

Demographic Challenge: The Rise of the Silver Economy in China

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Abstract: This paper explores the silver economy in China. The aging demographic in China has created challenges and opportunities for the economy. Based on analyzing extant literature relating to the silver economy, this research highlights the growth of the healthcare industry, tourism, and technology as significant areas of the silver economy. However, challenges like the lack of retirement savings and limited access to resources in rural areas are also discussed. The Chinese government has implemented policies to support the industry, such as tax breaks, subsidies, and programs to promote the development of retirement communities and long-term care facilities. The essay concludes that while the silver economy is becoming increasingly important in China, more efforts may be needed to address these challenges and ensure the industry's continued growth. This research is helpful for policymakers, businesses, and other stakeholders to develop strategies to adapt to these changes and harness the potential of the growing older population.

Keywords: silver economy, demographic change, China

1. Introduction

China's impressive economic growth, scientific progress, and political stability have fostered a prosperous socio-economic atmosphere that has enabled its citizens to thrive and flourish. The average life expectancy of China's population has steadily increased over the years, from around 43 years in 1950 to roughly 78 years in 2023, reflecting the country's advancements in public health and wealth [1].

Despite the One-Child Policy's consequences, China has benefited from cheap labor in its early economic boom, leading to the development of robust manufacturing and retail ecosystems. Even today, China maintains a comparative advantage in labor and workforce. However, the issue of the policy's influence on China's aging population will be discussed in later paragraphs.

The drastic decrease in population growth and birth rate in China is not solely the responsibility of population planning initiatives, as there is a global trend of an aging population. This trend of aging is becoming increasingly noticeable worldwide, creating challenges for societies worldwide.

The paper aims to examine China's aging society, exploring the current issues, challenges, and future prospects. This paper will follow the structure of an introduction, research question, research method, and results through facts, challenges, and future prospects. The research question this paper aims to answer is, "What are the challenges and opportunities that China's aging population presents for its economy and society, and what policies and strategies can be implemented to address them?" By exploring China's aging society and evaluating its "Silver Economy," this paper hopes to contribute to the understanding of the challenges and opportunities associated with an aging population. Our essay will serve as a tool for scholars to better understand the future of the international economy trajectory and the importance of addressing the challenges presented by an aging population.

The silver economy has a history of some time. The silver economy first appeared in Japan in the 1970s. In 2007, the European Council proposed "encouraging the silver economy". In 2021, China established the 14th Five-Year Plan, placing the development of the silver economy as one of the five major tasks of economic development in the new era [2].

The main goal of the silver economy is to create an economic and social system that enables the elderly to utilize their purchasing power to meet their consumption, living, and health needs. To achieve this, businesses and governments should build a cooperative environment and provide services and products for the elderly in terms of housing, medical care, transportation, and leisure. An in-depth analysis of the needs and preferences of the elderly is required to ensure the successful implementation of the silver economy. The in-depth analysis of the preferences of the elderly can clarify the goal, to better stimulate the consumption of the elderly. Moreover, to promote the consumption of the elderly, it is necessary to increase social support and government subsidies and implement precise policies [3].

The silver economy not only has an economic value but also can promote social development. These values are manifested in terms of intergenerational exchange and innovative products. The elderly market provides an important platform for new services and products. Moreover, the elderly market is also a reliable system that can assess the quality of new services and products. These will help to promote the survival of the fittest of new products and services, create a virtuous cycle of the silver economy, make elderly services and products more acceptable, and make the development of the silver economy more sustainable [4].

There are also a bunch of challenges that the silver economy should face. The experts attending the relevant theme seminar of People's Daily Online Research Institute pointed out that the silver economy is not a perfect competition economy, and the government needs to make up for the shortcomings of the market mechanism. The government will establish an operating mechanism and policy environment conducive to the development of the silver economy and build a platform to promote the development of the silver economy [5].

The research question that this article aims to answer is whether the silver economy in China has the potential to expand and contribute to the country's GDP. With an aging population that accounts for a significant portion of China's total consumption, there is a hypothesis that the consumption potential of the elderly has not been fully released.

To address this research question, several subproblems need to be examined. Firstly, the sources of income that support the silver economy need to be identified, and their sustainability must be assessed. Additionally, factors that limit the expansion and growth of the silver economy must be explored.

Furthermore, questions regarding the willingness of the silver economy to consume need to be answered. This includes identifying the main products that the silver economy demands and assessing whether there are sufficient supplies of these products. Additionally, it is crucial to investigate whether the elderly in China have confidence in the future and the products they consume.

The research question and subproblems will be addressed through a mixed-methods approach, combining quantitative data analysis with qualitative research methods, such as interviews and case studies. The study will focus on various aspects of the silver economy, including demographics, income sources, consumption patterns, and product demand.

By answering these questions, this paper aims to contribute to the understanding of the potential of the silver economy in China and its ability to contribute to the country's GDP. The study will also provide insights into the challenges and opportunities presented by an aging population, and the policies and strategies that can be implemented to address them. Ultimately, the findings of this study will serve as a tool for scholars and policymakers to better understand the future trajectory of the Chinese economy and the importance of addressing the challenges presented by an aging population.

2. Research Method

In order to look at China's "Silver Economy," one can analyze population distribution with the economic income associated with the aging population. Factors affecting aging include but are not limited to birth rate, death rate, and medical [3]. This paper analyzed census data and market research reports in China, to identify trends and patterns in the silver economy. This paper analyzes the total growth of China's medical care from 2016 to 2021. Since medical cost is another factor that increases aging. With the huge input of China's total health expenditure, the continuous improvement of country's medical level has prolonged the average life expectancy of China, which will lead to the aggravation of my country's population.

3. Result

Figure 1 provides a visualization of estimating that by 2070, one-third of the country's population will be over the age of 60 [6]. This demographic shift presents both challenges and opportunities for China's economy. On the one hand, it puts pressure on the country's social security and healthcare systems. On the other hand, it creates opportunities for businesses that cater to the needs and wants of the elderly population.

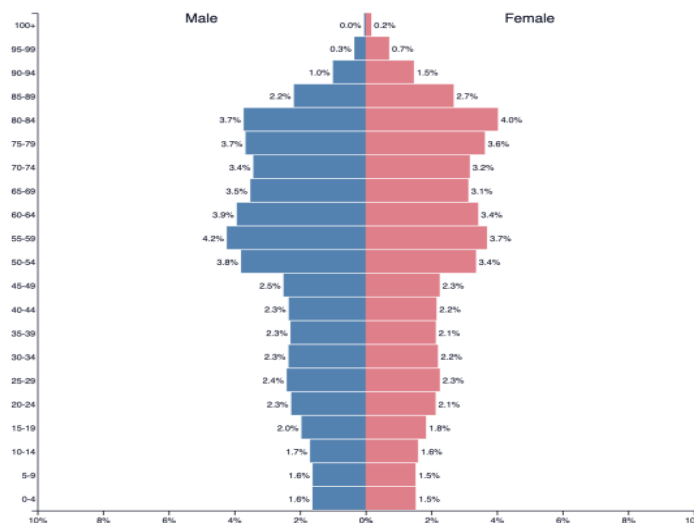


Figure 1: Estimate Chinese population of 2070 [6].

One of the main drivers of the silver economy in China is the demand for healthcare services [7]. With the aging population, there is a greater need for medical care, long-term care, and other health-related services. The Chinese government has recognized this trend and has implemented policies to

support the development of the healthcare industry. For example, in 2016, the government launched a "Healthy China 2030" plan, which aims to provide universal healthcare coverage and improve the quality of medical services.

Another area of the silver economy that has seen growth in China is the tourism industry [7]. Elderly people have more free time and disposable income, making them a significant market for travel and leisure activities. The Chinese government has encouraged the development of the tourism industry through policies such as the "Golden Week" holiday, which provides a week-long holiday in October and encourages domestic travel.

In China, the silver economy is already a significant market. According to a report by the China National Committee on Aging, the total value of China's silver economy will reach RMB 8 trillion (approximately \$1.2 trillion USD) in 2020. The report predicts that the value of China's silver economy will continue to grow rapidly, reaching RMB 17 trillion (approximately \$2.6 trillion USD) by 2025 [8].

One area of particular focus for the Chinese government is the development of "age-friendly cities." These are cities designed to meet the needs of older residents, with features such as barrier-free design, accessible transportation, and community-based care services. By creating age-friendly cities, policymakers hope to support independent living for older residents and reduce the burden on healthcare systems.

4. Challenges and Limitations

Yet, greater pension generation exacerbates the financial burden on the working population as the main contributors of pension were taxation and fiscal transfer. Therefore, serious considerations and thoughtful decisions should be made by Chinese's government regarding the reformation of pension provision.

Last but not the least, a silvery economy significantly increases the demand on healthcare services, whereas health insurance, which is taken into account of government spending, are demanded to increase as well, as it acts as a financial protection for domestic citizens. While ensuring the elderly citizens attain the ability to pay for their medical expenses, budget deficits could worsen and opportunity costs of such spending on health insurances are sustainably increasing. Policy and decision makers of China are under great pressure as they need to balance the needs and wants from different perspectives and multiple divisions.

However, multiple challenges have been faced by China's economy regarding the growing silver economy crisis.

One of the main challenges is the fall in the dependency ratio. According to the ADB (Asian development bank), the share of children's and older persons to the working-age population has fallen by approximately 50% from 1975 to 2005 [5].

Many retirees in China rely heavily on their children for financial support, and further exert a great amount of economic pressure on the younger generation, as they are the expected ones to be responsible for this. This would result in an accumulation of an individual's mental stresses, as workloads have significantly increased among the youthful labor. Social wellbeing could be adversely affected as overloaded and overwhelmed workers may be demotivated from working actively and seeking for progressions. Therefore, it can be concluded that, as the financial burden from the old generation had been passed to the younger ones, life and working stresses existed among the working population are likely to increase, leading to a negative life attitude and decreasing the incentive to work.

Furthermore, since 2016, after the working population has reached a peak at 1 billion, it started to decline, creating a shortage in the labor market and increasing the cost of labor, further adversely affecting countries production capacity as well as exports competitiveness. The comparative advantage that existed in the labor-intensive market has been lost via the aged population, yet these

losses have not been fully covered by the capital- incentive industries, therefore potentially hampering the rate of economic growth.

Additionally, there will be an increase in demand for the basic public services, including construction of central parks, public exercising equipment and entertaining areas for senior citizens. Government spending and subsidies are required at this stage in order to tackle the increase in demand of infrastructure, taxation is likely to increase, while budget deficit and demand-pull inflation could potentially occur.

Meanwhile, the sustainability of pension should be improved and reformed in order to avoid unequal and insufficient distribution. Pension is the major source of income for urban senior citizens. It is estimated that approximately 38000 RMB are offered and spent annually regarding a metropolitans' elderly citizens [9]. The reformation of the pension scheme should occur in order to tackle the current low coverage, structural and financial weakness [10]. Yet, greater pension generation exacerbates the financial burden on the working population as the main contributors of pension were taxation and fiscal transfer. Therefore, serious considerations and thoughtful decisions should be made by Chinese's government regarding the reformation of pension provision.

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5. Conclusion

The continuously aging population has brought a huge challenge to the Chinese economy in multiple aspects, accompanied by opportunities brought by the gradually expanding silver economy market. The China government has published a series of policies that aimed to express the potential and stimulate the growth of the silver economy, such as Golden Week and Health China 2023. In addition, China's rising pension expenditure provides a certain risk-free income for the ever-expanding elderly population, which supports the expansion of the silver economy and the growing demand for the elderly. The public security transfer income, which accounts for 79% of the urban elderly group's income, also provides an adequate and stable source of funds for their consumption.

However, China still faces big challenges. The income of the rural elderly will be affected in various ways, perhaps to the detriment of economic development. Because of the large number of elderly people in rural areas, this situation could only be changed gradually and carefully. In addition, according to the life course theory, factors accumulated over the course of a lifetime increase inequality among people in old age. According to classical economic theory, this might reduce consumption and the potential of a silver economy.

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