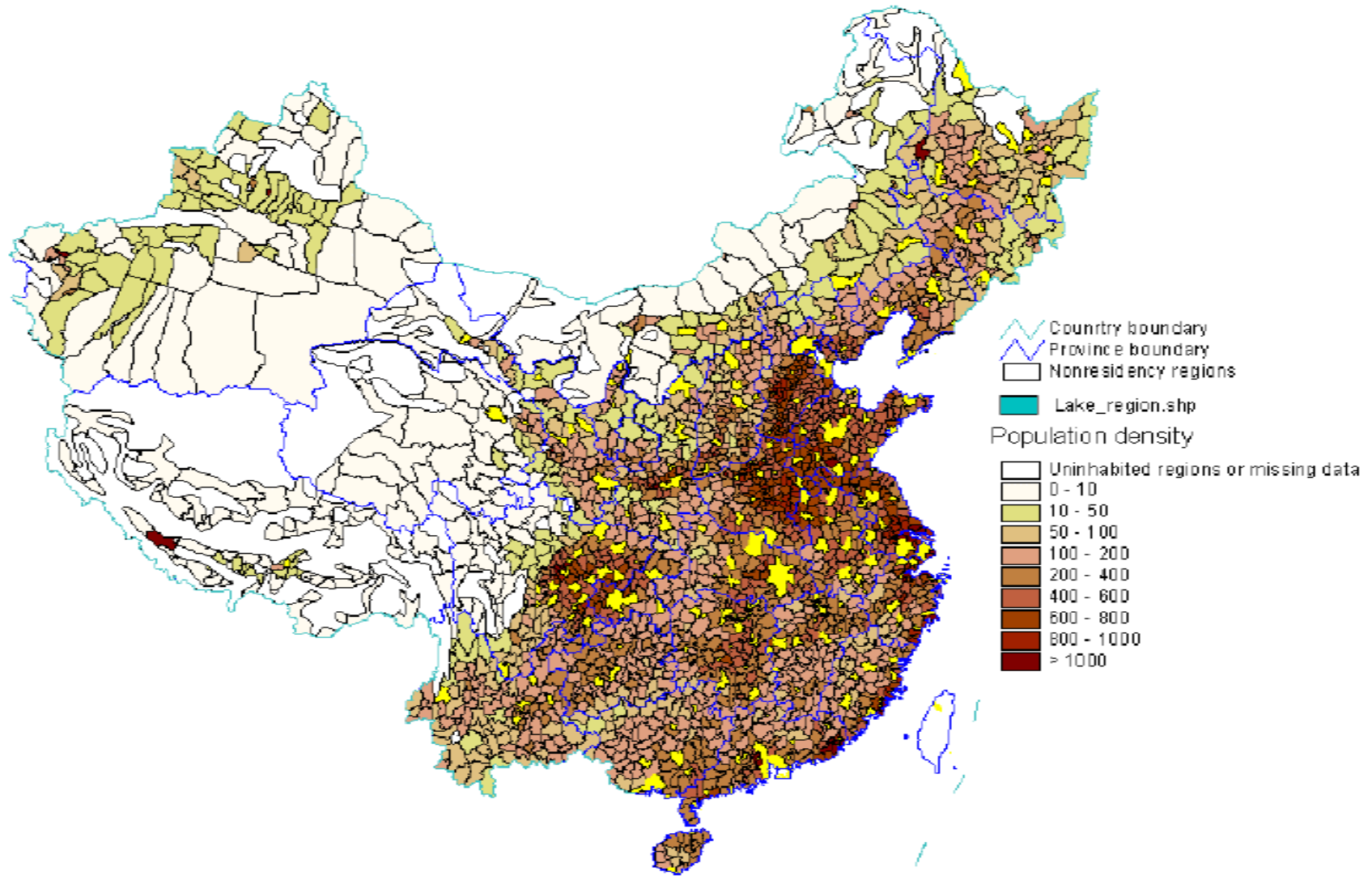
- As demographic changes in a population and social economic development evolve, financial security for elders becomes one of the most important issues for a country.
- Financial security is defined as the basic cost of one's living - housing, clothing, food, transportation, health care, etc.
- Financial security will vary among different countries according to social, economic and political structures.



Beijing	北京	Guangzhou	广州	Harbin	哈尔滨	Hainan Dao	海南岛
Lhasa	拉萨	Lanzhou	兰州	Mount Everest	珠穆朗玛峰	Lanzhou	兰州
Nanjing	南京	Shanghai	上海	Shenyang	沈阳	Taipei	台北
Tianjin	天津	Wuhan	武汉	Xi'an	西安	Zhengzhou	郑州

<http://chinapage.com>

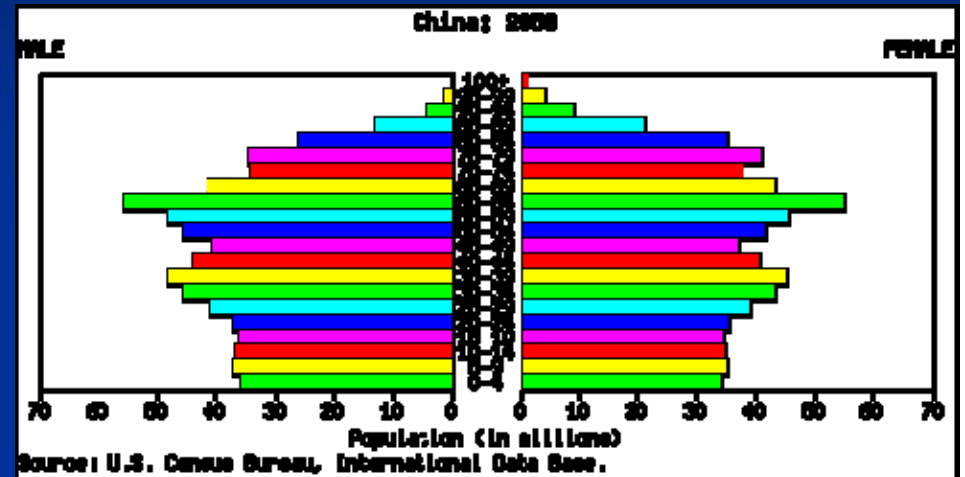
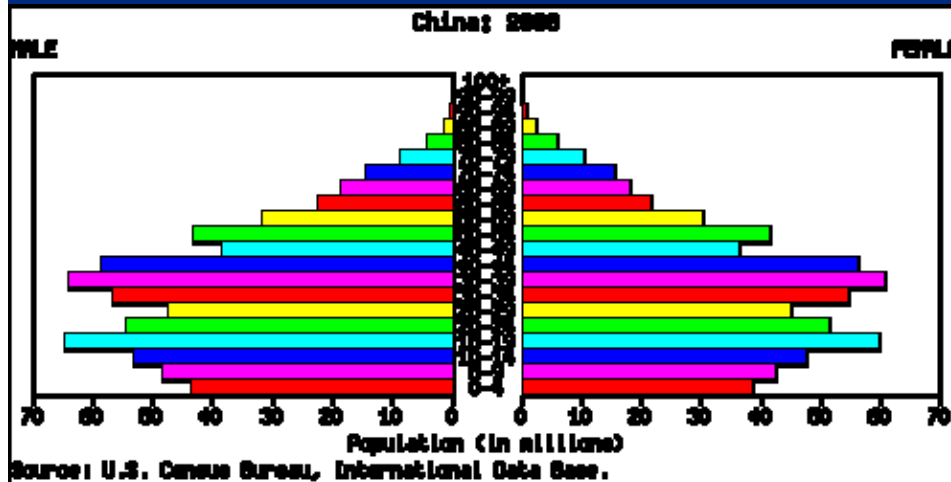
The Population Density by Counties (2000)



Demographic changes of Chinese population

- The total population in China: 1.3 billion (in 2005).
- The urban population: 0.54 billion (41.7% in 2005).
- The rural population: 0.76 billion (58.3 % in 2005).
- The population aged 65 years and over: 101.67 million (7.7 % of the total population in 2006).
- GDP per capital (PPP) in China was \$7,600 (in comparison to \$35,200 in Canada in 2006).
- Data source: National Bureau of Statistics of China and Central Intelligence Agency (CIA).

Demographic changes of Chinese population



	Age<20 (%)		Age: 20-64 (%)		Age≥65 (%)	
	2006	2050	2006	2050	2006	2050
Male	16.00%	10.28%	31.78%	28.64%	3.70%	10.98%
Female	14.31%	9.71%	30.17%	26.87%	4.04%	13.52%
Total	30.31%	19.99%	61.95%	55.51%	7.74%	24.50%

Demographic changes of Chinese population

- The process of population ageing in China shows the following characteristics:
 - The rate of population ageing is rapid in China.
 - The proportion of the older elderly is increasing more rapidly than the elderly overall.

Demographic changes of Chinese population

- The dependency ratio of the elderly is high.
- Regional differences are great, especially between rural and urban areas.
- The advantage of a “balanced” population structure is disappearing.
- Sex ratio favours elderly women over elderly men.

Current financial security for elders in China-Pension system in urban areas

- Employees can get a monthly pension after retirement if they meet the retirement age and paid for their individual accounts for more than 15 years.
- The funds are from government, employers and employees.
- Employers provide no more than 20 percent of employees' total salaries and employees usually provide 8 percent of their salaries.

Current financial security for elders in China-Pension system in urban areas

- Of the maximum 20 percent that employers contribute, 3 percent goes into the individual account and 17 percent goes to the government social account.
- The 8 percent paid by employees is saved into their individual accounts.
- The ones who are self-employed pay 18 percent of local average salaries.

Current financial security for elders in China-Pension system in urban areas

- When the elderly get their monthly pensions after retirement, it is composed of two parts:
- one part is provided from social accounts, which is about 20 percent of the average monthly salary of local employees in the previous year;
- the other part is about $1/120$ of the total funds in individual accounts.

Current financial security for elders in China -Health care system in urban areas

- The funds are from employers and individuals.
- Employers pay about 6 percent of their total wages, and employees pay 2 percent, but the retired do not need to pay.
- All the payments by employees and 30 percent of the payment by employers are assigned to individual accounts, while the remaining 70 percent of the payments by employers are assigned to a social fund.

Current financial security for elders in China -Health care system in urban areas

- The medical expenses of outpatients are paid from individual accounts, and the medical expenses of hospitalization are paid from the social fund.
- The social fund has minimum and maximum limits for payment, which are about 10 percent and about four times the local average annual wage.

Current financial security for elders in China-Data

- The Per Capita Retirement Pension in 2005 was 10761 yuan (1,446.20 CAD) in China.
- The Annual Per Capita Disposable Income of Urban Households in 2005 was 10493 yuan (1,410.41 CAD).
- The Annual Per Capita Disposable Income of Rural Households in 2005 was 3255 yuan (437.52 CAD) in China.
- Data source: National Bureau of Statistics of China, 2005.

Current financial security for elders in China-Data

- The Chinese government spent 481.5 billion yuan (64.7 billion CAD) on social welfare system
- 425 billion yuan (57.1 billion CAD) on pension
- 37.3 billion yuan (5 billion CAD) on health care.

Current financial security for elders in China-in rural areas

- *Pension system.* Elder care by families was the only way to support the elderly in rural areas for a long time. Funds are from individual and governments at all levels.
- *Cooperative medical system.* In 1991, the government started to rebuild the cooperative medical system in rural areas. The fund is co-financed from different levels of governments, communities and individuals.

Discussion

- The reform of China's pension system should place more effort on poverty reduction and enlarging the covered population.
- Individual accounts are needed for people, which can be transferred among different workplaces.
- Increasing the retirement age might also be a way to keep the pension system sustainable.

Discussion

- The current pension system in China of individual accounts is still a kind of pay-as-you-go system as opposed to a universal system.
- Gender equality and equity are seldom considered in China's pension system.

Limitations

- Financial security varies among different regions, but regional difference has not been addressed.
- The role of family support in financial security of elders is unknown.
- This research focuses on the income of elders, but whether even those who receive pensions receive enough is unknown.

Limitations

- With the coming demographic changes, and no changes to the current social welfare system it is unknown whether the elderly population can be satisfactorily supported in the future.
- Even less is known about the financial status of the elderly living in rural areas.
- Gender difference and equity is not addressed.

Conclusion

- The Chinese government has already made great progress in reforming the social welfare system to provide financial security for elders.
- The large elderly population, its rapid growth and relatively low economic levels create many challenges for the Chinese government.
- Learning from the experience of some advanced pension systems, the Chinese government is working hard to create a unique pension system based on its unique economic, political, and cultural situation.

Conclusion

- From a geographer's perspective, we are also interested in the spatial distribution of elders among different regions, and how regional economic, social, and cultural factors affect pension systems at the local level.
- Suggestions are needed to provide policy makers with new ideas for financial security for the growing elderly population based on regional differences in China.

Thank You!