

EE463 GLOBALIZATION AND INTERNATIONAL DEVELOPMENT

Semester 2/2022 (9 January – 6 May 2023)

Birth rate policy and its effects on China's economic growth

GROUP #11

Members

Chanon Siripanasan 6304640193

Ruj Choocharn 6304641316

Runchana Tantiratapong 6304641332

Tanadol Sunthornpornsin 6304641522

Viphu Chantharayotha 6304641738

FACULTY OF ECONOMICS THAMMASAT UNIVERSITY

Background

China, one of the largest populations in the world, covers a total area of 9,596,960 square kilometers. The primary population remained in the agricultural sector, with a high poverty rate in 1949. During that period, Mao Zedong, the leader of that time, released a policy to increase the population. The reason that government wants to increase the population is:

1. The government believes that it would have a positive effect on the labor market to increase and it should increase overall economic growth.
2. The government aimed for a larger population, leading to more considerable military power.
3. The government wants to increase the population to help build support for the communist government.

The final reason the government wanted to increase the population was to encounter the United Kingdom's power colonization. However, as time passed, the population increased, with the population density rising from 549 people per square kilometer in 1949 to 940 people per square kilometer in 1976. This increase decreased the poverty rate from 90 percent in 1949 to 30 percent in mid-1970. Most of the population is still poor, and the overall economy should increase. Along with overpopulation, the government introduced the one-child policy in 1980 to limit the number of people.

In 1980, the government introduced the one-child policy to Chinese society. The policy addresses overpopulation which. Occur from the lack of labor, forcing people to have as many children as possible, increasing the people's birthrate since the Mao Zedong period. Chinese government rapidly implied the one-child policy because the government feared that resources would become scarcer, leading to food shortages and environmental degradation. Also, the government was concerned about China's ability to provide essential services and infrastructure to the city, which would lead to the obstacle to being a developed country. To make the people in the country follow the policy strictly, making the one-child policy punishes the family that violates the policy by the family pay the social maintenance and loose social welfare. The policy punishes the people, and the government also launched a program to upgrade maternal and child health (MCH), convincing people to follow the policy and receive medical and educational benefits. However, the program only highly applies to some of the areas of the country, making some of the rural areas still need improvement. The size of the people in the family in the rural area is large, and the family can take care of their children, making them tend to not care about the program, leading to the not follow of the one-child policy. The people in the rural area could have applied for this program more highly. After using the one-child policy, China's growth rate declined significantly, and the country's population density leveled decreased; according to research from Thamasat review, in 1979, the population density was around 105 people per square

kilometer, and in 2019 population density was 147 people per square kilometer, which should lead to a positive outcome for the country. It still is relatively high compared to other countries, even using the one-child policy. The one-child policy not only reduces the population. However, the result of the policy affected more boys than girls, and the increase in elders made the government need support. Moreover, the population trend's expectations differ from what the government set. Which will impact on economic growth.

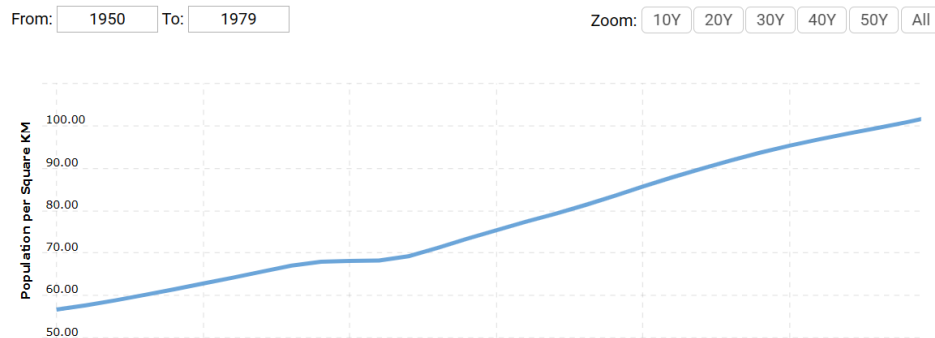


Figure1.1 China population density ([China Population Density 1950-2023 | MacroTrends](#))

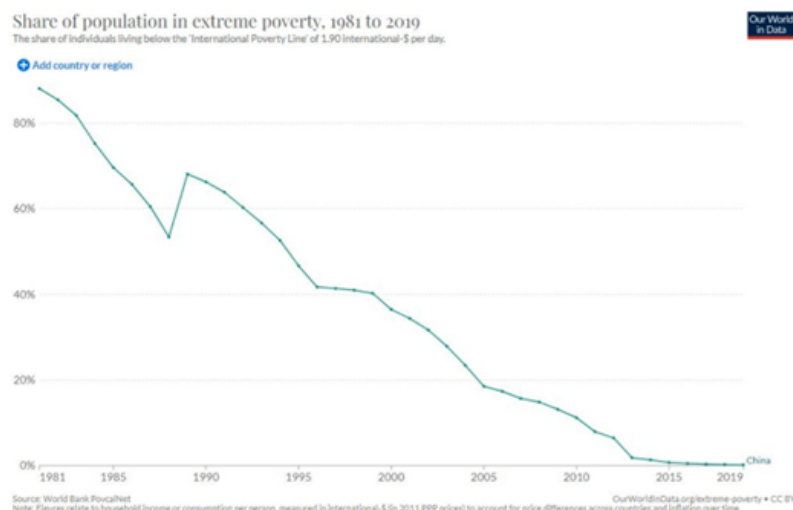


Figure 1.2 China poverty rate after one-child policy

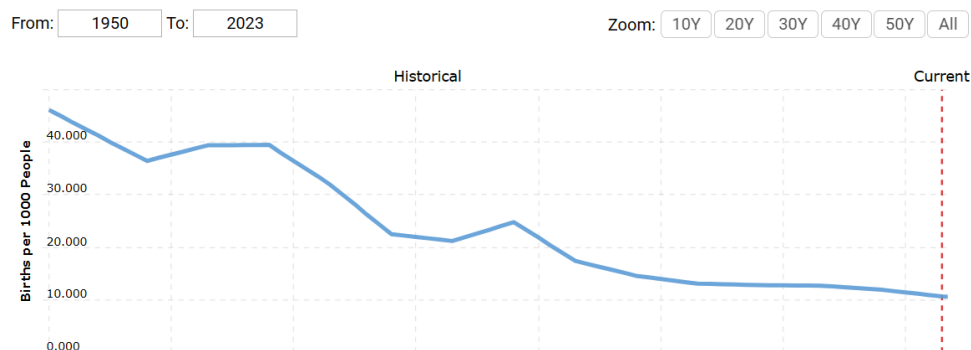


Figure 1.3 China birth rate since 1950 ([China Birth Rate 1950-2023 | MacroTrends](#))

Key Issues

The outcome of population trends was not as expected

As the resulting enthusiasm of the government, the birth rate declined from 27.93 percent to 18.62 percent, making the population less than before, but not all of it will lead to a decline in the long term. The people's mindset will think of not marrying or having one kid to be normal, which will lead to a massive decline in the future and a direct effect on economic growth as the less labor also and the total fertility rate decline from 4.01 percent to 2.48 percent—showing the change in the mindset of the Chinese people a change significantly. The result is what the government expect to decrease the population but lead to new issues like lack of labor and the abundance of female, which will be covered in the next two issues of the paper, and the government does not expect that. And at the end of 1983, around 124 million couples practiced controlling the birth rate, which dropped the death rate and increased life expectancy.

More boys than girls were born because of parents preference

As the China people believe in Confucius's belief that gives men priority over women as the belief explains that male ability and intelligence are better than females. The tradition of Confucius's belief preached the people to persist in the hierarchy pyramid of relationships, causing the patriarchy. This results in China society's stereotypes of power, responsibility, position, and inequality among males and females. The priority of the male over the female affects the life of the female after the marriage, and those females have to accept their condition. After marriage, the female must leave their parent's house and move into the male house. Also, the status of the female that marries the man will change to the property of that male with no right to say anything. She has to follow everything the male thinks until the female gives birth to a son. It will enhance the right of the female and receive acceptance from society because the female does the perfect responsibilities of the wife. Moreover, the female can use the power of the mother position to use their son to increase their voice in the male house. The traditional consequence, especially in some rural areas the firstborn of a son will receive the inheritance, and the property also has the responsibility to take care, of elderly parents, in the future. When most families restricted policy to having a one-child policy having a girl became a highly undesirable choice, effect to abortion decision and causing the ultrasound to determine the sex of the babies to decide on their choice. According to traditional belief, the rising number of female children caused an increase in abandoned orphanages or places in the United States and other countries adopting Chinese female children. The Chinese family wants males more than females, which leads to more males being born under the one-child policy than females, which leads to the inequality of the number of males to females. As a result, most males cannot find a female to marry. The

prediction is that in 2020, almost 20-30 million males will not find a female to marry. This decrease in marriage will affect the family structure in China and the labor market in China. Most population of the country will be male, making the labor force male. Moreover, females tended not to marry after the China reformation gave more rights and opportunities to women, Making females receive more social status, educational status, and political status instead of the mother's status, the son's. The result of marriage is one the key important thing to women, hence the obstacle to being a working woman. The effect of a boy more than a girl will affect China's economic growth to decrease since less labor enters the labor market, and as the number of labor is low, making, the high cost of production. It will shift foreign investment to countries with lower labor costs than in China.

More elderly population to support

The unequal number of men and women and the women having more rights after the reform will lower the birth rate and lead to declining in the number of young people in the future, making the demographic shift toward increasing in older society. The prediction of the elder in 2034 will be around 400 million people if the one-child policy continues. This policy creates unequal numbers between the child and the elder, leading to other problems. It will lead to a labor shortage as the child will be the direct labor in the China economy. It also has contributed to challenges related to caring for the country's elderly population, including a shortage of caregivers and increased demand for healthcare and social services. As the number of elder exceeds the child in the future lead to a decline in economic growth as in the past, the labor of China is oversupplied by the people, leading to the low cost to hire one of the workers. It helps the economy of China increase a lot. Also, it will attract foreigners to invest more in China and affect the price of the goods. As the number of labor decreases, the cost of production increases so that the price will be higher. Not only does the labor decrease, but each has to face the challenge of caring for more of the elder in their family. Even the government policy does not cover all of the areas in the rural area, not only the excess elder child, the life expectation of the people have increased over time. The increase in age of the population will increase by two years every ten years. An example will be in 2010, the age of people will be 75 years old as time pass. In 2020, the age of people will be 77 years old.

In 2022, the government launched a plan for expanding the supply of elderly care to support health mechanisms as a part of an endeavor to anticipate the retirement age period. In the current situation, the average male retiree is age 60. On the other hand, females work office jobs and will retire at age 55, except females who work blue-collar jobs retire at age 50.

When analyzing China's demographics compared with other countries, China encounters an aging society. Birth rate policies have steadily reduced, while China has a

high income, welfare, and education levels. A product of one child policy directly affects a family with only one child, especially a female, due to tradition and belief. Women will be separated from their parents so that their parents will live alone and suffer from the care of the family, which is not enough, resulting in a decrease in economic growth. As labor decreases, the output will decrease since the number of elders is lot. This lead to a change in the policy in the future due to the negative outcome of the one-child policy.

Government strategies and policies

In response to the issues arising from the One Child Policy, the Chinese government has introduced several strategies and policies to mitigate its negative impacts. In 2016, the government announced the end of the One Child Policy and implemented the Two-Child Policy, allowing couples to have up to two children. This policy change aimed to address the rapidly aging population, gender imbalance, and shrinking workforce by encouraging couples to have more children. Furthermore, the government has introduced various financial incentives and social benefits, such as

Tax deduction

In 2019, the Chinese government announced a policy to provide tax deducted for parents that have many children. This policy has made to reduce the burden on finance of having children.

Parental leave and subsidies

Maternity leave and payments in China that the Chinese government implies for normal birth is 98 days and the extra maternity leave granted by the local government is around 30-90 days for those who gave birth to children in accordance with the family planning policy and related regulations. For payment of maternity leave there are two cases where employees who are covered and not covered by maternity insurance will get paid differently. Maternity allowance will be paid out from the maternity insurance fund by local social security for insurance covered and the maternity allowance will be paid by the employer based on the female employee's wage prior to her maternity leave for employees who are not covered in insurance.

Education subsidies

To lower the cost of raising a larger family such as free or discounted school fees and subsidies on textbook and other education expenses. In 2021, Panzhihua in Sichuan province became the first city in China to offer subsidies for 500 yuan monthly per second or third child. Moreover, In December 2021, the Chinese government announced that it would expand its education subsidies for families with children in rural areas. The subsidies will cover tuition, accommodation, and meals for primary and secondary school students from low-income families. The move is intended to encourage more families to send their children to school and to reduce the financial burden of education on low-income families.

Housing subsidy

Another interesting incentive proposed by the Chinese government is a housing subsidy. In August 2021, the Chinese government announced that it would provide subsidies to families with two or more children who are looking to buy or rent a home. The subsidies will cover up to 30% of the down payment for a home and up to 50% of the rent for a rental property. The move is intended to make it easier for families with more children to secure housing and to reduce the financial burden of housing costs.

Another challenge for the Chinese government is a gender imbalance. The Chinese government has implemented strict laws against sex-selective abortions and has worked to raise awareness about gender equality through public campaigns. The government has also made efforts to improve the status of women in society by promoting their participation in the workforce, politics, and education. In addition, China has strengthened its laws and regulations to combat human trafficking and forced marriages, working closely with neighboring countries and international organizations to address these issues.

Lastly, China has been working on upgrading its sectors and changing its economy towards innovation, high technology, and services in to maintain long-term economic growth in the face of a declining workforce. In order to make this transformation, money must be put into R&D, higher education promotion, and entrepreneurial promotion. By providing incentives and enhancing living circumstances in key cities, the government is further attempting to draw in and keep international talent. Lastly, to solve the labor shortage and promote economic growth, the Chinese government is looking into measures for reducing immigration regulations in to attract qualified employees from other nations.

Overall, these incentives represent a significant shift in policy for the Chinese government, which has historically focused on limiting population growth. While it remains to be seen how effective these incentives will be in encouraging families to have more children addressing the challenges facing China. There are concerns that the policy change may not be enough to prevent a demographic crisis, particularly given the high cost of living and the increasing reluctance of young people to have children. However, they do represent a significant investment in the future of China's population.

Conclusion

The One Child Policy was implemented in China in 1979 as a way of limiting the population growth of the country. Families were only allowed to have one child under the policy, with a certain exception members of racial or ethnic minorities and people living in rural areas. The rule lasted for more than three decades before it was finally eased in 2015. Throughout time, China's economic development was impacted by the One Child Policy. A large increase in labor productivity as a result of a reduced workforce was one of the most significant consequences. As China developed into a significant manufacturing and

exporting powerhouse, this boost in productivity played a key role in the country's explosive economic expansion in the 1980s and 1990s. A change in China's population's demographic makeup was another effect of the One Child Policy. China's old population increased as a result of fewer babies being born, placing burden on the nation's healthcare and social welfare institutions. In recent years, this trend also resulted in a declining workforce, raising some doubts about China's capacity to continue its economic development. Besides these difficulties, the One Child Strategy is mostly seen as having to contribute to China's long-term economic success. Due to the cultural desire for sons, it also had negative influences, such as the violation of human rights and the rise of a gender imbalance.

Overall, while the One Child Policy had both positive and negative effects on China's economic growth, it is clear that the policy played a significant role in shaping the country's demographic and economic landscape over the past several decades.

Reference

<https://www.scmp.com/economy/china-economy/article/3206420/china-unveils-new-childbirth-incentives-population-growth-set-turn-negative>

<https://www.theguardian.com/world/2022/aug/17/chinese-government-birth-rate-policies-abortions-population>

<https://www.scmp.com/economy/china-economy/article/3212983/china-population-shrinking-workforce-chipping-away-nations-demographic-dividend-so-where-are-new>

<https://www.britannica.com/topic/one-child-policy/Consequences-of-Chinas-one-child-policy>

<https://thebottomline.as.ucsb.edu/2015/11/reversal-of-one-child-policy-the-damage-is-done>

<https://www.britannica.com/topic/one-child-policy>

<https://www.nbcnews.com/news/china/china-scraps-one-child-policy-all-couples-n453566>

<https://pubmed.ncbi.nlm.nih.gov/12266994/>

<https://opac01.rbru.ac.th/multim/journal/01939.pdf>

<https://www.vox.com/future-perfect/23558772/china-population-overpopulation-one-child-policy-demographics-aging-beijing-xi-jinping>

<https://www.pewresearch.org/fact-tank/2022/12/05/key-facts-about-chinas-declining-population/>

<https://chinapower.csis.org/china-demographics-challenges/>

http://www.china.org.cn/40_years_of_poverty_alleviation/node_8009394.html

https://www.un.org/development/desa/pd/sites/www.un.org.development.desa.pd/files/undesa_pd_2022_policy_brief_population_growth.pdf

https://www.silpa-mag.com/history/article_72250

