

Social implications of
chinas one child
policy economics
essay



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Brilliant or controversial, China's one child policy cannot be understated to the effects the policy has had on their population. The policy was first introduced in 1979 and has had academics and economists alike arguing as to the effects for more than thirty years. It was aimed to control population growth in order to better manage economic and social factors like poor living standards, limited natural land and artefacts and poor poverty levels.

China's one child policy controlled urban couples as well as government workers in having one single child. This with the exception of minority groups such as those couples with no siblings or those who live in rural areas accounted for almost two thirds of those affected by this reform.

(REFERENCING). (Hesketh, Lu and Xing 2005) collectively, the reform has had many positive and negative impacts on China as well as the rest of the world.

The policy although expensive to maintain, uses both financial and non financial incentives in order to accommodate the positive impacts of the policy such as greater admittance to housing, healthcare and education. However, those who rebel are subject to charges imposed on the extra child in addition to job and property losses. (???) An example of an incentive is the fact that a \$100, 000 interest free loan is available for those who obey the policy (Weiss, Los Angeles Times, 22 July 2012).

The policy's main benefit was to address overpopulation and the rate of population growth. In 1953 the population growth rate was at a massive 2.8%. This rapid growth in population meant that China had more demand to meet for food, education, housing and healthcare with supply being

unmatched especially with reduction in capital build-up and assets. Possibly the most important has been the growth of internal migration. Tight restrictions on movement, especially rural-urban movement, were relaxed as the demand for labour in the towns and cities grew resulting to increased internal migration.

As a result, the policy was inevitably successful in solving this issue by reducing the fertility rate from 5.8 births per women in 1970 to 2.63 in 1980 in just 10 years and it now stands around 1.55 births per women. The fertility rate which is lower than the replacement rate of 2.1 births per women successfully prevented an estimated 400 million extra births.

Observing the figures closely though, we can distinguish a gender bias towards boys. The world benchmark of 105 boys to 100 girls is not parallel to that in China where the sex ratio is at 120 boys to every 100 girls, which signifies the violation of human rights and sex discrimination. This accommodates forced abortions as females are considered to be mediocre as males provide greater productivity and lower costs in workforce. From a positive view however, women are therefore allowed access to greater education opportunities, improving women's health and status. This imbalance within the gender gap will in the future make it harder for men in China to find a spouse in order to continue the birth process, really slowing down the population growth rate as well as creating mental health issues cross border women trafficking.

The declining fertility rate can also be seen in a positive light as family expenses have been lowered and saving rates have increased. Savings for

retirement would also increase as there is less reliance on offspring's to provide for them in their elderly. Less money spent on child resources and expenses allows for higher capital returns and high national saving figures, which will contribute to a greater trade surplus allowing the exchange rate to remain strong and stable for a longer period. Foreign investments would also increase, essentially allowing China to have great economic expansion. However this is also arguable as saving rates are linked directly to age thus raising doubts on how to fund its growing pension bill.

. In the long run the highest involvement in saving accounts would be that of the working population and with China's ageing population this is a big issue on the verge of eruption, a lower saving rate caused by the ageing population would mean a future slowdown in economic growth.

Furthermore, there has also been a notable increase in individual saving rates for two reasons. Firstly, as mentioned before, parents can no longer entirely rely on their offspring, thus they have to put aside savings for retirement. Secondly, households do not need to consume as much if they have only one child. These savings can be used for investments instead. This has also reduced the amount of depletion of natural resources that can bring irreparable damage to the environment. (???)

The reduction in fertility rates meant that more women were now able to participate in the labour force as less time is needed to be devoted to raising children, essentially reducing the number of those retiring thus raising doubts on how to fund its growing pension bill..

Fewer children also meant that parents are able to provide greater investment within that child, both in health and education. As a result of the increased market demand for a more skilled and educated labour force, to provide a more productive economy, this has also raised the levels of income. These wage increases therefore represents a huge opportunity cost to those who do not follow the policy. (???)

According to Goldman Sachs, growth across China is likely to slow down because there are fewer and fewer young people keeping the factories thriving, while on the other hand there are more pensioners to support in those markets.

The World Bank already reported in 2005 that China's unfunded pension liabilities could be as high as 1.6 trillion US dollars, but could be larger if no action is taken.

UN forecasts show that the number of young factory workers in China, aged 15 to 24 years old, will decline by 27 percent to 164 million in the upcoming period through 2025. Those over 65 will rise 78 percent to 195 million.

The demographics in China changed rapidly after its one-child-policy was put into legislation in 1979. Chinese authorities claim it has prevented over 400 million births since its implementation.

Now tens of millions of Chinese are on track to grow old without having any pension, or healthcare, let alone have a family to support their well being

With the ageing population beginning to rise, labour supply in productive jobs is declining, causing the economic expansion rate to slow down as total
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output per capita starts to decline (Banister, Bloom and Rosenberg 2010; (Redward 2012)) According to Carlson (2012), China is the only country that seems to have a population that is growing old before getting rich. With the rise in ageing population, there is a greater demand for social welfare payments and healthcare costs, this will shift government investment and production to use it for public spending and social welfare payments leading to a possible budget deficit.

Observing the smaller details in China's current economy, in the long run there seems to be many problems that will occur. A big concern would be the fact that China uses a PAYG funding scheme to support the elderly and if there aren't enough young workers to fund for the elderly then it will not be viable especially with the levels of unemployment to increase at this stage. An ageing population would reduce labour supply, increase higher wages but at the cost of lower productivity. If this was to occur in the future then this will be detrimental to China's economy as the labour dominated manufacturing industry has been the core of China's success with the increasing supply of labour, which brought lower wages, but higher productivity and greater exports.

As of the current view point compared to its past, the policy has allowed China to experience excellent economic growth as it reduced the unemployment rate and reduced demand for natural resources. Mortality rates have reduced as the government provided better healthcare, education and job prospects to those who complied with its one child policy. Access to natural resources have increased dramatically since 1980. coverage in tap water has increased from eighty-four percent to ninety-four percent in the <https://assignbuster.com/social-implications-of-chinas-one-child-policy-economics-essay/>

last fifteen years. Other benefits include increases in average life expectancy and decreases in infant mortality rates.

This allowed Chinese residents to have a better standard of living and increase their GDP in 1978 from RMB 362.4 billion to RMB 30 trillion in 2008. Today China is the second largest economy by nominal GDP. China could have been on the verge of being in poverty if the policy was not introduced, however economists argue that it's time to relax the policy especially seeing as the future doesn't look so bright for them. (Banister, Bloom and Rosenberg 2010) Due to this, the demand for imports can be expected to reduce and its commodity prices will become weaker.

Some experts believe that falling returns to capital investment, a diminishing rate of labour productivity increase and increasing costs of social investment will inevitably cause a fall in the growth rate of China by a half. Although the one child policy was not meant to be perpetual, the future outlook of China's economy does not seem to be encouraging due to the effects of ageing population. China must take measures to address the ageing population such as adopt a mandatory consumption smoothing incentive like Australia (superannuation), lift the retirement age pension scheme eligibility, increase labour force participation, or reconsider moving away from the one-child policy to lift the fertility rates to an optimal level for a certain period of time. China's demographic changes can be detrimental for the world economy, which has relied on China's exports. The government must take actions to plan for the economy and the population control in order to prevent such downfall in the future economy.

Unemployment rates have too been reduced due to the industrial boom, internal migration were relaxed as demand grew, providing peasants with more job opportunities. The policy itself has created an 'army of birth control officials.' (???) China had approximately 60,000 full time personnel working on birth control before 1980, but by 1995, it had amplified to over 400,000.

Nevertheless, China's one-child policy of population control by decreasing the number of dependents per household, have in fact raised living standards. It has impressively lifted several millions of people out of poverty and contributed to the country's impressive levels of economic growth in recent decades. Many couples now have voluntarily shifted towards a smaller family culture, enabling the reduction of natural resources to be evident. The policy has also helped the country to sustain a steady employment rate, as unemployment caused by excess supply of labour has been reduced.