

# The Impact of China's Fertility Decline on China's Economy

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## ABSTRACT

The one-child policy in China is one of the strictest population control policies in contemporary society. The policy aims to curb excessive population growth that contributed to poverty and economic mismanagement in the 1970s. However, decades later, the policy seems to bring more problems rather than solutions, because China's fertility rate is falling sharply. Despite government's intervention measures, like the two-child policy in 2016, the negative consequences of the implementation of family planning are triggering an economic crisis.

This research uses literary analysis to study the declining fertility rate in China, the role of population control policies, and the subsequent economic effects. Data from the National Bureau of Statistics, the United Nations, and Census databases has been studied to establish correlations among study components. The analysis and discussion outline that China's population is declining due to population control programs and it will cause an economic crisis if the trend in declining fertility is not intercepted and reversed. The conclusion affirms the discussion and suggests better population control, like educational opportunities.

**Keywords:** *Population control, fertility, economic growth, labor, and aging population.*

## 1. INTRODUCTION

China's shrinking population may potentially perpetuate an economic crisis and other challenges extending beyond a declining fertility rate. China's population control and family planning policies began in 1979 it is to alleviate severe poverty and promote economic growth [6]. However, controversies have persisted over the social, health, and demographic policies' effects on China's economic growth. Although the country has transitioned from the later-longer-fewer and one-child policies to the two-child policy, demographers have warned that declining fertility poses a looming economic crisis [6]. Consequently, China could have a labor and population development problem in the future.

China has been making efforts to reverse the fertility decline crisis for many years. However, relaxing the country's population control fails to serve the intended purpose with continuously plunging birth rates [3]. Unless China coordinates effective policy implementation, the country may face an economic downturn caused by labor and skills shortage, a large aging population, and few childbearing women.

The scientific topic identified in this research is the consequences and limitations of population policies.

The research aims to explore the following investigations;

i Is China's fertility declining?

ii How have the population policies affected the population size and structure?

iii What impact will the fertility decline have on China's economy?

This research will provide valuable input into population control policies' controversies and inform future government interventions where population composition and economic growth are concerned.

## 2. ANALYSIS ON THE POPULATION SIZE AND STRUCTURE

### 2.1. The Influence of the one-child Policy

Population size and structure has been an essential part in planning China's economic growth and expansion over the last two centuries. The economic

mismanagement of the country led to the first population control policy, later-longer-fewer, meant to curb trends such as the 540 million to 800 million population increase between 1950 and 1970 [6]. Although the policy was voluntary, it effectively lowered the fertility rate because couples took up late, longer-spaced, and less childbearing. However, overpopulation concerns

persisted, leading to a more stringent one-child policy in 1979 that allowed the fertility rate to fall to 1.5 in the 1990s [6] as shown in Figure 1. The total fertility rate continued on a declining path, as seen in the chart below. Although the one-child policy attained its intended goal, population control, additional policies sparked controversial debates.

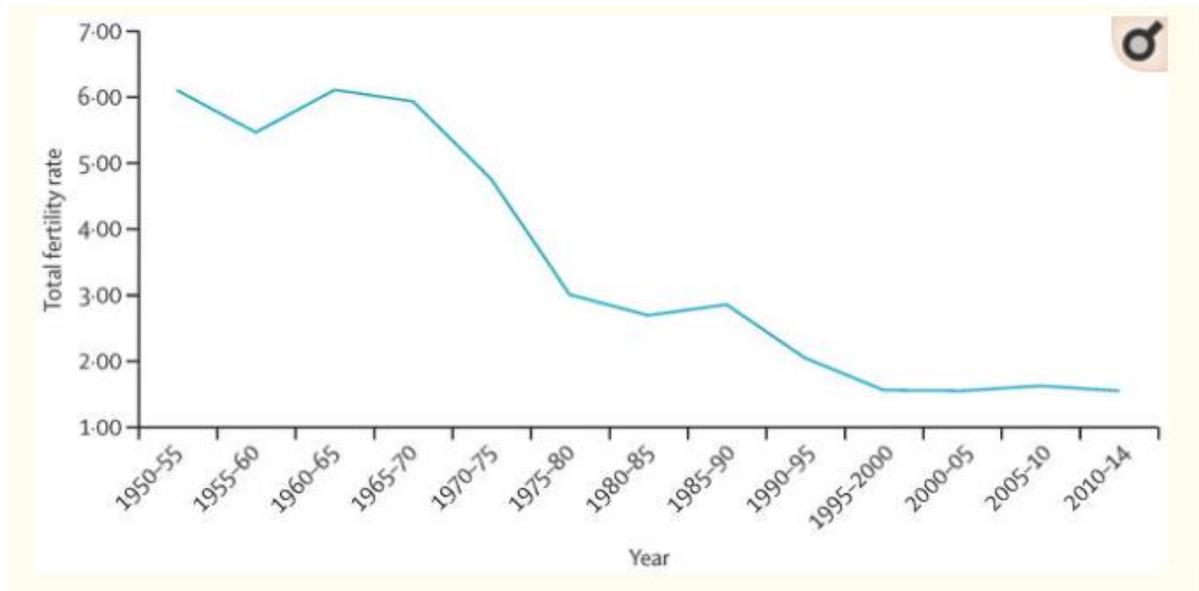


Figure 1: Total Fertility Rate of China

Numerous controversial debates arose from China’s population policies concerning their negative and positive effects. For instance, the one-child policy was applied differently in various population groups. The policy was stringent in urban areas and it covers half of China by 2010 but were flexible for rural areas where couples were allowed a second child if the first child was female and ethnic minorities comprising about 9% of the population were allowed more than two children [6]. Male preference during the time was in effect and it attributed to the decline in childbearing age women. The one-child policy and effects like the skewed birth ratio contributed to declining fertility.

Despite relaxing population control policies and implementing the two-child policy, the damaging effects of the one-child policy are still acute in most Chinese cities. In Shanghai, birth rates are continually plummeting despite government efforts, with only a slight rise reported in 2016 after implementing the two-child policy [5]. A similar trend has been observed in most of China’s cities, causing alarm about the country’s economic and demographic future. The two-child policy had short-lived success in 2016 when newborn births rose by 8% but later declined to a record of 14.7 million in 2019, the least in six decades [5]. China’s population growth rate could become negative if the number of deaths outnumbers that of childbirths.

Demographers and researchers speculated that China’s fertility rate may be lower than indicated by the

last census, further creating cause for concern. According to the National Bureau of Statistics, the number of childbirths in 2020 was 12 million, a drop from 2019’s 14.7 million, and the fertility in childbearing age women was at 1.3% [2]. Given that the 2016 two-child policy had slight effects on the number of newborns, the current statistics may reflect a failing attempt at increasing population growth, implying that fertility may keep declining. Additionally, forecasts indicate that the population of childbearing age women may decrease by 30%, as part of the effects of the male preference in the one-child policy, and consequently reduce the number of newborns to under 10 million [2]. Therefore, China’s fertility is declining significantly.

## 2.2. Stringent Population Control Measures

While decreasing fertility is a common characteristic in developing nations, China’s fertility decline is alarmingly low owing to its stringent population control measures. Unlike other Asian countries and world regions, China used compulsory limits and coercion when imposing population control, thereby exacerbating the negative health, social, demographic, and economic effects [4]. Right from implementing the later-longer-fewer policy, China’s birth and fertility rate declined, as shown in the chart below, and an imbalanced sex ratio appeared. As can be observed from Figure 2, research also correlates the imbalanced sex ratio to a persisting preference of sons and information technology that

allows sex determination before birth and, subsequently, the decline in childbearing women and fertility [4]. China's population control measures aimed to ensure

economic prosperity but may likely cause an economic downfall in the future, implying a need for better strategies.

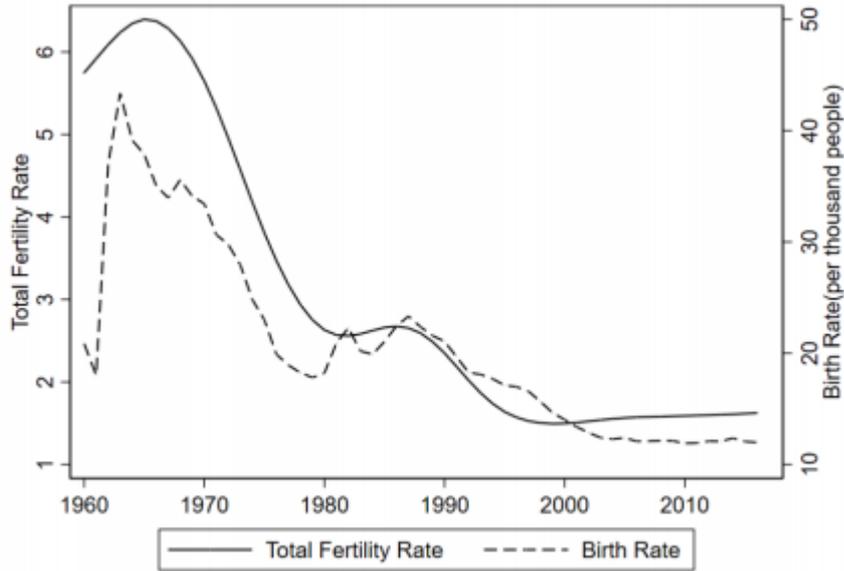


Figure 2: Total Fertility Rate and Birth Rate of China

The long-term effects of China's population control policies are likely to spark negative population growth and subsequent economic contraction soon. The projection shown below indicates that the stringent one-child policy attained its initial purpose when it was implemented but created new challenges for the government after it became constitutional. The two-child

policy is a failing remedy for the low birth rate and increased life expectancy, showing that China will soon have a burdening aging population with no young people to take their place in the economy [3]. Women born in the one-child era are in their childbearing age but are too few to maintain China's population.

Annual population growth

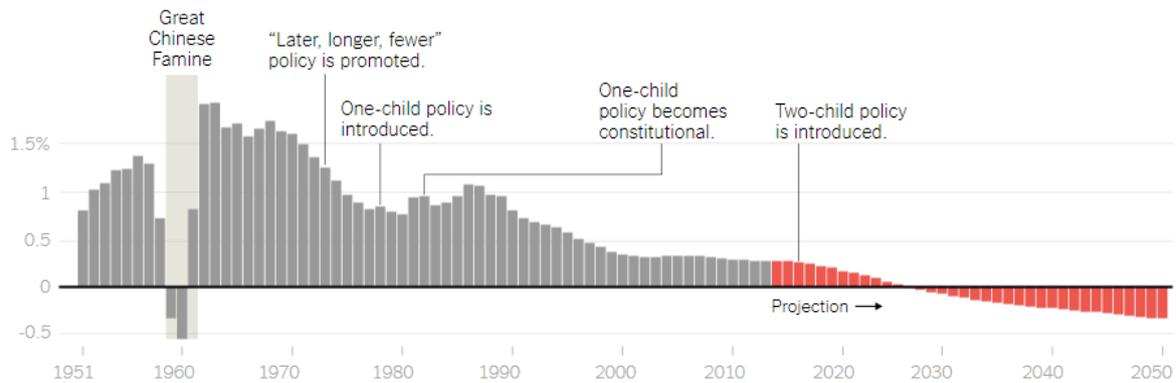


Figure 3: Annual Population Growth by Different Policy

2.3. The Influence of Population Policy on Economy

In addition to the effects of the population policies, China's current economic expansion has also created conditions that promote fewer childbirths. Research indicates that although couples may be willing to raise more children, the current economic pressures like housing and education make it difficult to have even one child [3]. As such, the country's unsustainable economic development appears to contribute to the problem of low

birth rates. The shrinking population is likely to strain the government because aging age groups will rise due to the high mortality creating a need for the state to pay for more needs and amenities [3]. With a large demographic proportion relying on the government for provision, there will be fewer resources to invest in and sustain the economy.

Fertility is a variable in economic outcomes. Demographers and researchers study the relationship between fertility rates and income per capita stipulate that

low fertility is a consequence rather than a cause of economic development [1]. China's rapid economic growth has created pressures that prevent couples from having children and providing education and job opportunities for women, deviating focus from childbearing. Consequently, China's industrial sectors suffer from a chronic skill and labor supply, and domestic consumption is plunging due to fewer childbirths [5]. Without sufficient domestic consumption and working-age citizens, the country's economy will crumble.

### **3. DISCUSSION OF THE POPULATION DECLINE**

Figure 1, as presented in the analysis, indicates that China's total fertility has been dropping since 1950. Rapid population growth led to the government's advocacy for reduced childbirths through voluntary action before escalating to strict family planning policies that had unpopular penalties [6]. Although the high number of prevented births is attributed to the one-child policy, researchers argue that the lowered fertility rate cannot be singularly blamed for the declining fertility. The 400 million births that have been prevented since 1970 can also be attributed to the later-longer-fewer policy, economic pressure, and the advent of educational and career opportunities for women [6]. China has experienced rapid economic expansion since the family planning policies were published and now exhibits a low fertility characteristic evident in other developing countries. However, the positive effects of the population control programs can be contested, given the looming economic crisis.

The results in figure 2 indicate China's alarmingly low fertility and birth rates. Although data from the World Bank shows that most developing countries have low fertility, China remains a unique case because it has had the most stringent and effective measures of curbing population growth. In contrast, other countries used different policies to sustain economic growth [4]. The shrinking population is now creating excessive economic pressure with a critical shortage in labor supply and declining consumption. China now lacks enough childbearing women because of the historical effects of the one-child policy, like the preference for male offspring [4]. Empirical research shows that although the population policies impacted the country's birth rate, it is important to acknowledge a limitation in the existing data because economic development lowers birth rates through varying channels.

China's annual population growth projection shows the country's demographic growth is likely to continue downslope. Primarily, the effects of rapid economic expansion and population planning strategies have led to such forecasts. Economic development provides suitable living conditions and access to social amenities like education and health care. The net result of such a

friendly economic environment includes more women accessing educational opportunities and, in turn, shortened time to concentrate on reproduction, reliable health care that facilitates low maternal mortalities such that women do not have to give birth to many children when infants die and effective and affordable medical services that increase mortality rates [4]. Consequently, China has a large aging population and a considerably low youth population, especially childbearing women.

The declining Chinese population has raised more controversial debates compared to any other shrinking population. Data from the National Bureau of Statistics, the World Bank, and the United Nations used in projecting China's fertility is quite inconclusive and needs further comprehensive studies [1]. For instance, low fertility as a cause of consequence of economic development is largely debated without a common agreement. While demographers agree that China's population is declining due to several reasons, the correctional remedies and the role of rapid economic development and stringent population control policies remain controversial [2]. However, China's economy will probably be greatly affected by the chronic problems of labor shortage, reduce consumption, and a large dependent aging population persists.

### **4. CONCLUSION**

China's fertility rate is low enough to cause a population and economic crisis. Demographic data and studies show that the country's fertility rate has been declining since the 1970s and has continued on this trend for decades, implying projects that may be hard to reverse. Further cause for alarm is that the government's intervention measures via the two-child policy and offering incentives to raise population growth are failing and the population of newborns lowered to an alarming 12 million, the lowest record for six decades. Despite controversial debates concerning the cause of the fertility decline and the suitable measures to remedy the situation, economic contraction is a possible threat to China in the coming years. Economic development has opened opportunities for women who now focus on their careers and jobs, and the male offspring preference in the 1980s has caused a low population of childbearing women. The population control policies which raised China to economic prosperity may lead the country to its economic downturn.

The declining fertility rate in China is negatively impacting the economy due to the labor shortage. Population policies have led to a low population of women of childbearing age while economic growth raised the mortality rate, causing a large aging population. A low number of childbirths also implied reduced consumption, which can harm the gross domestic product. Despite these conclusions, the controversial standpoints of empirical studies used in this

research create inconclusive results about the best policies to prevent population and economic crisis in China. However, the research can be improved through more integrated studies that will account for all underlying factors and establish statistical correlations for reliable results. This research provides a starting point for more coherent studies.

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