



HISTORIC MOVE:

China to Drastically Raise Retirement Age After Four Decades

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Background

SHIHAO INSIGHT

China is **raising the retirement age** for the first time since 1978 to address the challenges posed by an **aging population** and a **shrinking workforce** in the **world's second-largest economy**.

60 → 63
ALL MEN

50 → 55
WOMEN IN BLUE-COLLAR WORK

55 → 58
WOMEN IN WHITE-COLLAR JOBS

全国人民代表大会常务委员会关于实施渐进式延迟法定退休年龄的决定

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Aging Population

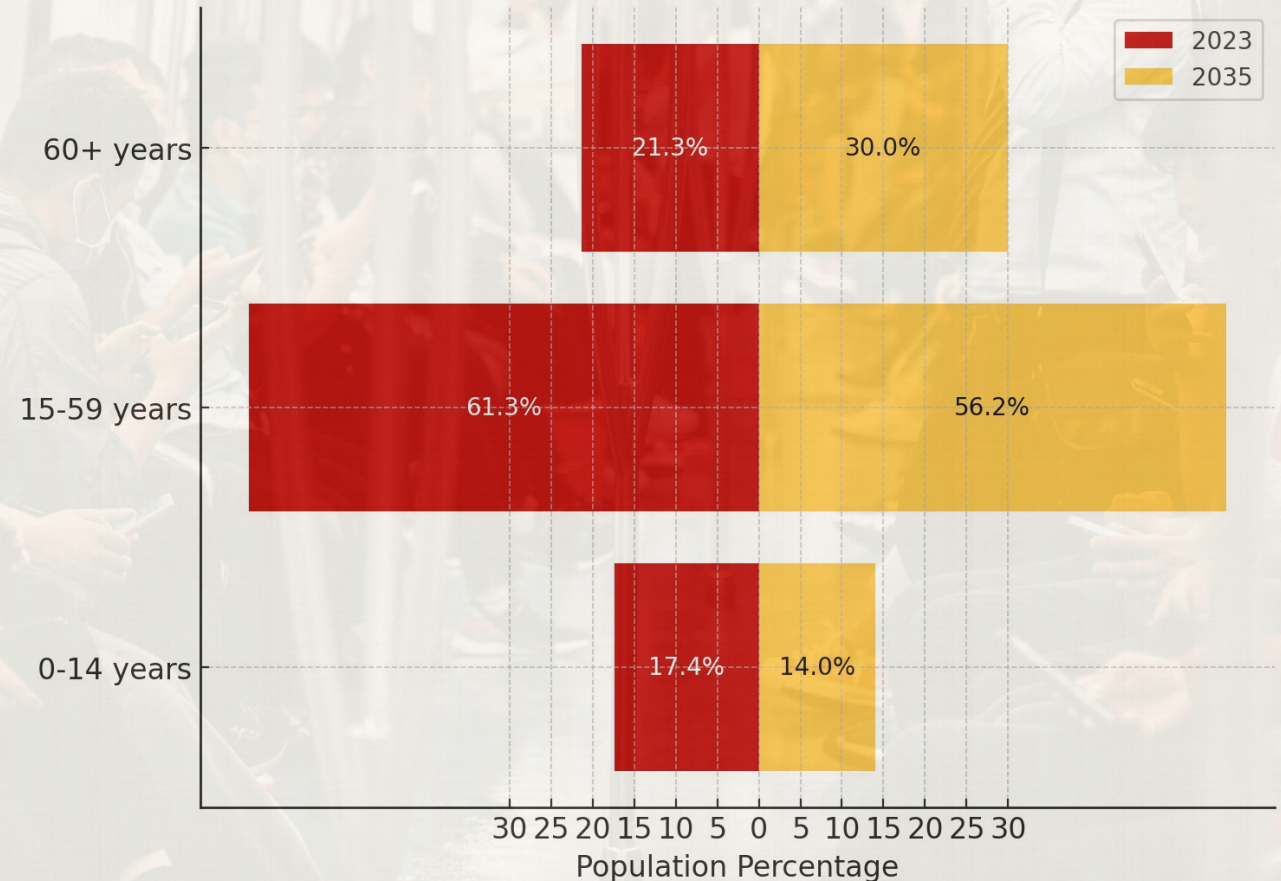
Rising Elderly Population:

By 2035, the proportion of people aged 60 and above in China is projected to increase from **21.3% (2023)** to **30.0%**.

Increased Dependency Ratio:

This sharp rise intensifies pressure on pension and healthcare systems, with **fewer working-age individuals supporting a growing elderly population.**

China Population Pyramid: 2023 vs 2035

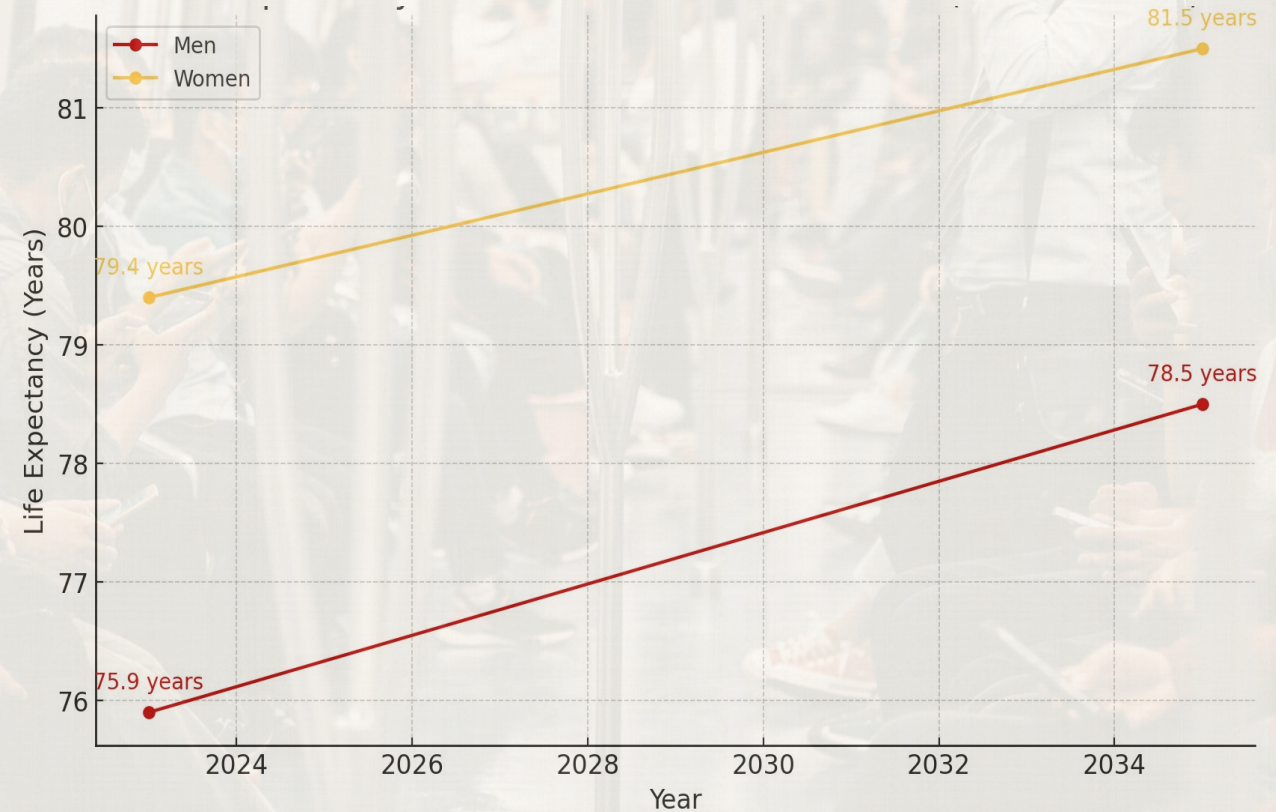


Increasing Life Expectancy

Increasing Life Expectancy: By 2035, life expectancy in China is expected to rise for both genders—**men from 75.9 years (2023) to 78.5 years**, and **women from 79.4 to 81.5 years**.

Extended Retirement Duration: As people live longer without adjusting the retirement age, they will spend more years in retirement. This leads to prolonged pension payouts, **further burdening social security systems**.

Life Expectancy Trend in China: 2023 vs 2035



Why the Rush for Retirement Reform

SHIHAO INSIGHT

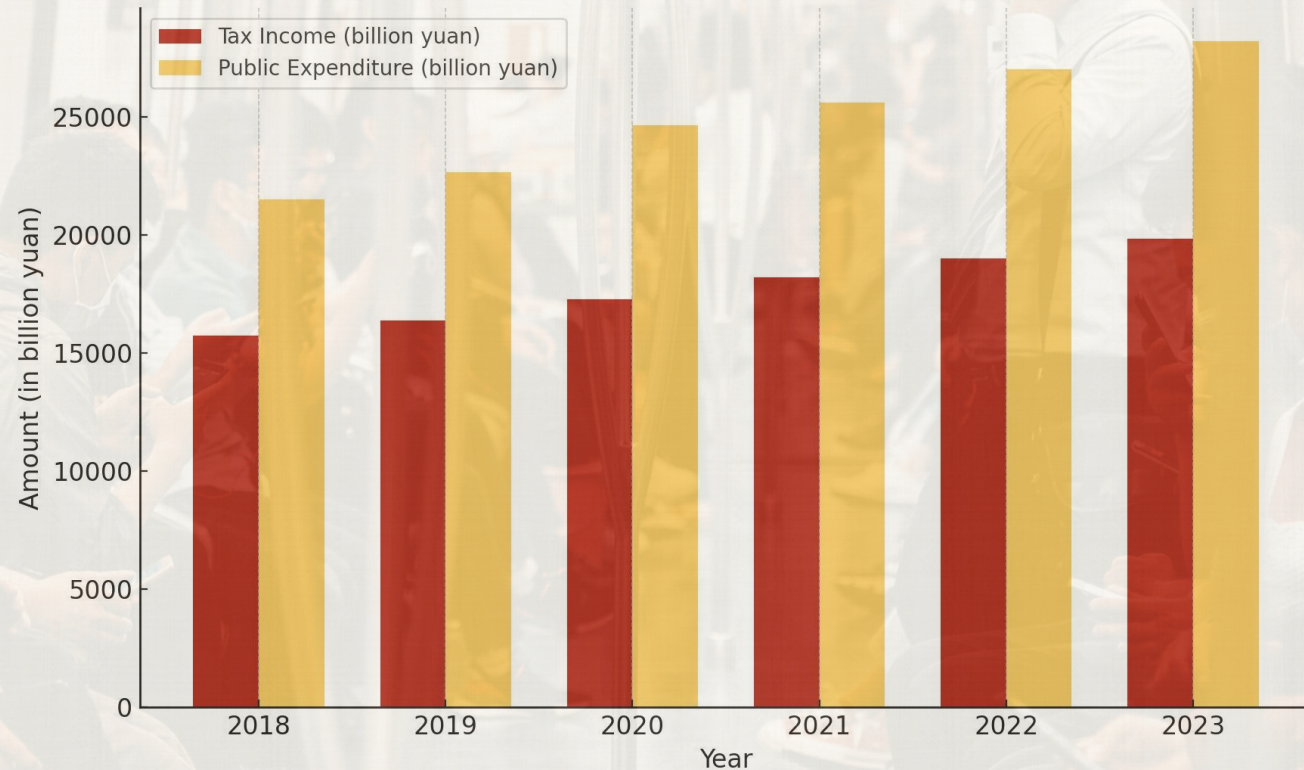
2013 Initial proposal of the delayed retirement policy to address pension shortfalls and declining workforce.

2015 (13th Five-Year Plan): Government planned to implement the policy, but it was delayed due to public resistance and economic conditions.

2019 With aging population issues worsening, the policy was revisited as part of social security reforms.

2021 (14th Five-Year Plan): The delayed retirement policy was formally included in the government's work plan, with increased urgency for gradual implementation.

China's Tax Income and Public Expenditure (2018-2023)



Why the Rush for Retirement Reform

SHIHAO INSIGHT

Economic Pressure on Pension System:

China's aging population and longer life expectancy are putting immense financial strain on the pension system. By 2035, 30% of the population will be over 60, while the working-age population shrinks, leading to fewer contributions and increased payouts.

Imbalance Between Contributions and Payments:

With more retirees and fewer workers contributing, the pension system risks running out of funds by 2035 if the retirement age isn't raised.

Rising Life Expectancy:

Life expectancy in China reached 77.64 years in 2024, meaning people will spend more years in retirement, further burdening the pension system.

Global Trends:

Many countries have already raised retirement ages to address similar demographic challenges. China must act quickly to maintain economic stability and ensure the sustainability of its pension system.

Who Gains?

Who Gains:

Government and Pension System:

Raising the retirement age helps ease financial pressure on the pension system, allowing more time to collect contributions and delay payouts, potentially avoiding a fund shortfall by 2035.

Employers and Businesses:

Employers benefit by retaining experienced workers, which enhances productivity and reduces turnover costs.

Older Workers with Stable Employment:

Some older workers, especially in white-collar jobs, can work longer, save more, and receive higher pensions due to extended contributions.

The Economy:

Keeping older workers in the labour force sustains economic growth, especially in sectors facing labour shortages.

Who Loses?

Younger Workers:

Career advancement may be delayed, and job competition could increase, leading to slower wage growth.

Manual Laborers and Blue-Collar Workers:

Physically demanding jobs could become harder for older workers, affecting their quality of life and health.

Individuals Near Retirement Age:

Those close to retirement may have to work additional years, disrupting personal and financial plans.

Families:

Delayed retirement may reduce the time older workers can spend caring for family members, increasing pressure on younger relatives for caregiving.

Conclusion

The **urgent need** for retirement age reform is driven by:

- **Rising public costs** (especially pensions) and slower-growing tax revenue.
- A **shrinking workforce** supporting a rapidly aging population.

Without raising the retirement age:

- The pension fund could **run out by 2035**.
- Increasing financial strain on the government and economy.

Raising the retirement age:

- Extends contributions and delays payouts, ensuring the **pension system's sustainability**.
- Helps maintain **economic stability** and avoid fiscal shortfalls.