

THE NEGATIVE IMPACT OF THE ONE CHILD POLICY ON THE CHINESE
SOCIETY AS IT RELATES TO THE PARENTAL SUPPORT OF THE AGING
POPULATION

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By

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ABSTRACT

This thesis examines the one child policy and how it has impacted the overall family structure, for the purpose of this thesis, mainly the elderly. When the one child policy was introduced by Deng Xiaoping in 1979, the Chinese population was at one billion. China was not prepared for the rapid population growth. Thirty years later, the Chinese are living longer but China is not as prepared for the rapid aging population. China currently has more than 177 million people aged 60 or above, and the number is predicted to reach 450 million, or one quarter of the country's total population, by the middle of the century, according to statistics from the latest national census released this year.¹ This increase dramatically affects economic development and social welfare. As this paper will discuss, China is faced with the problem of not enough children to take care of the elderly parents.

According CIA World Factbook in 2011 the life expectancy in China's life expectancy at birth for the total population is 74.68 years. Males are 72.68 years and females are 76.94 years.

Definition: This entry contains the average number of years to be lived by a group of

¹ Song Wei, "China Explores In-Home Nursing as Aging Population Pressure Grows," China National Committee on Aging, January 9, 2012, <http://old.cncaprc.gov.cn:8080/en/info/1719.html> (accessed March 9, 2012).

people born in the same year, if mortality at each age remains constant in the future. The entry includes total population as well as the male and female components. Life expectancy at birth is also a measure of overall quality of life in a country and summarizes the mortality at all ages. It can also be thought of as indicating the potential return on investment in human capital and is necessary for the calculation of various actuarial measures.

As Deng was concerned with reducing the population growth rate, he did not consider the negative influence that the reduction in family size would have on the elderly. Aging and longevity was not a prominent public policy issue. From the macro perspective the main issue was reducing the number of babies being born, in hopes of reducing future population growth. This approach to population control has its negative implications. From the micro perspective did anyone consider the traditional family structure in rural and urban China? The children are the future adults and workforce for the economy. The current adults will become the future elderly. In the traditional family, the future adults are needed as care takers of the future elderly. By implementing the one child policy, China inadvertently caused the current elder care problem. There is no quick fix that will slow the rapid aging population. The one child policy may have caused the problem, but ending the policy will not resolve the immediate issues. After reading several journal articles and books, it is concluded that by ending the one child policy or increasing the number of children a couple can have will not resolve the elder care problem. The

government will need to implement provisions now. This paper will discuss the above issues.

In order to support my thesis that the one child policy was not the answer to the population growth in 1978 and that the policy caused the current elder care problems, this paper will begin with what social issues led up to the population problem. The scope of this thesis covers China's history from 1949 to modern China. Chapter I, "Introduction: From 1949 to Modern China", gives a brief historical background of China's leadership under Mao Zedong and the effects his leadership had on the creation of the one child policy. This will include the four campaigns that were intricate stepping stones to the one child policy: The First Five Year Plan, the Second Five Year Plan, the Great Leap Forward and the Cultural Revolution. It will discuss the fertility patterns at the time the policy was imposed and its implications of continued high levels of population growth. It will also discuss the alternatives for reducing fertility rates. Chapter one will define the one child policy, its implementation and how it has changed over time.

Chapter II, THE FAMILY, will cover how the family is affected by the one child policy. It will discuss the policies impact on fertility rates, the sex ratio, female infanticide and traditional marriage. It will also discuss the rapidly aging population. Chapter III, TAKING CARE OF FAMILY, will discuss the general meanings of filial piety and also discuss the family values associated and how the one child policy is a contradiction to filial piety. It will discuss the 4-2-1 problem and how the one-child policy has led to the need for institutional care because of gender role changes. It will discuss the legislation

that was put in place to ensure that the elderly would have the right to take their children to court if necessary for financial support. The Law also encouraged the children to respect their elderly. This respect was becoming extinct because of the modernization and the individual loss of traditional values, such as filial piety. Chapter IV, RETIREMENT POLICY AND PENSION SYSTEMS, will discuss China's retirement policy and summarize the findings from a case study completed by Tamara Trinh at the Deutsche Bank Research on the pension system. This case covers the demographics of the pension system and exploits the problems within the system. Chapter V, RECOMMENDATIONS FOR CHANGE, will discuss the programs for elder care that are now in place and recommendations for other social services. It was also discuss if it is time to end the one child policy.

I would like to thank God for the wisdom that He has giving me and the supportive family that He has blessed me with. My daughter Brianna M. Antonio was my inspiration for completing my graduate degree. I want her to see that if Mommy can do it, she can do it! I am grateful to my best friend and sister, Tracie Powell for always providing me with the right type of encouragement. I must thank my nephew Kavey who believes that I can do anything. To my parents, Barbara M. and Charles H. Powell, thanks for believing in me.

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TABLE OF CONTENTS

COPYRIGHT PAGE.....	ii
ABSTRACT.....	iii
DEDICATION PAGE.....	vii
ILLUSTRATIONS.....	ix
CHAPTER I: INTRODUCTION: FROM 1949 TO MODERN CHINA.....	1
CHAPTER II: THE TRADITIONAL FAMILY.....	15
CHAPTER III: TAKING CARE OF FAMILY.....	33
CHAPTER IV: RETIREMENT POLICY AND PENSION SYSTEM.....	49
CHAPTER V: RECOMENDATIONS FOR CHANGE.....	63
CONCLUSION.....	67
BIBLIOGRAPHY.....	68

ILLUSTRATIONS

1. Total Fertility Rate (Mean Number of Children Born per Woman) in China, 1969 to 2004.....	17
2. Ratio of Men to Women According to the Birth Order in China, 1980 to 2001....	20
3. Percent of Population Aged 65 and Over.....	28
4. Population Pyramids, China: 2000 and 2050.....	31

CHAPTER I

INTRODUCTION: FROM 1949 TO MODERN CHINA

Chapter I, “Introduction: From 1949 to Modern China”, gives a brief historical background of China’s leadership under Mao Zedong and the effects his leadership had on the creation of the one child policy. This will include the four campaigns that were intricate stepping stones to the one child policy: The First Five Year Plan, the Second Five Year Plan, the Great Leap Forward and the Cultural Revolution. It will discuss the fertility patterns at the time the policy was imposed and its implications of continued high levels of population growth. It will also discuss the alternatives for reducing fertility rates. Chapter one will define the one child policy, its implementation, and how it has changed over time.

Section 1: History of Mao Zedong’s Leadership and how it led to the need for the one child policy.

On October 1, 1949, the People’s Republic of China was declared by Mao Zedong. China’s population had recently suffered a tremendous loss because of a four year civil war against the Nationalist Party, which was led by General Chiang Kaishek. With these conflicts over, population growth was imperative for China, as it would provide the manpower to rebuild their nation. This meant that the Chinese Communist Party (CCP) had the immediate tasks of completing political consolidation, restoring social order, and reconstructing the economy.¹ Beyond

¹ Tyrene White, *China’s Longest Campaign: Birth Planning in the People’s Republic, 1949-2005* (Ithaca and London: Cornell University Press, 2006), 19.

that, it was committed to a second revolution that consisted of the transformation of China's backward, agrarian society into an advanced socialist society.²

The leaders of the Chinese Communist Party (CCP) came into power with substantial political and administrative experience that was gained over decades of revolutionary struggle.³ As a Communist leader, Mao looked to the Soviet Union as a model to carry out China's goal of transforming their economy and society. Mao admired the Soviet's structured party and state organizations, their models for urban-based and industrial development and approaches toward collectivization of farming. With much admiration, the CCP gradually implemented these policies during the initial years of transition and nation building.⁴

During the initial years of nation building, the CCP remained pro-natalist. This ideology was dictated by Mao. Throughout the civil war, the CCP had maintained a pro-natalist policy in order to offset the effects of disease, infant mortality and high death rates in the base areas. At the same time, the party had encouraged young people to delay marriage and childbirth so that they could

² Ibid.

³ Debra E. Soled, *China: A Nation in Transition* (District of Columbia: Congressional Quarterly, 1995), 56.

⁴ Ibid.

devote all their energies to the work of the revolution. After the civil war was over, there was an increase in marriages and pregnancies.⁵

By the end of 1952, the CCP had basically completed the task of consolidating its power nationwide.⁶ In addition, the first stage of rural revolution which included implementing land reform and waging class struggle against the landlord class was nearing completion.⁷ The Chinese leadership was able to begin concentrating more intensively on how to bring about rapid industrialization and development, an issue that required two sets of decisions.⁸ The first was substantive – what mix of policies would yield the most rapid pace of development at the lowest political, economic, or social cost. The second was administrative – how the new Communist government was to oversee and administer a socialist economy.⁹

China began to create the central organs necessary for development of a nationwide planning process and apparatus. For example, the State Statistical Bureau and State Planning Commission (SPC) were established and by the end of 1952 each province had established a statistical department and similar planning

⁵ White, *China's Longest Campaign: Birth Planning in the People's Republic*, 20.

⁶ Ibid.

⁷ Ibid.

⁸ Ibid., 26.

⁹ Ibid.

departments.¹⁰ The SPC was responsible for both short term (annual) and long term (five year) economic planning.¹¹ Its job was to coordinate the production and distribution needs of individual economic province and to set priorities for investment growth.¹²

Even though China had the appearance of a central planning government, the inner workings lacked both hard data and the coordinating mechanisms.¹³ Nevertheless, these steps were the foundation the first five year plan (FYP), which covered the years 1953 – 1957. The FYP that was not formally approved and announced until 1955, but by this time much of the planning and implementation had already taken place.¹⁴ Overall, China made significant progress during the first Five-Year Plan and economic measures point to success, especially in view of the country's devastation after decades of war. During this period, China's gross national product (GNP) increased 9 percent on average each year; industry grew at 13 percent annually; and agricultural output increased about 4 percent annually.¹⁵

¹⁰ Ibid.

¹¹ Ibid.

¹² Ibid.

¹³ Soled, *China: A Nation in Transition*, 59.

¹⁴ Ibid.

¹⁵ Ibid.

The first Five-Year Plan followed the Soviet model of development, but the Second Five Year Plan (1958 – 1963) was an attempt to forge China’s own path to socialism. It was designed to improve on the first FYP and included strategies that differed from the Soviet model, but were thought to be better suited to China’s circumstances and needs. As the second FYP was developing, Mao implemented the Great Leap Forward (1958 – 1962).

Key features of the Great Leap Forward were:

- fully mobilizing rural and urban labor through people’s communes;
- consolidating socialist ownership;
- setting ambitious goals to replace a genuine planning process;
- experimenting with means to achieve these goals using, for example, so-called backyard furnaces to increase steel production;
- emphasizing rapid growth at the expense of quality and technical norms.¹⁶

Another major aspect of the Great Leap Forward (GLF) was the organization of communal farming on a massive scale to enhance agricultural production.¹⁷ The peasants were organized into larger entities called people’s communes.¹⁸ The role

¹⁶ Ibid., 61-62.

¹⁷ Ibid.

¹⁸ Ibid.

of the communes was stated in the Central Committee Decision of People's communes of August 29, 1958.¹⁹

The people's communes are the logical result of the march of events. Large, comprehensive people's communes have made their appearance, and in several places they are widespread...This basis for the development of the people's communes is mainly the all-round, continuous leap forward in China's agricultural production and the ever-rising political consciousness of the 500 million peasants...At the present stage our task is to build socialism. The primary purpose of establishing people's communes is to accelerate the speed of socialist construction and to prepare actively for the transition to communism. It seems that the attainment of communism in China is no longer a remote future event. We should actively use the form of the people's communes to explore the practical road of transition to communism.²⁰

China's plunge into disaster became apparent within a short time.²¹

Although 1958 was an unusually good year for agriculture, the sum of procurement and pricing policies, pressure to meet targets, and hoarding based on fear of unstable food supplies eventually caused great disruption and suffering in the countryside.²² Bad weather in subsequent years added to the difficulties, but was not the sole factor.²³ People were at starvation levels in various provinces,

¹⁹ Ibid.

²⁰ Ibid.

²¹ Ibid.

²² Ibid., 62-63.

²³ Ibid.

and food shortages reached the cities.²⁴ From a high of about 200 million tons in 1958, grain production in 1960 dipped to a low of 150 million tons (some estimates go as low as 143.5 million tons). It took until 1965 to climb back to the 1957-1958 production levels.²⁵ Ironically, China's grain exports continued throughout this period, topping 4 million tons in 1959.²⁶ Considering the domestic food shortages, this level of exports only increased the hardship experienced by the Chinese people.²⁷ Government-controlled newspapers announced steel production achievements on a virtually daily basis as the public was exhorted to produce more and more.²⁸ Production reached only 8 million tons in 1958, rather than the ambitious 11-million-ton goal.²⁹ And 3 million tons of this was steel that proved useless – produced in the backyard furnaces erected throughout the agricultural communes.³⁰

While goals were undoubtedly achieved through massive mobilization, the failure of the backyard furnaces and ensuing widespread starvation were to become

²⁴ Ibid.

²⁵ Ibid.

²⁶ Ibid.

²⁷ Ibid.

²⁸ Ibid.

²⁹ Ibid.

³⁰ Ibid.

the lasting legacies of the Great Leap Forward.³¹ The famine took on serious proportions, especially in certain rural areas. Mortality rates had reached 25 per thousand in 1960 and were even higher in the countryside: 19 million people are believed to have died of starvation in that year alone.³²

The Cultural Revolution (1966-1976) is known as Mao's ultimate campaign. It engulfed the entire nation. It was during the Cultural Revolution that he mobilized the populace to carry forth his revolutionary vision.³³ Mao wanted to destroy anything with China's pre-revolutionary past. He was joined by millions of youth who rallied to the cause, organizing into Red Guard units. They wanted to purge the nation of the "Four Olds": old thoughts, old cultures, old customs and old habits. Mao felt the need to destroy the Chinese Communist Party in order to build it up again according to his conception.³⁴

This campaign was a power struggle between Deng's "pragmatists" and "radical Maoists" in the party, the government bureaucracy, the group promoting the Cultural Revolution, and the People's Liberation Army.³⁵ Mao was also concerned with the issue of succession, trying to avoid the crisis like that of the

³¹ Ibid.

³² Ibid.

³³ Ibid., 66.

³⁴ Ibid.

³⁵ Ibid.

Soviet Union in 1953, when Stalin died without naming a successor. The Cultural Revolution was officially declared over after Mao's death in 1976.³⁶

Deng Xiaoping succeeded Mao in 1978. By this time, China was 30 years behind in technology and standards of living compared to the West. Deng's first order of business was liberation of the country's strict control of its economy. In order to give the Chinese a free market economy with the ability to decide over their money and working conditions, Deng proposed a more capitalistic government. In the beginning there were no major changes to his limited capitalist communist economy. Once China began to do business with foreign countries, China benefited from through exportation of cheap products and from foreign investments.

By 1978, China's population was close to the one billion mark, with an estimated 65 percent under age thirty.³⁷ China was not able to produce enough food in order to provide for the growing population. In order to stop the extensive population growth, Deng introduced the one-child policy in 1979; the official explanation for the decision to launch the policy was publicized quickly in the media.³⁸ The reasoning for such a drastic change in the childbearing policy was due to the immediate and future threat to their economic development posed by

³⁶ White, *China's Longest Campaign: Birth Planning in the People's Republic, 1949 – 2005*, 42-43.

³⁷ *Ibid.*, 1.

³⁸ *Ibid.*

rapid population growth.³⁹ Deng believed that population control was key in economic expansion and the improvement of living standards. Also, intent on ending the revolutionary turmoil and stagnation of the Maoist era by leading a forced march to modernization, Mao Zedong's successors were convinced that the containment of population growth was a necessary prerequisite to achieving that goal.⁴⁰

Deng's desire to contain the population growth was a macro approach to the problem. From the micro perspective, no research was done on the long term effects of population control as it relates to the traditional family structure. Where there other options or campaigns that he could implement that would help reduce the population growth? The one child policy is not the appropriate action for the traditional family. This appears to be another government campaign that will appear to have positive implications but will produce negative ramifications. Section II will provide a more detailed explanation of the one child policy.

Section II: Defining the One Child Policy

In 1979, the one-child-per-family policy was introduced by the Deng Xiaoping regime as a temporary measure in order to further control the population

³⁹ Ibid.

⁴⁰ Ibid.

growth rate.⁴¹ Containing the population was important to economic reform and improvement of the living standards.

The government implemented rules and regulations limiting family size, which reduced reproductive choice for couples. This was governed by the State Family Planning Bureau. Local officials were responsible for day to day implementation.

The government put in place various types of measures to insure compliance with the policy. There were benefits for those that couples that accepted the one-policy and there were penalties to those who violated the one-child policy.⁴² The ‘carrot stick’ rewards were economic incentives, low interest loans, preference in schooling and health insurance.

Under the birth-quota system, the State Family Planning Commission sets a national population target each year.⁴³ The target number of children allowed to be born in the coming year is allocated downward to each province through the administrative bureaucracy.⁴⁴ The provincial government then assigns responsibility to local officials, through the city, county, or prefecture governments, to stipulate the exact number of children permitted to be born in their

⁴¹ Li, Jiali, “China’s One-Child Policy: How and How Well Has it Worked? A Case Study of Hebei Province 1979-88,” *Population and Development Review* 21, no. 3 (September 1995): 563.

⁴² Ibid.

⁴³ Ibid.

⁴⁴ Ibid., 563-565.

areas.⁴⁵ The local officials, usually the heads of work units in urban areas or the heads of villages in rural areas, collaborating with family planning cadres at the corresponding levels, select the families to be included in the birth quota and thereby authorize them to have a child.⁴⁶ Couples are not supposed to have a child until they obtain the official permit.⁴⁷ “Unplanned” pregnancies, that is, pregnancies of women without birth permits, must be terminated by abortion - the Chinese term, “remedial measures”- in a timely fashion, according to the policy regulations.⁴⁸

China is the only country in the world that has penalized people specifically and directly for violating population policy.⁴⁹ The heavy punishments associated with violating the one-child policy are widely publicized in policy regulations and media propaganda; those who miss the propaganda can see the effects of violating the policy on friends and neighbors.⁵⁰ Women and their husbands can be penalized for many reasons, the most common being that they had a child without having been assigned a birth permit. In addition, couples who have a permit for a higher-order birth (birth of children to women who have had several births) but

⁴⁵ Ibid.

⁴⁶ Ibid.

⁴⁷ Ibid.

⁴⁸ Ibid.

⁴⁹ Ibid.

⁵⁰ Ibid.

give birth too soon after their previous child is born (usually a minimum of four years of spacing is required) may be punished.⁵¹ Those who wed before the legal marriage age, have children out of wedlock, or adopt a child without permission can be punished.⁵²

Penalties are enforced by such local authorities as the heads of work units or villages, who are themselves under various economic and disciplinary pressures to ensure that the number of infants born in their jurisdiction conforms to the birth quota assigned by the upper level of administration.⁵³ A direct financial penalty is regarded as a powerful means to limit childbearing.⁵⁴ The amount of the penalty varies according to the severity of the violation.⁵⁵ The financial penalties for having a second child without permit typically range from 10 to 50 percent of the annual income of both husband and wife, imposed each year for a period ranging from 5 to 14 years.⁵⁶ For those having a third or higher-parity (having a higher number of children) child without permission, heavier penalties are imposed.⁵⁷ Those having their first child outside the quota may also be penalized.

⁵¹ Ibid.

⁵² Ibid.

⁵³ Ibid.

⁵⁴ Ibid.

⁵⁵ Ibid.

⁵⁶ Ibid.

⁵⁷ Ibid.

The one child policy only covers about 35 percent of Chinese population, which are mostly those that reside in urban areas. It has been implemented mainly among Han, the largest nationality in the People's Republic of China.⁵⁸ The 56 ethnic groups including Tibetan, inner Mongolian, Yi, Pumi, and Lusu, which are some 160 million people over a vast area of the PRC, were excluded from the policy to avoid the danger of the group dying out and to reduce conflict with these minorities.⁵⁹

⁵⁸ Barbara H. Settles and Xuewen Sheng, "The One Child Policy and Its Impact on Chinese Families," Department of Human Development and Family Studies, <http://www.hdfs.udel.edu/files/pdf/OneChildPolicy.pdf> (accessed January 28, 2012).

⁵⁹ Ibid.

CHAPTER II

THE TRADITIONAL FAMILY

Chapter II, “The Traditional Family”, will cover how the family is influenced by the one child policy. A traditional family consists of a husband, wife, father of the husband, mother of the husband, father of the wife, mother of the wife and children. It will discuss the one child policy’s impact on the number of live births that a married woman has (fertility rates), the proportion of men compared to women (the sex ratio), female infanticide, sex selective abortions and traditional marriage. It will also discuss how the one child policy is a factor in the rapidly aging population.

Section 1: Impact on Fertility Rates

Fertility rate is the ratio of live births in an area to the population of that area; expressed per 1000 population per year. It is used to describe the total number of children the average woman in a population is likely to have based on current births throughout her life.

The government set a target population of 1.2 billion by the year 2000 when they introduced the one child policy. According to the Population Reference Bureau, China’s National Bureau of Statistics (NBS) reported that mainland China’s population in 2000 totaled 1.26 billion, an increase of 132 million over the

1990 total.¹ The numbers are questionable because of China's underreporting and manipulation so that the data will conform to family-planning regulations. The Chinese authorities claim that the one child policy has prevented 250 to 300 million births. The total fertility rate decreased from 2.9 in 1979 to 1.7 in 2004, with a rate of 1.3 in urban area and just fewer than 2.0 in rural areas.² This resulted in urban families having one child and the rural families having two children.

From the perspective of the government, the policy is a great success because it has increased the economic growth for China. The fertility rate reduction and the population growth have reduced major problems (overworked social services, slums, poverty, etc) that are associated with over population.

The policy cannot take full responsibility for the reduction in the total fertility rate. In the Total Fertility Rate (Mean Number of Children Born per Woman) in China, 1969 to 2004 table below (Figure 1.), the fertility rate had already decreased from 5.9 in 1970 to 2.1 in 1979 under the voluntary "late, long, few" policy of postponed childbearing, greater spacing between children, and fewer children. With the implementation of the one-child policy, there was a further fall to 1.7 by 1995.

¹ Bingham Kennedy, Jr., *Dissecting China's 2000 Census*, Population Reference Bureau, <http://www.prb.org/Articles/2001/DissectingChinas2000Census.aspx> (accessed October 4, 2012).

² Therese Hesketh, Li Lu and Wei Zhu, "The Effects of China's One-Child Family Policy after 25 Years," *The New England Journal of Medicine* 353 (2005): 1171-1176.

In comparison, other countries over the last 30 years have had a large decline in their fertility rates. For example, China's East Asian neighbors Singapore (1.3), Japan (1.3) and Hong Special Administrative Region (1.0) had some of the lowest total fertility rates in the world in 2005 according to the World Bank website.

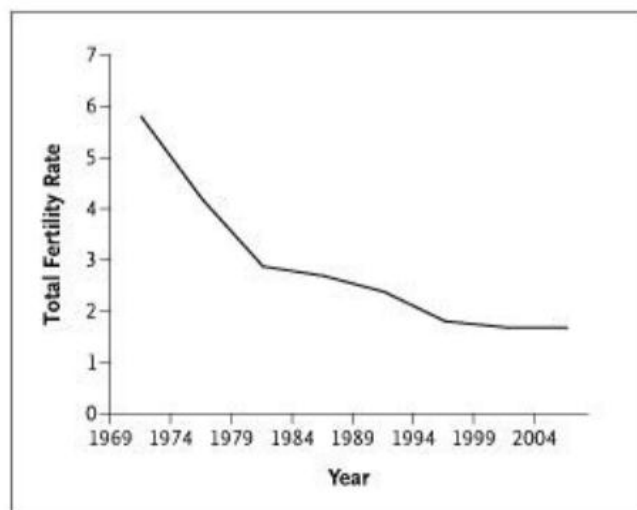


Figure 1 Total Fertility Rate (Mean Number of Children Born per Woman) in China, 1969 to 2004. (Source: New England Journal of Medicine)

The fertility rate would have continued to drop without the introduction of the one child policy, based on the data above from the voluntary late, long and few family planning policy. This data confirms that the one child policy was not the

only option that Deng had while thinking of ways to control the rapid population growth back in 1979. This family planning policy was already in place. The government should have waited to see if the current family planning was actually making an impact on the population. As stated earlier in this paper, China had the appearance of a central planning government; but the inner workings lacked both hard data and the coordinating mechanisms. In a government organization if the employees are afraid to make recommendations or address concerns that data is inaccurate, the outcome of the initiative, in this case the one child policy, will have major flaws. Workers will implement other unethical policies such as female infanticide and sex selective abortions, which will and has led to an imbalanced sex ratio. Section 2 will address some of those flaws.

Section 2: Gender – The Imbalanced Sex Ratio, Female Infanticide and Sex Selective Abortions

Sex ratio is defined as the proportion of males to females in a population as expressed by the number of males per hundred females. Female infanticide is defined as the intentional killing of baby girls due to the preference for male babies and from the low value associated with the birth of females. Sex-selective abortion is the practice of aborting a fetus after a determination (usually by ultrasound but also rarely by amniocentesis or another procedure) that the fetus is an undesired sex, typically female. Sex-selective abortion was rare before the late 20th century because of the difficulty of determining the sex of the fetus before birth. Since the invention of ultrasound, however, it has become possible. It is believed to be

responsible for at least part of the skewed birth statistics in favor of males in Mainland China, India, Taiwan, South Korea, Pakistan, and certain Arab states such as Egypt and Saudi Arabia. Although the practice is often illegal, laws against it are extremely difficult to enforce because there is no practical way to determine the parents' true motivation for seeking an abortion.

There is an obvious negative impact on the sex ratio due to the one child policy. The sex ratio at birth ranges from 1.03 to 1.07 in industrialized countries.³ Since the onset of the one-child policy, there has been a steady increase in the reported sex ratio, from 1.06 in 1979, to 1.11 in 1988, to 1.17 in 2001.⁴ There are marked and well-documented local differences, with ratios of up to 1.3 in rural Anhui, Guangdong, and Qinghai provinces.⁵ Data from the 2001 National Family Planning and Reproductive Health Survey, which was carried out among a nationally representative sample of 39,600 women of reproductive age and is most recent large-scale survey of reproductive health and fertility, show clearly that the increased sex ratio is not confined predominantly to rural China.⁶

³ Ibid., 1172.

⁴ Ibid.

⁵ Ibid.

⁶ Ibid.

Figure 2 Ratio of Men to Women According to the Birth Order in China, 1980 to 2001. (Source: New England Journal of Medicine)

Table 1. Ratio of Men to Women According to Birth Order in China, 1980 to 2001.			
Birth Order	In Urban Areas	In Rural Areas	Overall
First Child	1.13	1.05	1.06
Second Child	1.30	1.23	1.24
Third Child	1.19	1.29	1.28
Fourth Child	1.19	1.32	1.31
Average of all birth orders	1.16	1.15	1.15

There is a marked gradient across birth order: in rural areas, the sex ratio for the first birth is 1.05 (within normal limits) but it rises steeply with birth order.⁷ In urban areas, the sex ratio is 1.13 for the first birth and peaks at 1.30 for the second birth but decreases for the third and fourth births (which are rare in urban areas).⁸ The picture that emerges is that some urban Chinese make the choice to perform sex selection with the first pregnancy, since they are allowed only one child.⁹ In rural areas, most couples are permitted to have a second child, especially if the first is female.¹⁰ So if the second (or subsequent) child is female, the pregnancy often “disappears,” allowing the couple to have another child in an attempt to have a son.¹¹ This disappearance of pregnancy came in the form of infanticide, abandonment, sex-selective abortion or deliberate neglect.

The Chinese Government has addressed the problem of female infanticide and sex-selective abortions by introducing the three laws. The first law is the Women’s Protection Law prohibits infanticide and bans discrimination against women who choose to keep female babies. The second law is the Marriage laws prohibits female infanticide. The third law is the Maternal Health Care Law forbids the use of technological advances, such as ultra-sound machines, to

⁷ Ibid.

⁸ Ibid.

⁹ Ibid.

¹⁰ Ibid.

¹¹ Ibid.

establish the sex of foetuses, so as not to pre-determine the fate of female infants or encourage selective abortion.¹²

There are policies that have been put in place to protect woman against sex-selective abortions, but are not easily enforced in China. According to Dr. Hesketh's article in the Canadian Medical Association Journal, sex-selective abortions are illegal in China, but abortions are legal.¹³ When a couple decides to have an abortion, it is difficult to distinguish if the abortion is sex-selective or family planning.

For centuries, Chinese families without sons feared poverty and neglect. The male offspring represented continuity of lineage and protection in old age.

The traditional thinking is best described in the ancient "Book of Songs" (1000-700 B.C.):

When a son is born,
Let him sleep on the bed,
Clothe him with fine clothes,
And give him jade to play...
When a daughter is born,
Let her sleep on the ground,
Wrap her in common wrappings,
And give broken tiles to play.¹⁴

¹² Ethics Guide, "Female Infanticide," British Broadcasting Corporation, http://www.bbc.co.uk/ethics/abortion/medical/infanticide_1.shtml (accessed October 4, 2012).

¹³ Hesketh, Lu and Zhu, "The Effects of China's One-Child Family Policy after 25 Years," 1172.

¹⁴ Eric Baculinao, "China Grapple with Legacy of Its 'Missing Girls,'" World News on msnbc.com, <http://www.msnbc.msn.com/id/5953508#.TuZhWrJJrWE> (accessed December 12, 2011).

Over the past two decades, male infant mortality rates declined by a large margin, roughly 40 percent; in comparison, female infant mortality rates declined by only 15 percent, with all the reduction occurring in the 1990's. Prior to the one-child policy, female infant mortality rates had been declining in China since at least the mid-1930's. By 1982, the mortality rate for females was lower than that for males, similar to most populations without deliberate practices of gender discrimination against female babies; however, in 1990 and 2000, the pattern was reversed. Observed excess female mortality at young ages has been on the rise ever since the implementation of the one-child policy. The difference between the observed and expected female-to-male infant mortality ratio increased from around 10 percent in the late 1970s to as high as 60 percent in the mid-1990s. Moreover, female excess mortality is not confined to infants, but extends to children 1-4 years old as well.

The Chinese government has acknowledged the potentially disastrous social consequences of this sex imbalance. The shortage of women may have increased mental health problems and socially disruptive behavior among men and has left some men unable to marry and have a family.¹⁵ The scarcity of females has resulted in the kidnapping and trafficking of women for marriage and increased

¹⁵ Hesketh, Lu and Zhu, "The Effects of China's One-Child Family Policy after 25 Years," 1172.

numbers of commercial sex workers, with a potential resultant rise in human immunodeficiency virus infection and other sexually transmitted diseases.¹⁶

Section 3: How Has the Policy Impacted Marriage?

Strengthened by Confucianism ideology and administrative measures, the Chinese institution of marriage has had a stable structure, evidenced by very low divorce rates. Before 1979 China's divorce rates were below 5 divorces per 100 marriages. Since 1980s, China's divorce rates increased from 5% in 1979 to 15.3% in 2001 (Ministry of Civil Affairs of China 2002). The one child policy has had some influence on divorce rates in combination with other social changes. By having only one child this released young couples from additional child bearing and rearing burdens, and allowed them to devote more time and energy pursuing their careers and avocations. Consequently, the bonds of marriage are loosening in urban areas. When there is a conflict of interest between wives and husbands, divorce becomes an option. In the current prosperous economic situation, urban couples may feel free to go their own ways because they can support themselves.¹⁷

Studies about Chinese marriages and divorces have just begun to emerge. The trend toward increased instable marriage seems more important among the first generation of only children. In a recent survey on marriages of first

¹⁶ Ibid.

¹⁷ Barbara H. Settles and Xuewen Sheng 2008, "The One Child Policy and Its Impact on Chinese Families," Department of Human Development and Family Studies, <http://www.hdfs.udel.edu/files/pdf/OneChildPolicy.pdf> (accessed January 28, 2012).

generation only children couples who are only children (in contrast to not only child couples) are more likely to be open-minded to pre-marriage and/or out of wedlock sexual behaviors (72% vs. 62%), more likely to rely on their parents for wedding expenses (18% vs. 10%) and childcare (45.7% vs. 28.1%), and more likely to co-reside with their parents after marriage (50.5% vs. 42.5%)¹⁸. Co-residency with parents can help the younger generation, but may cause many conflicts. A recent study of 162 married couples under the age of 30 years old revealed that about 87% of only children felt pressured to find a spouse to satisfy their parents, 58% acknowledged their parents were a factor in the break-up, and 55% said that their parents interfered with their marriages¹⁹. Divorce rates vary by the adult child's status with rates of 24.5% when both were only children, 8.4% when one was an only-child and 11.7% for those from families with more than one child.²⁰

The shortage of girls has led to the reappearance of a social phenomenon that was largely eradicated under Chinese socialism: marriage as a marker of social status and social stratification²¹. Bride shortage is not new. Historically, between 5 to 10 percent of Chinese men lived their lives as bachelors, largely due to the

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ Ibid.

²¹ Ibid.

practice of female infanticide and neglect.²² But by the mid-1900s China began to defeat this discrimination and saw decades of rising male marriage rates, during which both the proportion of male bachelors and the link between social status and the likelihood of marriage declined.²³ However, as brides now grow scarce, male marriage once again becomes an indicator of social privilege.²⁴ In the early 1980s, 15 percent of illiterate or semi-illiterate male peasants at age 40 were still single, whereas among university-educated men the number was only 0.5 percent.²⁵ In 1990, the share of bachelors among the rural poor at age 40 rose to 19 percent.²⁶ By 2000, among rural males with the least schooling, 27 percent at age 40 were unmarried, while nationally that figure was only 4 percent and 1 percent of men with a college degree or higher remained bachelors.²⁷ This concentration of unmarried males among the rural poor was possibly caused by fertility decline in the 1960s and 1970s that resulted in successively smaller cohorts of brides in comparison to grooms; the situation may well grow worse as cohorts with increasingly imbalanced sex ratios reach their marriage age.²⁸

²² Ibid.

²³ Ibid.

²⁴ Ibid.

²⁵ Ibid.

²⁶ Ibid.

²⁷ Ibid.

²⁸ Ibid.

Another aspect of having one child in a family is the Little Emperor Syndrome. In the urban areas of China where the families are financially able both the parents and grandparents spoiled their child. These children are showered with material gifts, because they are the pride and joy of their parents and grandparents. Just like the spoiled children here in the West, the spoiled child has behavior problems and usually grow into spoiled adults.

Section 4: Rapidly Aging Population

Below are the figures and two charts that give a snapshot of the percentage of the Chinese population over the age of 65. Figure 1 is for both rural and urban created in 2005. Figure 2 is a pyramid that demonstrates the population growth by gender. Both figures display a great overview of how numbers are increasing from 2005 to 2050.

The unusually rapid fertility decline in China has produced a rapidly aging population, one that is expected to become disproportionately older well into this century. Rapid aging, in the absence of a standard of living and a social safety net comparable to other aging societies, has also earned China the distinction of a country that has become old before it has become rich.²⁹ Two decades ago, when concerns about population aging were first aired, the population was still growing

²⁹ Wang Feng, "Can China Afford to Continue Its One-Child Policy," EastWestCenter. <http://www.eastwestcenter.org/sites/default/files/private/api077.pdf> (accessed December 13, 2011).

about 1.5 percent annually.³⁰ The share of China's population aged 60 and above was only 7.6 percent, and those aged 64 and above constituted only 4.9 percent of the total population.³¹ China's 2000 census revealed that the proportion of elderly had risen to 10.5 percent for those aged 60 and above, and 7.1 percent for those 65 and above.³² While the percentage of the population over 60 is only half that of western industrialized nations, China's per capita income is one quarter to one fifth that of these same countries.³³

As a result of the 1970s fertility decline and 25 years of the one-child policy, urban Chinese couples will experience a far more serious aging scenario than rural.

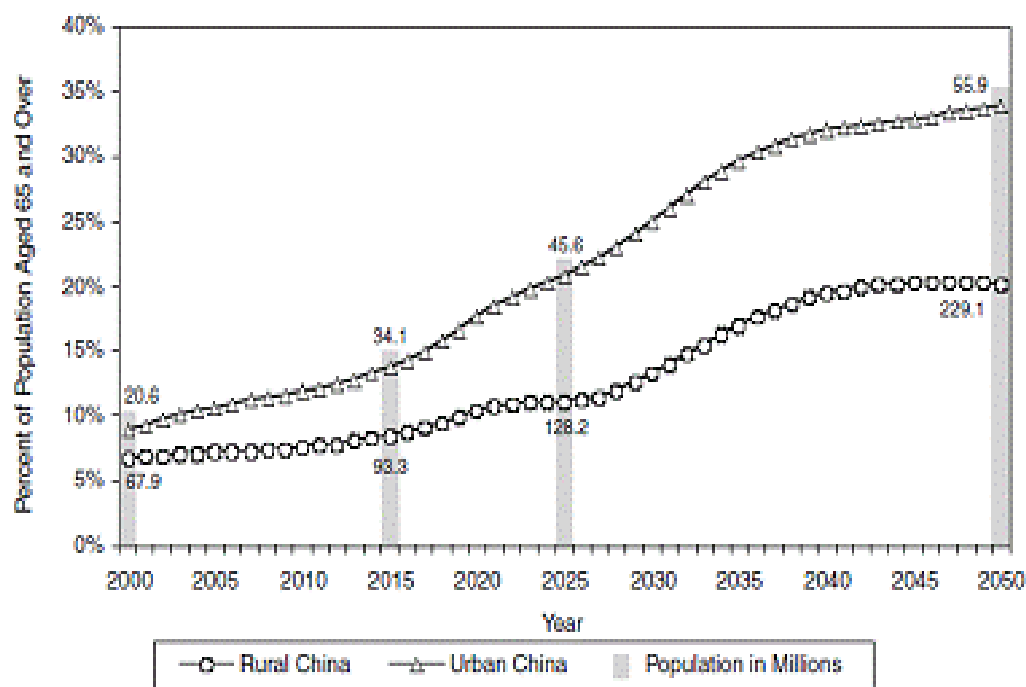
³⁰ Ibid.

³¹ Ibid.

³² Ibid.

³³ Ibid.

Figure 3 Percent of Population Aged 65 and Over. (Source: EastWestCenter)



From the table, in 2005, ten percent of the urban population was already aged 65 and over. By 2015, this will rise to 15 percent, a level of aging comparable to that in the more developed world now. By 2025, the aging level among urban Chinese will reach 20 percent, a level found presently only in Japan and Italy. Assuming fertility rates stay at the current level among urban Chinese, about 1.3 children per couple, 35 percent of the urban population will be aged 65 and older by 2050. While small in proportion to China's total population, urban elderly still account

for a large number of people. There were 20.6 million in the year 2000 and will increase to 34.1 million by 2015, 45.6 million by 2025, and 55.9 million by 2050.³⁴

In rural areas, the level of population aging will lag behind that in urban areas by more than a decade. It will not be until 2033 that the population aged 65 and over reaches 15 percent. If fertility and mortality levels stay as assumed, population aging for the majority of the population will level off at about 20 percent by the middle of this century. The number of the elderly in rural China, nevertheless, will still be staggering. It was 67.9 million in 2000 and will grow to 93.3 million by 2015, 128.2 million by 2025, and 229.1 million by 2050. In rural and urban areas combined, the number of those aged 65 and above will be more than 125 million within a decade, and could reach as high as 285 million by 2050.³⁵

As of August 2011, according to the National Committee on Aging the number of Chinese citizens at and above 60 years old had increased to 177.65 million.³⁶ Comparing this total to the prediction in 2005 from above, those aged 65 and above of the elderly population has exceeded the prediction of 125 million for 2015 by a little over 50 million. The elderly population made up 13.26 percent of the total Chinese population, according to the report by the administration

³⁴ Ibid.

³⁵ Ibid.

³⁶ Xinhua, "China's aging population rises to 178 mln," China.org.cn, http://www.china.org.cn/china/2011-08/17/content_23225094.htm (accessed September 17, 2011)

department of China's National Working Commission on Aging (CNWCA).³⁷ According to the report, the number of senior citizens at and above 60 on the Chinese mainland had increased by 2.93 percent from that of 2000, and the number of people at and above 65 had reached 118.83 million by the end of 2010.³⁸ It is estimated that the percentage of China's aging population will reach 16.7 percent of the total population in the next five years, and about 30 percent by 2050.³⁹ According to international standards, a country or region is considered to have an "aging society" when the number of people at and above 60 reaches 10 percent or more of its total population.⁴⁰ Figure 4 is China's projected aging trend between 2000 and 2050.

³⁷ Ibid.

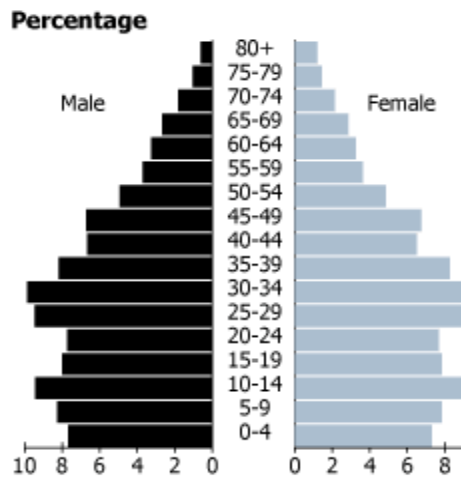
³⁸ Ibid.

³⁹ Ibid.

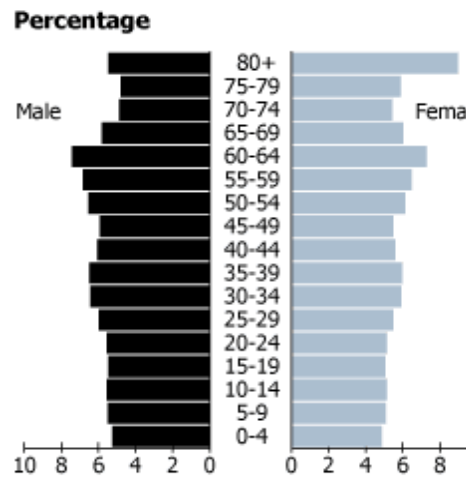
⁴⁰ Ibid.

Figure 4
Population Pyramids, China: 2000 and 2050

2000



2050



Source: *World Population Prospects: The 2004 Revision* (2005).

CHAPTER III

TAKING CARE OF FAMILY

Chapter III, “Taking Care of Family”, will discuss the general meanings of filial piety and also discuss the family values associated and how the one child policy is a contradiction to filial piety. It will discuss the 4-2-1 problem and how the one-child policy has led to the need for institutional care for the elderly.

Section I: Filial Piety

For centuries, the Confucian tradition of filial piety or xiao has long been the key ingredient holding together the Chinese familial system of elder care. Xiao is a Confucian ideology which comprises a range of preconditioned behaviors expected of children as regards parents, including respect, obedience, loyalty, material provision, and physical care. Even after the death of parents, children were mandated to make ritual sacrifices in memory of parents and to not change the ways of parents for fear of earning their displeasure.

Filial piety is a social norm that parents should love their children and that the children in turn should love and respect their parents.¹ It is a moral

¹ Kyu-taik Sung, “An Explanation of Actions of Filial Piety,” *Journal of Aging Studies* 12, no.4 (1998):369-386.

relationship relevant to fathers and mothers, sons and daughters.² Filial piety is assumed to be a manifestation of natural human nature.³

Respect toward parents is the basic feeling of filial piety. Confucius said, “Filial piety today is taken to mean providing nourishment for parents, but even dogs and horses are provided with nourishment. If it is not done with reverence for parents, what’s the difference between men and animals?” (Analects, Bk.2, Ch. 7). Mere material support without spiritual devotion could not be called filial piety. Therefore, filial piety must be imbued with respect and warmth.⁴

A core ideal of filial piety is the fulfillment of a child’s obligation to the parent.⁵ Confucius said, “The body with its limbs, hair and skin comes to a person from his father and mother. ⁶ It is on no account to be spoiled or injured” Moreover, parents are concerned for the child’s bodily health: “Parents are anxious lest their children should be sick” (Analects, Bk. 2, Ch. 6).⁷ Confucius also said, “While his parents are alive, the son may not go abroad to a distance.⁸ If he goes

² Ibid.

³ Ibid.

⁴ Ibid.

⁵ Ibid.

⁶ Ibid.

⁷ Ibid.

⁸ Ibid.

abroad, he must have a fixed place to which he goes” (Analects, Bk. 4, Ch.19).⁹
The parents are concerned about the welfare and safety of their child while travelling in a strange land. Thus, the parent-child relationship starts with the parents’ care and concern for the child. Indeed, the care and services of parents to their children are great. It is, therefore, an obligation of a child to give his parents reassurance by observing these precepts.¹⁰

The above passages reaffirm the great debt a child owes parents. Throughout the life of the parents, the child also owes them every comfort and aid. Filial piety essentially directs off-springs to repay the comfort and aid received. Therefore, the Book of Rites (Vol. 2, Ch. 1: Family Rules) admonishes, “Care for parents should not be a tiresome obligation; the filial son and his wife will do it with an appearance of pleasure to make their parents feel at ease.”¹¹

Thus, filial piety consists in service to one’s parents (Book of Rites, Vol. 2, Ch. I). It reflects an adult child’s altruistic concern and compassion expressed in caring for aging parents. Thus, the child feels sorrow at the suffering of his or her parents and is disposed toward caring action.¹²

⁹ Ibid.

¹⁰ Ibid.

¹¹ Ibid., 372

¹² Ibid.

The ethic of parent care is grounded on sacrifice which transcends the child's self-interest.¹³ Sacrifice no longer means giving up one's life for the parent, instead dedicating part of one's energy to parent care.¹⁴ The sacrifice made for the parent is, however, not one-sided.¹⁵ It would seem a small sacrifice that the children make compared to the many great things parents have done for them.¹⁶ It is said that children never repay one ten-thousandth of the great favors.¹⁷

Section II: Change in Gender Roles

In a traditional Chinese family structure the elderly parents were cared for by the adult son and his wife. They all lived in together. The son provided the finances by working outside of the home and the wife would stay at home with the elderly parents.

In traditional China women did not work outside the home. Daughters were not considered an economic value to her own elderly parents. Once the daughter became a wife, it was her marital duty to take care of her husband's parents so that the husband would be praised for his filial devotion. The wife did not receive praise for her expected labor responsibilities.

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ Ibid., 372.

¹⁷ Ibid.

Today, men and women in the People's Republic of China are expected to work outside of the home. The benefits of working outside of the home, allows the worker to receive benefits and to pay into their pension plan. Especially for woman, now they can provide for their elderly parents. When these women reach old age, their financial security will come from pensions provided by the government. Theoretically, this will mean that the elderly parents are less dependent on their male children.

Under the one-child policy the benefits heaped on only children are provided by the state or collective work unit intervenes in intrafamilial exchanges, supplanting the parents as providers, the system of mutual obligations will be disturbed.¹⁸ While some of the benefits to the only child (e.g., wage supplements) come from the work unit through the parents to the child, others (e.g., priority in schooling, medical care, job assignment) more closely resemble direct transfers from the work unit to the child.¹⁹ Throughout the post-1949 period the government's ideal has been to reduce the power of parents over children.²⁰ However, this ideal has never had high priority, and it has not been enforced by any campaigns or administrative measures.²¹ Careful study of urban and rural family relations in the 1970's reveals that, although parental power has softened,

¹⁸ Martin King Whyte and William L. Parish, *Urban Life in Contemporary China* (Chicago: University of Chicago Press, 1984), 155.

¹⁹ Ibid.

²⁰ Ibid.

²¹ Ibid.

because contemporary institutional arrangements reinforce traditional intergenerational ties, parents and children continue to be bound by strong sentiments of respect and mutual obligation.²²

In the developing world multigenerational living is common. In Chile, China, India, Brazil and Mexico, more than 50 percent live in a multigenerational setting. In most developed countries, it is under 20% or even 10%.²³

As in many other peasant societies, in traditional China the family was the unit of production. Because it was vertically and horizontally extendable, the family was a highly efficient productive unit. Vertically, the combination of several generations into a single economic unit provided a large and cheap labor force and allowed a high degree of role specialization by sex and generation.²⁴ Role assignment and other transaction costs were low because the family had a built-in authority hierarchy based on position in the kinship system.²⁵ Horizontal extension also enhanced the efficiency of the agriculture family firm. The family has a better chance of obtaining credit, accumulating tangible resources, dispersing workers to new economic niches and diversifying its economy when there are

²³ John Bongaarts and Susan Greenhalg, "An Alternative to the One-Child Policy in China," *Population and Development Review* 12, no. 4 (1985): 585-617.

²⁴ *Ibid.*, 597.

²⁵ *Ibid.*

more working age members, particularly males.²⁶ This also helps to diversify its economy so as to improve and secure its economic well-being.²⁷

With the rapid urbanization in China, the traditional family unit no longer holds true. Family members are migrating from the rural areas to urban areas. Urbanization and modernization have caused conflict within the traditional family structure.

Section III: The 4-2-1 Problem

In China, many families are structured as 4-2-1 since the first generation of only children has reached their age of marriage. It has led to the grandchild responsible for the care of two parents and four grandparents. If the one child policy persists, the care burden of second generation of only-child couples would double or even triple and the pool of family support of aged parents would shrink.²⁸

As stated earlier, the “little emperor syndrome’ is a result of the 4-2-1 problem. There are six people caring for and spoiling one child. This will cause social problems for the child, such as the inability to communicate with others. These children are not accustomed to sharing with other children. These children

²⁶ Ibid

²⁷ Ibid

²⁸ Barbara H. Settles and Xuewen Sheng, “The One Child Policy and Its Impact on Chinese Families,” University of Delaware <http://www.hdfs.udel.edu/files/pdf/OneChildPolicy.pdf> (assessed January 28, 2012).

of the one child policy are growing up without siblings. This will lead to the next generation of a child that will not experience having aunts, uncles or cousins.

The 4-2-1 problem has also required the older generation of parents and grandparents to rely on the government for retirement benefits and pension plans. One child can not financially provide for their parents and grandparents. Deng did not consider this aspect of the one child policy. In the sections below, it will discuss Elder care and their pension plans.

Section IV: Elder care

In the United States, elder care is an issue that adult children must face. There are some adult children that provide space within their homes for their elderly parents. Siblings do not always share the responsibility of taking care of their parents. For those families that are financially prepared but cannot provide the healthcare that their ailing parents may need, they place their parents in nursing homes. The elderly that have prepared for retirement either remain in their homes or for those that are middle and upper class move into lovely retirement communities. In the paragraphs below are supporting journal articles elaborating on how the one child policy has impacted the Chinese elderly care in the rural and urban communities.

In urban areas of China, the elderly are becoming much more financially independent. Similar to the elderly here in the United States, many elderly in China are choosing to live by themselves or with their spouse instead of living

with their adult children. In Boading, Hebei Province, Whyte reported that only about 35% of elderly parents were living in extended families with one or more married children.²⁹ In a recent study of urban dwellers in Hunan Province, Zhan and Montgomery noted that nearly half of elders who needed some levels of assistance in their activities of daily living or instrumental activities of daily living actually lived by themselves instead of living with adult children's families.³⁰

In rural China, based on Zhang's research in Hubei Province, elders' preference of separate living arrangement was rapidly increasing in the 1990's. Elders who chose to live alone because of family conflicts reported "their mental state, health, and life in general had improved greatly since they started living separately".³¹ As more elderly parents choose to live independently, when that time came that they were unable care for themselves due to physically disabilities, they may consider moving into a nursing facility.

With Chinese baby boomers approaching retirement age, familial elder care is unable to meet the needs of all elders. After the one-child policy being in place for a generation, tens of millions of retirees will only have on adult child to rely

²⁹ Martin Whyte, *Filial Obligations in Chinese Families: Paradoxes in Modernization*, in *Filial Piety: Practice and Discourse in Contemporary East Asia* (Stanford: Stanford University Press, 2004), 111.

³⁰ Heying Jenny Zhan and Rhonda J. V. Montgomery, "Global Perspectives on Gender and Carework," *Gender and Society* 17, no. 2, (2003): 209-229.

³¹ Hong Zhang, "Living Alone' and the Rural Elderly: Strategy and Agency in Post-Mao Rural China," in *Filial Piety: Practice and Discourse in Contemporary East Asia* (Stanford: Stanford University, 2004): 74.

on.³² This suggests a future inverted pyramid in the majority of urban Chinese families: a married couple of two only children will have to shoulder the care of their own child or children as well as up to 4 or more older parents and sometimes even grandparents.³³ While these only children may not necessarily receive less cultural indoctrination in filial piety, findings suggest that they have expressed lower levels of willingness to sacrifice work for parent care in the future.³⁴ In addition, they cannot afford to abandon their jobs for the traditional practice of parent care. Further, female children in urban China are gaining increasingly equal access to higher education.³⁵ Consequently, the gendered cultural expectation for daughters and daughter-in-law to take care of dependent parents may be expected to change as women become highly educated and career-oriented. If more elders are becoming independent while more caregivers are becoming unavailable, future elders will likely seek alternative means of elder care outside the home, such as institutional care.³⁶

³² Heying Jenny Zhan, "Willingness and Expectations: Intergenerational Differences in Attitudes Toward Filial Responsibility in China", *Journal of Marriage and Family Review* 17, no.2 (2004):175-200.

³³ Ibid.

³⁴ Ibid.

³⁵ Ming Tsui and Lynne Rich, "The Only Child and Educational Opportunity for Girls in Urban China", *Gender and Society* 16, no.1 (2002):74-92.

Nursing homes have become a viable option for elderly urban residents. It is not the traditional way to spend their golden years, but more elderly Chinese are accepting this as a possible alternative. As familiarity with nursing homes increases, more elderly will probably choose to voluntarily relocate to such facilities. The recent expansion of Protestant churches and the nursing homes they provide to members will also likely serve to further promote this option. The quality of nursing homes that an individual enters will likely depend how much money the family have to invest in the eldercare facility.

The market of nursing services demanded by aging population on China's mainland is worth more than 3 trillion yuan (equals 469 billion U.S. dollars).³⁷ The total number of beds in the existing nursing homes on the mainland equals to only 1.59 percent of its total aging population, a ratio lower the 5 to 7 percent in developed countries and the 2 to 3 percent in developing countries.³⁸

Section V: Elder care programs

The decline in fertility over the past two decades and the increase in longevity are causing China's population to age at a rapid rate. This is causing profound social and economic complications that require the creation of suitable policies.

³⁷ Xinhua, "China's aging population rises to 178 mln," China.org.cn, http://www.china.org.cn/china/2011-08/17/content_23225094.htm (accessed September 17, 2011).

³⁸ Ibid.

With the increase of the elderly, there is an increase of chronic health issues and disability. The elderly will need adequate health and long-term care. In order to meet the health care needs, the cost of health care will skyrocket. The sandwich generation is the middle generation who usually must take care of both the younger and older generations simultaneously. The sandwich generation that is employed will have to pay the cost of health care.

China is not prepared to meet the health needs of the growing elderly population. They have started to develop a comprehensive response to these challenges. The Chinese health officials have started various chronic disease prevention programs at the national level. As China's economy continues to increase rapidly, there is a major concern that they may not be able to allocate enough financial resources to meet the rising health care costs.

The Chinese government has recently acknowledged the consequences of rapid population aging and has started to address them in various policies and programs such as strategies for long-term care and strategies for primary and secondary prevention.³⁹ The Chinese government has started allocating more funding for long term care for the elderly. As a result of China's social-welfare reform in the 1990's, which decentralized government-funded welfare institutions and reduced their government financing; there are new opportunities for entrepreneurship in the health service industry.

³⁹ Toshiko Kaneda, "China's Concern Over Population Age and Health," Population Reference Bureau, <http://www.prb.org/Articles/2006/ChinasConcernOverPopulationAgingandHealth.aspx> (accessed March 9, 2012).

There is an increasing number of private elder homes as well as the country's former government-sponsored elder homes (which use to be reserved exclusively for elderly with no children and no other means of support) are providing an alternative to familiar elder care.⁴⁰ These facilities are too expensive for many elderly and their families.

China have begun to provide community based long-term care services for the elderly, supported both by informal and local government. These facilities are providing various services to the elderly and their family caregivers, which include daily care, home maintenance, information and referral services.⁴¹

The long-term care delivery system does not have an adequate trained workforce that can provide care giving to the elderly. Some government agencies are training laid-off workers to work in long-term care, but these training programs are short and cover only limited basic care giving skills.⁴²

Some observers are calling for more knowledge-based training programs that offer a broader range of care giving skills.⁴³ The government also has plans to develop a geriatric medical training at an undergraduate level and to establish more

⁴⁰ Ibid.

⁴¹ Ibid.

⁴² Ibid.

⁴³ Ibid.

geriatric units to increase the country's capacity to address the specific health care needs of the elderly.⁴⁴

China's ministry of health has also been addressing chronic disease prevention and control. In 2002, it established the National Center for Chronic and Non-Communicable Disease Control and Prevention to oversee efforts at the national level; the same year, it unveiled the Disease Surveillance Points System, a national resource for chronic disease surveillance.⁴⁵

The ministry is also working to develop the first long-term (from 2005 to 2015) comprehensive national plan for chronic disease control and prevention in cooperation with relevant sectors and supported by the World Health Organization (Who).⁴⁶ Reducing adult male smoking, hypertension, overweight and obesity, and building capacity for chronic disease control are among the plan's highest priorities.⁴⁷

Programs targeted toward specific diseases have also increased. These efforts include a community-based intervention on management of hypertension and diabetes conducted in three cities (Beijing, Shanghai, and Changsha) between 1991 and 2000; a national cancer control plan, the Program of Cancer Prevention and Control in China; and ratification of the WHO Framework Convention of

⁴⁴ Ibid.

⁴⁵ Ibid.

⁴⁶ Ibid.

⁴⁷ Ibid.

Tobacco Control.⁴⁸ Furthermore, to prevent chronic disease at early ages, projects to improve nutrition and health status have been undertaken.⁴⁹ These projects are focused mainly on primary schools and have achieved encouraging reductions (by as much as 30 percent in one year in one example) in the prevalence of childhood obesity.⁵⁰

As China moves forward, their rapidly growing elderly population continues to exceed that of other developed countries. China's economy has not fully developed and do not have the fund necessary to address the demands of their aging population. They must come up with a plan on how to allocate resources to facilitate the needs of the elderly.

Young Chinese women are very active in the labor-force; this could affect the informal provision of long-term care in the coming decades. Females traditionally provided elder care, especially daughters-in-law. The sex ratio at birth for the young cohorts born after China's one child policy is high skewed towards boys, potentially creating a future deficit of daughters-in-law as elder caregivers.⁵¹

China will have to enhance their social services for the elderly, because the 4-2-1 way of providing for the family is not enough. The sandwich generation (the

⁴⁸ Ibid.

⁴⁹ Ibid.

⁵⁰ Ibid.

⁵¹ Ibid.

middle generation that takes care of both the younger and older generations simultaneously) cannot continue to provide adequate care without the assistance of the state and local governments.

CHAPTER IV

RETIREMENT POLICY AND PENSION SYSTEM

Chapter IV, “Retirement Policy and Pension Systems”, will discuss China’s retirement policy and summarize the findings from a case study completed by Tamara Trinh at the Deutsche Bank Research on the pension system. This case covers the demographics of the pension system and exploits the problems within the system.

Section I: Mandatory Retirement Policy

Prior to the Great Leap Forward in 1958, some economists supported the mandatory retirement of woman at fifty and men at sixty.¹ These economists warned that because of a labor surplus, a system should be put in place that would create jobs for the upcoming college graduates.² The officials disagreed with the warning and used propaganda through the press reporting that there were labor shortages and urged older employees to work as long as their health permitted.³ The working labor force grew from 65 million to 98 million after the Great Leap Forward.⁴

Initially, not many workers took advantage of the voluntary pension program, which allowed the government to sustain a generous program, with

¹ Deborah Davis-Friedmann, *Long Lives – Chinese Elderly and the Communist Revolution* (Cambridge: Harvard University Press, 1983), 25.

² Ibid.

³ Ibid.

⁴ Deborah Davis, “Unequal Changes, Unequal Outcomes: Pension Reform and Urban Inequality,” *The China Daily*. (1988): 226.

common ratios of 300 workers to one pensioner.⁵ In 1957, one government document asserted that out of a 632 million population total, only 67,000 employees had retired and were receiving their pension.⁶

Demographics began to change in 1978 that put pressure on the ratio of pensioners to workers. This changed required the State Council to implement reforms. These reforms encouraged earlier retirement and created legislations that allowed retirees to be replaced by one of their children as a full-time state worker.⁷ This was previously reserved only for families experiencing financial troubles.⁸

In order to abolish the de facto lifetime tenure system of government officials, in 1980, Deng Xiaoping initiated the idea of a stricter mass mandatory retirement program.⁹ Retirees were compensated financially as well as politically, and many higher ranking officials still enjoyed the same political privileges once they had retired.¹⁰

China's mandatory retirement policy regarding age became law in 1982. This age-based retirement policy did not include health or financial stability. It was mandatory that women retired at fifty-five and men retired at sixty. There was

⁵ Ibid., 227.

⁶ Davis-Friedmann, *Long Lives – Chinese Elderly and the Communist*, 27.

⁷ Ibid.

⁸ Ibid.

⁹ David D. Li, "Changing Incentives of the Chinese Bureaucracy", *The American Economic Review* 88 (1998)

¹⁰ Ibid.

an exception for employees in higher leadership positions. They were given more leeway depending on their position.¹¹ An employee must have worked at least ten years for the state government to be eligible to receive their retirement pension.¹² This is notable because China's population is composed mainly of peasants and rural workers, and often those who move into the city often have short careers as government workers and are left without pension.¹³ Many workers were forced to retire at the same age yet remained ineligible for their pension and were resigned to move back to the country.¹⁴

Section II: China's Pension System

According to research by Tamara Trinh in the February, 17, 2006 issue of the Deutsche Bank Research, China special, China's pension system is in urgent need of reform. It has undergone several changes since its conception in the 1950s. It has moved from a largely unfunded pay-as-you go system to a partly funded multi-pillar system including individual accounts. The current system still has numerous problems. When it was introduced, it was part of a cradle-to-grave security system provided by state-owned enterprises (SOEs) to their employees:

¹¹ Melanie Manion, "Policy Implementation in the People's Republic of China: Authoritative Decisions Versus, Individual Interests," *The Journal of Asian Studies* 50 (1991): 275.

¹² Jean-Claude Chesnais and Wang Shuxin, "Population Aging, Retirement Policy and Living Conditions of the Elderly in China," *Population: An English Selection* 2 (1990): 19.

¹³ *Ibid.*, 20.

¹⁴ *Ibid.*

the so-called “iron rice bowl”.¹⁵ This guaranteed employment in SOEs or other institutions of the state sector, with all connected benefits like the provision of a social security net, included guaranteed pension claims.¹⁶

The pension payments were solely financed from the work unit’s operational expenses rather than by employees’ contributions. The state as owner of the enterprises was ultimately responsible for funding retirees’ pension claims. In the course of economic reforms SOEs were granted more autonomy to hire and fire employees according to their needs. At the same time they were confronted with an increasing burden of pension payments.¹⁷

The introduction of foreign invested enterprises (FIEs) and the emergence of other legal forms changed China’s employment structure. According to the figures of the National Bureau of Statistics of China, the number of staff and workers in state-owned units declined from 112.6 million in 1995 to 67.1 million people in 2004. The number of people employed in private enterprises rose from 4.9 million in 1995 to 25.5 million in 2003 and the number of individually employed persons increased from 15.6 million to 23.8 million. Up to the early 1990s, the last two mentioned groups were not covered by any type of old-age insurance.¹⁸

¹⁵ Tamara Trinh, “China’s Pension System: Caught Between Mounting Legacies and Unfavorable Demographics,” Deutsche Bank Research (2006):3.

¹⁶ Ibid, 17.

¹⁷ Ibid.

¹⁸ Ibid.

The social benefits of the iron rice bowl system have been regarded as impeding growth and the adjustment of SOEs by not offering enough incentives. Additionally the enterprises were constrained by the massive financial burden originating from pension payments. Non-transferability of benefits hampers labor mobility – one prerequisite for a market-based economy. The number of employees in SOEs still remains relatively high – at about 27% of all urban employees in 2003. However, an increasing number of retirees led to a decline in the ratio of workers to retirees between 1989 and 2003 from 5.4 workers per retiree to 3 workers per retiree, respectively.¹⁹

The one child policy added to the financial problems of the pension system. One child was expected to provide financial for two parents and four grandparents while at the same time saving for his or her own retirement. The wage growth in many jobs could be limited due to the vast supply of labor in China. Competition for high-skilled jobs with good pay and for the university degrees needed for them will become even fiercer. According to Trinh, pressures on state coffers will rise since everybody entitled to any state pension payouts will be sure to claim the, while possible old-aged poverty for those whose children cannot provide them with a decent living could become a socially disruptive force which the government needs to address.²⁰

¹⁹ Ibid.

²⁰ Ibid.

In her case, Trinh discussed four areas: Chinese demographics, today's pension system, the structural challenges in reforming the current pension system and the standard recommendations for pension system reform and the Chinese case.

According to Trinh's findings, China is graying fast but a low income level. China's demographic development has started to resemble that of more mature economies: it is facing a rapidly aging society; according to the latest UN projections, between 2005 and 2050 the median age in China will jump by 12.2 years to almost 45 years, compared to Germany's increase of only 5.3 to 47 years.²¹

China's rapid aging has a significant impact on the labor pool. In 2005, Trinh research predicted that the working age population as portion of total population would peak around 2010 at 72.2% according to the conventional definition (i.e. 15-64 year-olds as percentage of total population) and will steadily decline to 60.7% in 2050 according to United Nations projections.²² Chinese workers retire at a much earlier age than 65. In 2005, there retirement age was 50 for women (55 for those in managerial positions) and 60 for men (65 at ministerial (executive) level in SOEs), some early retirement schemes allow men to claim pensions as soon as at the age of 50 (for women 45).²³

²¹ Ibid., 6.

²² Ibid.

²³ Ibid.

In the 1990's a multi-pillar pension system was established. The three pillars of this system are still in place today:²⁴

1. First pillar: a basic pension plan or defined benefit PAYGO-pillar to provide pensioners with a minimum level of benefits (20% replacement rate of previous year's provincial and local average wage), financed entirely by enterprise contributions (13% of wage bill). Eligibility for the basic pension is tied to at least 15 years of contributory service.²⁵
2. Second pillar: a mandatory defined-contribution pillar for accumulating additional benefits by contributions via individual accounts, jointly financed through individual contributions (4% increasing over time to 8%) and 7% from enterprises, entitling the pensioner to a monthly annuity equal to 1/120 of the account's notional accumulation plus an indexation factor. If individuals contribute for 35 years, this pillar is expected to provide a replacement rate of 38.5% (i.e. plus the first pillar, a total replacement rate of 58.5% should be achieved).²⁶
3. Third pillar: a voluntary supplementary pension pillar managed by individual firms or private insurance companies; putting in a good

²⁴ Ibid.

²⁵ Ibid.

²⁶ Ibid.

incentive structure and legal framework for this pillar is still a work in progress.²⁷

Trinh explores the three structural challenges in reforming the current pension system. Those challenges are how to deal with legacy debt, i.e. unfunded liabilities from the old pension system; how to unify the currently highly fragmented and decentralized system; and how to create a working capital market so that higher returns can be earned on invested funds.

Legacy debt: Unfunded liabilities from the old pension system.²⁸ Under the “iron rice bowl” system, it was assumed that a SOE current revenue would be enough to cover pension payouts. However, with the enterprise reforms in the 1980’s, budget constraints hardened and pension liabilities began to accumulate.²⁹

World Bank estimates for the implicit pension debt, i.e. current benefits paid to pensioners plus pension rights of current workers put it at 141% of 2001 GDP (roughly 1.6 trillion USD). If this debt burden were made explicit, this would significantly increase public debt which currently (2005) stands at only 14% of 2001 GDP.³⁰

²⁷ Ibid.

²⁸ Ibid.

²⁹ Ibid.

³⁰ Ibid.

Another set of problems regarding the financing of current pension claims are that some of the local pension pools are reportedly facing serious funding problems or are even bankrupt, relying on government subsidies to bail them out.³¹ It is reported that some local governments have been using reserves accumulated in the individual account to pay current pension claims, leaving the second pillar empty.³² This is creating a growing amount of contingent liabilities for the central government which will have to pick up the tab.

The transition from the current pension system to a more financially sustainable one will be a daunting task and will require significant government resources.³³ This leads to the next challenge: how to unify the currently highly fragmented and decentralized system.

The decentralized set-up of the pension system leads to high fragmentation and significant intransparency. There are huge disparities and inequalities with the system. Not only do contribution rates vary geographically, across provinces and even municipalities, but also across types of enterprises. Industry-specific pooling also exists in certain sectors. Moreover, a separate rural pension program is being developed. Pooling the funds for the first and second pillar – the enterprise funds (20% of payroll) and individual employees' contributions – is supposed to exist on a province-wide level; however, the transition to such a system has still not been completed and pooling of contributions partly still occurs at the municipal level.

³¹ Ibid.

³² Ibid.

³³ Ibid.

Coverage is also uneven. Originally only state-owned enterprises were part of the system. That has changed; some municipalities have been extending coverage to collective, private and foreign-owned enterprises as well. Firms with younger staff and from relatively dynamic sectors are trying to resist participation in the pension system. These firms feel that they are being used to diminish other enterprises' shortfalls while being burdened with a significantly higher wage bill, which translates into a loss of competitiveness. The financial burden of all social security contributions (i.e. for pensions, health care, unemployment insurance, occupational injury insurance, maternity, housing provident fund) can total about 40% of the wage bill. Hence, there are significant incentives for contribution evasion and declining program participation.

There was also an issue of portability of pension claims, i.e. the possibility that an employee can keep and transfer his pension entitlements when changing jobs, which is almost possible in such a fragmented system. It thus impedes labor mobility and makes restructuring of SOEs quite difficult if this involves large dismissals.

The third structural challenge in reforming the current pension system is how to create a working capital market so that higher returns can be earned on invested funds. Currently funds from the pension system are vested in government bonds and bank deposits. According to Trinh's research, instruments yielding a higher return would be needed to increase the wage replacement rate to the promised level. It would also help to use capital markets to manage funds, which

would increase capital mobility within China. There is an urgent need to develop China's still relatively immature financial markets.

One of the issues facing China's capital market is the lack of institutional investors. In 2000, the government has created a large institutional investor in the form of the National Social Security Fund (NSSF).³⁴ It is managed by the National Council for Social Security (SSF).³⁵ The purpose of the NSSF is to create a national long-term strategic reserve fund to finance future social security expenses. The government encourages employers to provide additional retirement benefits under the Enterprise Annuity Program for which it provided a framework with the "Enterprise Annuity legislation", effective from May 2004.³⁶ This scheme is designed to be more commercially-based and allows up to 30% of the fund asset to be invested in equities.

China has a very large pool of savings, by creating financial instruments that would yield higher returns; this would help increase returns on general household savings. In 2004, the stock of household savings had reached almost Renminbi (RMB) 14 tr and is set to grow further.³⁷ Disposable incomes are rising and a decreasing portion is being spent on the bare necessities. Some of the "freed" income will go to increasing (luxury) consumption, but a good portion will be saved.

³⁴ Ibid.,12.

³⁵ Ibid.

³⁶ Ibid.

³⁷ Ibid., 13.

In her case study, Trinh recommends the following four policies: centralizing the management of the pension, converting the implicit pension debt into explicit public debt, further liberalizing financial markets, and increasing the pool of financing.

Through creating a more centralized managed pension system, it could help balance out the inequalities and could contribute to an improved data collection and analysis. It could also help improve governance of the system.

To enhance transparency and create confidence in the pension system, China should convert the implicit pension debt into explicit public debt and raise funds to pay for the unfunded part of the transition to the envisioned system. This would raise the incentive for a higher participation rate. This could serve as an opportunity to earmark resources for a contingency reserve of any economic, demographic, or external shocks to the system. It is also important to remember when raising the needed funds, diversify the sources of financing, since using public borrowing as the only financing source could risk creating a “debt trap”, in light of the rising dependency ratio in the next few decades. State asset sales are one other funding option as well as levying a special tax.

It is necessary to liberalize financial markets by creating new financial products which can provide higher returns and longer maturity profiles suitable for investments by the pension industry players. Stock market reform and greater participation by institutional investors would be highly welcomed steps.

Finally, Trinh recommends increasing the pool of financing by allowing foreign investors unmitigated access to domestic capital markets. This might allow foreigners to hold domestic treasuries and invest in unified equity markets.

Trinh believes these measures would go a long way in making it possible to introduce more specific reforms to the pension system, such as increasing coverage. Her analysis has shown that the demographic challenges are pressing, which means that more rapid progress needs to be made with pension reform.³⁸

Three years later, this report was written and funded by Prudential Foundation and the Center for Strategic & International Studies (CSIS), entitled “China’s Long March to Retirement Reform”. The writers made observations and recommendations which are similar to the recommendations made above. They agree that China has an immature capital markets with serious structural problems, such as poor corporate governance, weak property rights because of the lack of liquidity, rampant speculation and pervasive government control. CSIS recommends designing a national personal accounts system that would restructure the basic pension system but not privatize it. The assets in the personal accounts would be personally owned and privately managed and invested. The system would be regulated and supervised by the government as a public social insurance program. The CSIS personal accounts system would extend the system to the countryside. Which means it would be made immediately mandatory for wage and salary workers in towns and villages. Rural workers would be encouraged to

³⁸ Ibid., 38.

participate in the system on a voluntary basis. By 2020 the coverage would be made mandatory for all workers, but for the rural workers at a lower or subsidized contribution rate.³⁹

The CSIS report agrees with Trinh that China need to liberalize their capital markets. CSIS believe that over time the CSIS personal accounts system would help liberalize the capital markets. In order for China to meet the needs of their rapidly aging population, they need a broader and deeper capital markets to build the funded pension system. This funded pension system is the foundation for their economic development. This will also determine China's role in the world economy.

³⁹ Richard Jackson, Keisuke Nakashima and Neil Howe, *China's Long March to Retirement Reform*, (Washington, District of Columbia: CSIS and Prudential Foundation Programs, 2009): 29

CHAPTER V

RECOMMENDATIONS FOR CHANGE

There has been a great deal of talk about changing or terminating the one child policy. There is pressure from the international community for the National Population and Family Planning Commission to phase out and end the policy. With access to the internet, people are able to read and view stories about forced abortions that are still occurring today.

The effects from the one child policy cannot be reversed as it relates to the current aging population. Any changes that would take place would benefit the future generations. If China decides to do away with or change the one child policy, now would be the time to phase out the old policy. This section will discuss how recommendations on how to move forward with the one child policy.

According to Feng, the real questions are how and when to phase out the old policy and implement a new one. The conditions are now in place for China to start phasing out the one-child policy: low fertility; a new economic environment; a strong and persistent preference for two children among the Chinese population; and the recent success in reorienting the government's birth control program away from coercion and toward service.¹

The population growth rate in China has already declined to a very low level, a level that the ambitious policymakers' two-and-a-half decades ago did not

¹Wang Feng, "Can China Afford to Continue Its One-Child Policy," EastWestCenter, March 2005 <http://www.eastwestcenter.org/sites/default/files/private/api077.pdf> (accessed December 13, 2011)

envison.² Despite a lack of reliable birth reporting statistics evidence from multiple sources points to the same conclusion; fertility among Chinese couples declined further in the 1990s.³ Even after adjusting for possible underreporting, China's current fertility level is likely around 1.5 to 1.6 children per couple, substantially below the replacement level, and at level that promises net reduction in population size in the long run.⁴

No one in China could have predicted 25 years ago that the planned economy would soon become history and that the family, not the government, would again be the locus of economic planning.⁵ This fundamental shift, along with rapidly increasing incomes and changing aspirations, provides a new framework within which the Chinese plan their economic, social, and productive lives.⁶

One of the most significant changes in China's official birth control program is its reoriented approach to program implementation.⁷ Though it still requires couples to limit the number of births, it has departed from an earlier approach that relied almost exclusively on administrative coercion.⁸ Since the mid-1990s the

² Ibid.

³ Ibid.

⁴ Ibid.

⁵ Ibid.

⁶ Ibid.

⁷ Ibid.

⁸ Ibid.

program has shifted its focus to providing client-centered health services.⁹ These changes culminated in 2002 with China's first Population and Family Planning Law, making coercion in birth control criminal offense.¹⁰ The abatement in administrative coercion has not resulted in any increase in fertility, but has met with wide acceptance and broad support among the population, including local officials.¹¹ The success of China's population control in the last several decades and recent changes in its birth planning programs in the late 1990s have put the country in a good position to initiate policy changes.¹² Such success should lend confidence to the Chinese government regarding its ability to change the fertility policy.¹³

According to the Chinese demographic profile, the window of opportunity for phasing out the one child policy should be within the next ten years, if China is to avert greater hardship. Within the next decade, China will see its last substantial labor force increase. By 2015, China will enter a long period of demographic crossover: a consistently declining new labor supply coupled with a consistently elderly population. No policy change now can reverse the arrival of this demographic crossover, an early departure from the one child policy and a gradual

⁹ Ibid.

¹⁰ Ibid.

¹¹ Ibid.

¹² Ibid.

¹³ Ibid.

increase in fertility could help to lighten population aging pressure 20 to 30 years from now.¹⁴

Feng has summed up the one child policy and its implication as follows: while China's leaders have assumed that the population, like the economy, needs to be planned and produced in balance, they have not accounted for the role of individual volition and consent in human production.¹⁵ A government can pass rules to forbid or restrict certain human behaviors that have demographic consequences, but often such political actions are far more successful in restricting population growth than in inducing it.¹⁶

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ Ibid.

CONCLUSION

The one child policy was implemented as a population control campaign. At the time of the creation of the one child policy, the elderly population and the possibility of their longevity was not an issue for the Chinese government. Deng was concerned with the over population of all citizens, not just one age group. If only the officials had considered the long term influence of the one child policy on the traditional family and the elderly population, the economist could have made provisions within their pension system for their elderly. The health officials would have been better prepared in providing health care and a nursing care system for both rural and urban citizens.

The one child was and is still frowned upon by the global community because of the inhumane acts, i.e. forced abortions. Currently there are news articles reporting on the outcry from the global community to phase out and end the one child policy. It appears that the final decision lies with the National Population and Family Planning Commission (NPFPC).

The NPFPC is fully aware of China's fertility rates problems and their rapidly aging society. As stated earlier there is no quick fix to these problems. Allowing couples to have more children will not solve the elder care problems. But this problem has provided a new market for employment. Males and females can receive proper medical training that will allow them provide elder care service to their increasing large aging society.

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