

# Rural-urban China and the Changing Older Population

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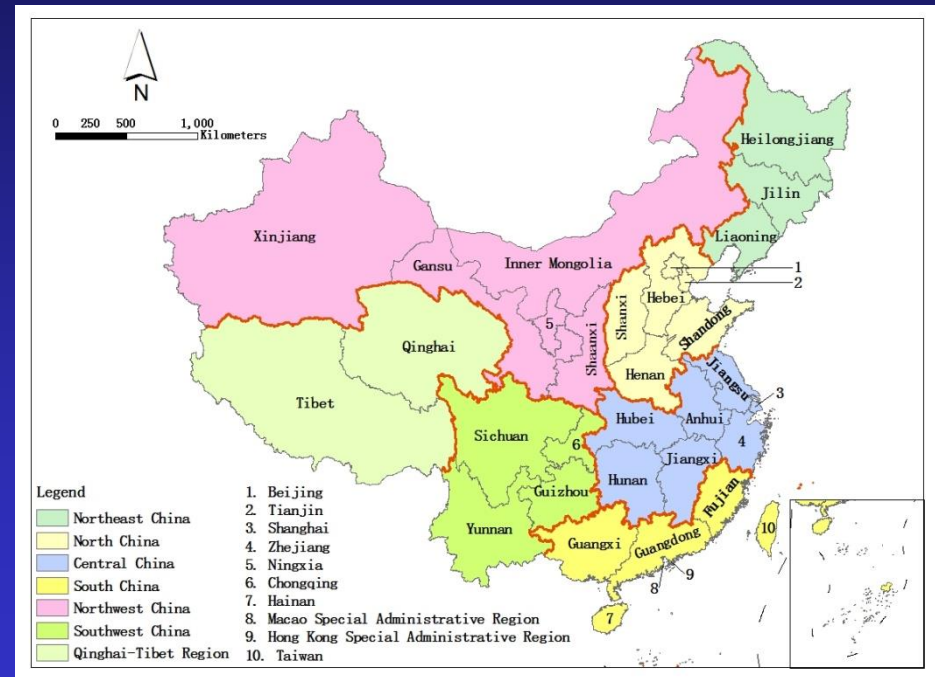
# “Can the dual rural-urban pension and health care systems survive with the geographic, demographic, socio-economic and policy changes taking place in China?”

- Context
- Challenges to the Pension System
- Challenges to the Health Care System
- Conclusions



# Geographic Context

- Both in geographic area and population size, China the largest country in east Asia and among the largest in the world in both categories.
- Politically, one party, strong central government, but the importance of provincial and local governments should not be under-estimated in developing and implementing policies and delivering services.



# Demographic Context & Outcomes

- 2010 – a critically important year – first time in the modern history of China – more than half the population – now lives in urban areas.
- 2010 – total population – 1.37 billion.
- 2010 – 118.83 million (8.8% of the total population) – 65 and over.
- By 2065 – 30.2% or well over 400 million of the population will be 65 and over.
- A rural population that is in relative decline and growing older faster in contrast to a growing urban and younger population.
- An older population that accounted for 60% of emergency cases, 49% of hospital days, and 85 percent of long-term care beds (Chen, et al., 2010) and whose demand for health and social services will only continue to grow in the future in both rural and urban areas.



# Economic Context & Outcomes

- *Hukou* – the residential registration system that defines whether a person receives their pension and health care benefits based on the rural or urban pension and health care systems where they are registered.
- 1978 economic reforms launched the spectacular growth of the Chinese economy so that now it is the second largest economy in the world.
- The creation of a “floating” population who live and work in the cities under precarious conditions because they are registered in rural areas and/or unregistered in the urban area where they are working.
- An increasingly mobile working age population who are less likely to live in the same cities or the rural areas where their parents are aging.



# Social Policy Context & Outcomes

- The One/Two Child Policy.
- In urban areas, the change from the work unit system (*Danwei*) to the community system based on street level offices for the organization of housing and social and health care services in the 1990s.
- The creation of the “4-2-1” generation – four grandparents, two parents, one child.
- The breakdown of collective care and services for the older population and greater dependence on government, not-for-profit or private care and services.



# The Pension System

- Retirement ages : men (60 years old); women civil servants (55 years old); and women workers (50 years old).
- Urban workers pay 8% of their gross income and employers pay 20% as pension contributions.
- Urban workers receive a monthly pension after retirement if they meet the retirement age and paid into their individual account for more than 15 years.
- In addition, there is a unified basic pension plan for all urban and rural residents regardless of employment status.
- In 2010, annual incomes for urban older people were 19892 RMB (\$2991.10 US in 2016) and for rural older people, 4756 RMB (\$715.24 US in 2016),



# The Health Insurance System

- 95% of the population is covered by one of three health insurance plans: Urban Employee Basic Medical Insurance, Urban Resident Basic Medical Insurance, or New Rural Cooperative Medical Insurance.
- Urban Employee Basic Medical Insurance – employers pay about 6% of the wage and employees pay about 2% of their wages into an individual health insurance account.
- Urban Resident Basic Insurance – covers non-employed urban residents.
- New Rural Cooperative Medical Insurance pays some of the costs of health care in rural areas.
- “*Five Guarantees*” for rural residents who have no ability to work, no income and no statutory persons to support them are supposed to be provided with care and material support in their daily lives in terms of food, clothing, housing, medical care and burial expenses.
- No public insurance plan pays all of the costs of health care except the Five Guarantees.





# Challenges to the Pension System

- Among the current generation of older Chinese, the value of their pensions is too low given the rapid rises taking place in the cost-of-living in general and housing in particular – especially in China's largest cities.
- The differences between urban and rural systems, differences between those who worked and those who never worked or did not work enough, and gender differences are exacerbating growing social, economic and geographic inequalities among China's older population.
- Increasing, expanding, and eliminating the existing inequalities is one option, but it is difficult to say whether this is feasible given the growing size of the older population and the costs.
- Increasing private pension plans is less likely to face political barriers but would have no effect on the current older population who are less likely to have benefited from the growth of the Chinese economy.
- More access to private pension plans for the future older population is also problematic because it is likely to exacerbate inequalities between those who have benefited from the growth of the Chinese economy and those who have not.



# Challenges to the Health Care System

- What is key that health care costs are a shared expense between the individual and the state and that the more private resources an individual has, the more care they can afford .
- Traditionally, support for the older population came from a mixture of formal public support and informal support dependent to a large extent on filial piety and daughters and daughters-in-law providing practical support.
- Geographic mobility, the One/Two Child Policy, and the rapid rise in health care and housing costs (especially in the largest urban areas) are all challenging the ability of the public, private and not-for-profit sectors to find ways to support the health care needs of the older population even in a non-equitable fashion.



# Challenges to the Health Care System

- Mainly, in the largest urban areas, there has been expansion of formal residential care facilities, but these are mainly focused on the wealthy older population.
- At the street office level, the government is experimenting with the provision of various services (i.e., home care, meals, counselling, and legal services, day care, community, and senior activity centers, and community health clinics and emergency services).
- In the rural areas, the “emptying out” of the younger adult population, the more rapid aging of the population, and the relative economic inequalities in contrast to urban areas, present even greater challenges for providing health care in the future.



# “Can the dual rural-urban pension and health care systems survive with the geographic, demographic, socio-economic and policy changes taking place in China?”

- In 2065, more than 400 million people in China will be over the age of 65 or over 30 percent of the total population, but the relative percentages will be higher in rural areas than in urban areas.
- It is highly unlikely that many of the socio-economic trends described can be reversed.
- Paradoxically, what can be reversed, however, are many of the inequalities linked to the dual rural-urban pension and health care systems that now exist.
- In the past, the inequalities that favored the urban population over the rural population because more people lived in rural areas than urban areas is now reversed.
- Now is the time for China to begin the process of eliminating the inequalities that now exist in delivering pensions and health care to the older population.



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# Thank You/Merci



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