

# The Implications of a Declining Fertility Rate in China

With a total fertility rate of 1.3 children per woman (Marois et al., 2021), whether China could sustain its future economic growth with its current policies raises concerns. This essay examines the challenges and consequences of China's low fertility rate and discusses potential actions to address the issue. In order to understand the causes, it is necessary to analyse past events and policies.

## Reasons For a Reduction in Fertility Rate

The rapid urbanisation and industrialisation that caused China's economic growth also reduced the fertility rate in the long run (Liu & McDonald, 2010). China's economy has developed into a highly competitive work environment; families are more likely to prioritise their careers and financial stability over large families due to the rising costs of raising multiple children (McDonald, 2008). This incentivises families to instead focus all resources on fewer children for greater success in the competitive society.

Another significant factor in China's low fertility rate comes from government family planning policies in the late 1970s to 1980s. The "Later, Longer, Fewer" campaign directly resulted in a fertility rate decline from 5.7 to 2.7 in a decade through various birth control means. Later, a stricter "one-child" policy was enacted, a population control measure restricting families to having only one birth from 1979-2016 (Pletcher, 2010). A point worth noting is that the one-child policy may not have significantly impacted fertility rates as it has stabilised at a low level due to the "Later, Longer, Fewer" campaign (Y. Chen & Fang, 2021).

However, the one-child policy indirectly promoted gender equality. As families were forced to focus all resources on a single child, females experienced increased access to education, career opportunities, and overall change in social attitudes towards them (Wang & Zhang, 2022). As a result, women are more empowered, leading to a decline in childbirth. Furthermore, the 2020 census found that women in China choose to have children later in life as well, from 26 years to 29 years (Silver & Huang, 2022). This also results in a rapidly ageing population.

It could also be argued that the one-child policy promoted gender inequality, reducing fertility rates. Due to cultural reasons, a preference for sons leads to selective abortions of female foetuses or even infanticide and the abandonment of baby girls, resulting in a highly skewed sex ratio, with more males than females (Jiang et al., 2012). A deficit of women will lead to a reduction in newborns, therefore, a lower fertility rate (Jin et al., 2009).

## Effects of a Reduction in Fertility Rate

A reduction in fertility rates has both benefits and challenges. A decreasing population may result in a more balanced distribution of resources and reduced strain on infrastructure in the short run. Furthermore, diminishing demand may also decrease inflationary pressures, improve the trade balance and create a more stable economy. A reduction in fertility rates can also lead to a demographic dividend, as a more significant proportion of working-age individuals can contribute to increased productivity and economic development (Oizumi, 2006). It can also be argued that even though a reduction in the fertility rate may result in a lower GDP (gross domestic product), GDP per capita may increase, resulting in a higher quality of life (Ashraf et al., 2013). Conversely, a reduction in the fertility rate may negatively impact the economy in the long run. There may be a decline in overall productivity as fewer young people enter the workforce, and those who enter and increasingly burdened due to the financial strain on social security and pension systems.

### **Evaluation of the Effects**

Due to China's semi-planned economy, inflationary pressures have not been a significant issue. Additionally, heavy government planning has ensured a relatively balanced distribution of resources. As a result, China will not see the short-term benefits as it could already achieve them regardless. Furthermore, the benefits of the demographic dividend are only evident when there is a sharp decline in fertility rates. However, recently the country's fertility rate has plateaued. This may have reduced the potential economic benefits of the demographic dividend, as the shift in the age structure of the population has been more gradual.

In the long run, the effects may harm the economy. The largest industries by employment, which employ 19% of the population of China, are cotton growing, household services, building construction, restaurant service, herb growing, tobacco growing, fruit and nut growing, building competition and interior design, bridge, tunnel and subway construction and fast-food restaurants (*IBISWorld - Industry Market Research, Reports, and Statistics*, n.d.). They are labour-dependent on a young and active workforce, with few cost-effective technological substitutes. The ageing population will result in labour shortages for the largest employers in the long run. This is especially problematic as the cost of production is twice as high in China as in Vietnam, discouraging new producers from entering the Chinese market (*China's Population Is Shrinking for the First Time in 60 Years*, 2022). Analysts predict that the working population will have shrunk by 10% by 2050, and 25% of the population will be retired (Silver & Huang, 2022).

### **China's Policies at Tackling Fertility Rates Now**

The negative impact of a declining fertility rate can be shown by how the Chinese government implements policies to address this issue. A key policy is the two-child policy (Yang et al., 2022), which replaced the one-child policy in 2016. This policy allows families to have more than one child in hopes of increasing population growth. In 2021, this policy was extended to allow three children (Jing et al., 2022). Furthermore,

the Chinese government has implemented policies to support families and children, including parental leave, childcare services, and education subsidies. These measures aim to encourage childbearing and family formation by improving one's quality of life. For example, for having a third child, the Zhejiang province offered 188 days of maternity leave, while the Shaanxi province offered 250 days of paid leave (Chen et al., 2020). These efforts address social and economic factors contributing to declining fertility rates.

### **How Should China Reduce the Risks of a Falling Fertility Rate?**

China's fertility rate is below the replacement rate of 2.1 births per woman (*Demography - Fertility Rates - OECD Data*, n.d.). In 2016, there were 18.5 million births, far below the government's projected growth of 2.3 to 4.3 million additional births per year (Yang et al., 2022; Davidson & Yu, 2022). The two-child policy implemented in 2016 has not reversed the trend, prompting the introduction of a three-child policy. It is uncertain if this will address the low fertility rate. The one-child policy's effects on people's fertility behaviour cannot be underestimated. Forced abortions, sterilisations, and financial penalties may have a cultural impact on families during this period, disincentivising future generations from having more than one child even after the policy was repealed (Davidson & Yu, 2022). Perhaps, the Chinese government may need to implement policies that shift attitudes towards having larger families in a positive light, as a root cause of low fertility may be the cultural attitudes towards parenting due to the legacy of the family planning policies.

However, it is crucial to consider that some families may still perceive the opportunity cost of raising multiple children as too high (Ma, 2021; Ye, 2022). The three-child policy only provides financial benefits for a limited period during and after childbirth, but raising children until independence incurs high costs in terms of time and resources. In a competitive society like China, many parents may prefer to focus all their resources on one child. A more effective policy could be extending the financial benefits beyond the early stages of a child's life to cover the costs of education and other expenses until the child becomes independent. This would address the long-term financial burden of raising children and allow parents to allocate resources more evenly among their children, reducing the risk of a falling fertility rate in China (T. Ng et al., 2021).

While this may alleviate the issue of the opportunity costs of raising multiple children, it will be an expensive solution. An alternative solution for minimising the risks of a declining fertility rate may be increasing the use of technology to offset the reduction of labour in industries. For example, despite its ageing population, Japan is still experiencing economic growth, albeit stagnant, by investing in various technologies such as robotics and smart farming techniques enabled by the Internet of Things (*Innovation Japan | the Government of Japan - JapanGov* -, n.d.). However, along with potential unintended consequences such as job displacement in the short run, the effectiveness of this approach is uncertain as it is based on assumptions about the future trajectory of technological development. As such, it may be risky to rely on this approach as a sole solution for addressing the potential economic consequences of a falling fertility rate in China.

## Final Remarks

A declining fertility rate is not just a problem faced by China but a global trend. Fertility rates tend to decline in countries as they experience economic development, even in countries without family planning policies. Japan and South Korea, for example, have declining populations due to their low fertility rates. These countries have policies encouraging childbirth (I. Sajid, 2020), yet it does not seem to make much difference. While China may raise its fertility rate caused by family planning policies, observing global trends, it is improbable for China to raise the rate to a replacement level. Perhaps, the only way to reduce the risk of a further falling fertility rate is not by increasing the fertility rate but instead embracing the inevitable and working with it, such as investing in healthcare and social security systems, promoting healthy ageing, and exploring ways to support the continued economic growth and development of a country in the face of an ageing population.

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