

Pension reform in China: What can China Learn from the Danish Approach to Demographic Change?

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Abstract

This study addresses two questions: first regarding China's ability to respond to its rapidly ageing population, and second what China can learn from Denmark in their approach to this challenge. Denmark, along with the other Scandinavian countries, is generally considered well adapted to demographic change. This paper aims to examine if the experiences of Denmark can add insights that are useful for the development of a sustainable and financially responsible approach to population ageing in China. Reviewing the respective demographic challenges of both China and Denmark, together with the provisions of old-age security and care, this paper presents an examination of their adaptability to demographic change. Finally, the paper outlines three factors from which China arguably could learn from the Danish approach to demographic change. It is evident from studying the Danish approach to demographic changes that pensions are not the sole focus; stimulating labour force participation, creating initiatives to postpone retirement and work longer and enforcing pro-natal policies are all part of the solution. Due to this, this paper argues that the main lesson to be learned from Denmark is that there is a need for a holistic approach to demographic change; reforming the pension system is only one part.

Keywords: China, Denmark, universalism, demographic change, pensions, old-age dependency

Introduction

Since the mid-2000s, a substantial body of literature has emerged on the subject of China's ageing population, most of which measures and proposes solutions to China's demographic challenge. There is increasing concern that the burden of ageing will prove an overwhelming impediment to continued economic growth and challenge the fiscal conditions of the fragile public pension system (Cai, 2016; Dong & Wang, 2016; Frazier & Li, 2017; Peng, 2013; van Dullemen & Bruijn, 2017).

This paper presents an examination of China's response to the demographic challenge. With a focus on demographic indicators and old-age pensions, attempts to accommodate demographic changes (given rapid modernisation) are investigated. The comparative focus will be on Denmark. Denmark has addressed demographic challenges and changes effectively

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whilst having maintained a nearly universal public pension system. Denmark and the Scandinavian welfare states in general, are recognised as being “well adapted to demographic change” (Andersen & Hatland, 2014: 258) and have been proactive in addressing their respective demographic situations by reforming their pension and retirement systems (Kangas et al., 2010; Mercer, 2018). According to the Danish Economic Council, the Danish pension system and the welfare state in general is sustainable throughout the Century, *vis-à-vis* the ageing of the population (Danish Ministry of Finance, 2018).

The study seeks to address the question of how China can respond to its increasingly ageing population. The main focus will be on investigating barriers and solutions, based on experiences gained from the Danish approach to demographic change, in creating a sustainable old-age pension system given the current demographic transition.

An important question in political science is; how can experiences from social security reforms be transferred from one country to another? The Danish welfare system, part of the Scandinavian welfare model, is well known in China, and research on Scandinavian social welfare has increased as “Chinese researchers and policy-makers want to learn from the successful experiences [of the Swedish social welfare model]” (Johansson & Cheng, 2016: 922). Furthermore, the term ‘appropriate universalism’, which has become key in recent social policy reforms in China (Kongshøj, 2015), signifies some reliance on Sino-Nordic policy learning. As a case in point, there are several references to various policies in Denmark, Sweden, and Norway in the report *Constructing a Social Welfare System for All in China* from the Development Research Centre of the Chinese State Council (CDRF, 2012), which is an official think-tank reporting directly to the Chinese prime minister. Furthermore, the CDRF took part in a study tour to Copenhagen in 2008, with the intent of studying socialised old-age security in Denmark.

This article goes beyond policy learning and diffusion. One critical question to ask is; whether China could and should learn from a country such as Denmark? First, it can be argued that a wide range of conventional measures and existing scientific instruments are contextually dependent and there should be no doubt that the Danish context differs from the Chinese by magnitudes. Secondly, when the demographic transition commenced in Denmark, the conditions for welfare state development were different compared with what they would be if this process had started today. Third, increased longevity due to improvements in wealth, lifestyles, education, healthcare, etc., has changed dependence patterns, and made the issue of old-age security and care increasingly urgent. Last, individual needs for old-age security and

care interact with the specific context in an ageing society, i.e. demographic behaviour is shaped by the context.

Due to these considerations, this paper does not suggest that Danish policies/schemes could be emulated in China, but rather examines whether the experiences of Denmark can add insights to the development of a sustainable and financially responsible approach to demographic change in China, even given the huge contextual difference.

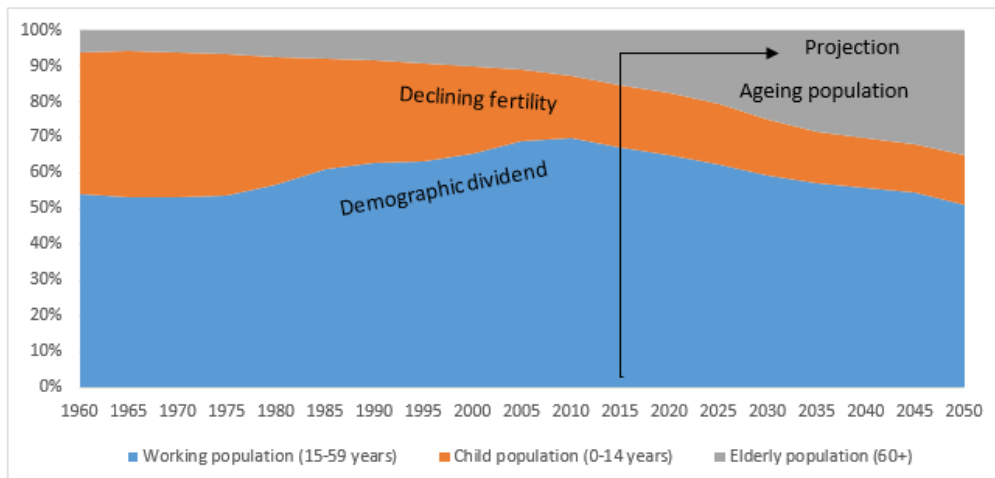
This paper is structured as follows: first, the demographic challenge and support burden facing China is assessed, with a focus on the present until 2050; second, a comparison of the Chinese and Danish pension systems is provided. More importantly, their respective adaptability to demographic change are evaluated. Last, three recommendations are provided, from which it is argued that China could gain insights from Denmark in their attempt to address the demographic challenge.

Assessing the demographic challenge in China

In response to rapid population growth, the Chinese government introduced the voluntary 'later-longer-fewer' policy at the beginning of the 1970s. The policy was designed to encourage later childbearing, longer spacing between childbirths, and fewer children. This policy contributed to a dramatic reduction in the total fertility rate (TFR) - the total number of children born per woman of child-bearing age - from an estimated 5.9 in 1970 to 2.9 in 1979. Despite this reduction, fears of overpopulation continued, and the one-child policy was enacted in 1979. Following the introduction of the one-child policy, the TFR continued to fall, but at a steadier pace (Hesketh et al., 2005; Zeng & Hesketh, 2017).

The Chinese government introduced the one-child policy as a means of lifting China out of extreme poverty, through population containment (Zeng & Hesketh, 2017). With some minor exceptions, the policy was strictly enforced in urban areas. In most rural areas, the one-child policy was deemed unfavourable and practically unenforceable, as children were regarded as both part of the workforce, due to the labour capital of children, and the main provider of care in old age (Cameron et al., 2013; Liu, 2014; Zeng & Hesketh, 2017). Since then, the policy has undergone several amendments (for a thorough overview see Zeng & Hesketh, 2017: 389-394), leading to the abolition of the one-child policy in 2015 and the subsequent introduction of the universal two-child policy.

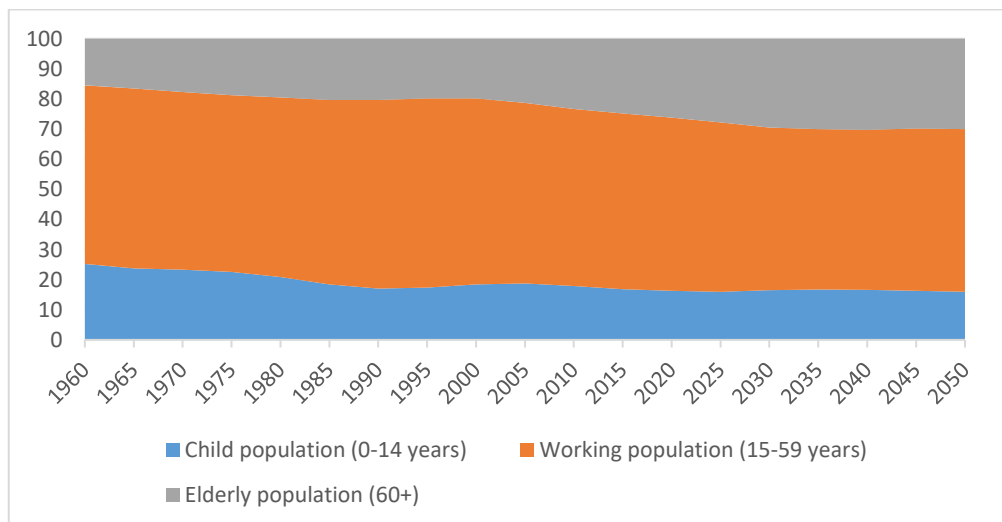
Figure 1. Changes in China’s population age structure, 1960–2015 and 2020–2050 UN projections



Source: UN, 2017

In this case, the elderly population is set at 60+ years, rather than the customary 65+ years, as 60 years old is the traditional marker of being old in China, as well as the current pension age.

Figure 2. Changes in Denmark’s population age structure, 1960–2015 and 2020–2050 UN projections



Source: UN, 2017

China has experienced significant demographic change since the 1960s (see Fig. 1). A combination of increasing life expectancy and lower fertility rates has provided China with a

large demographic dividend from a relatively young and productive population group. According to some calculations, 10 to 20 percent of China's growth over the past three decades can be attributed to this demographic dividend, which has now reached a point of exhaustion (Cai & Cheng, 2014; Cai, 2016).

China's population is currently ageing at an unprecedented rate, and future projections (see Fig. 1) indicate that this trend will continue. The projections suggest that China has entered an accelerated period of ageing. For a comparison with Denmark, see Fig. 2. A sustained low fertility rate means that the size of the working age population (defined here as 15-59 years old) will decline rapidly as the elderly population rises significantly. At its peak in 2010, the working age population reached 70% of the population. By 2050, the proportion is estimated to decline to about 50% of the population (as shown in Fig. 1).

Many have blamed the Chinese family planning policies for the current demographic situation, and some have suggested that these policies have prevented upwards of 400 million births (Wang & Fong, 2009; Zeng & Hesketh, 2017). However, this is contested by others, claiming that modernisation (and over-burdening young families with care obligations) can account for a major part of the fertility decline. Similar trends have been observed in other developing countries in Eastern Asia, such as South Korea, where the TFR decreased from 4.3 to 2.3 between 1970 and 1990, and Thailand, where the TRF decreased from 5.6 to 2.1 during the same period (WB, 2017). Since 1990 fertility rates in South Korea have plummeted far below the Chinese figures during the one-child regime. This also holds for Japan and for European countries that have failed to relieve families sufficiently from their obligations of care for children and the elderly. Danish fertility figures have remained closer to the reproduction level.

Table 1. Life expectancy and total fertility rate for Denmark, China, and other comparable countries, 1960 & 2016

	Life expectancy at birth, total (men and women) (years)		Total fertility rate (TFR)						
	1960	2016	1960	1970	1980	1990	2000	2010	2016
Denmark	72.2	80.7	2.6	2.0	1.6	1.7	1.8	1.9	1.7
Germany ¹	69.3	80.6	2.4	2.0	1.4	1.5	1.4	1.4	1.5
China	43.7	76.3	5.7	5.6	2.6	2.4	1.5	1.6	1.6
Thailand	54.7	75.3	6.1	5.6	3.4	2.1	1.7	1.5	1.5

¹ Germany is included as an example of a typical Continental European country. The figures for Germany are a compilation of data from BRD and DDR.

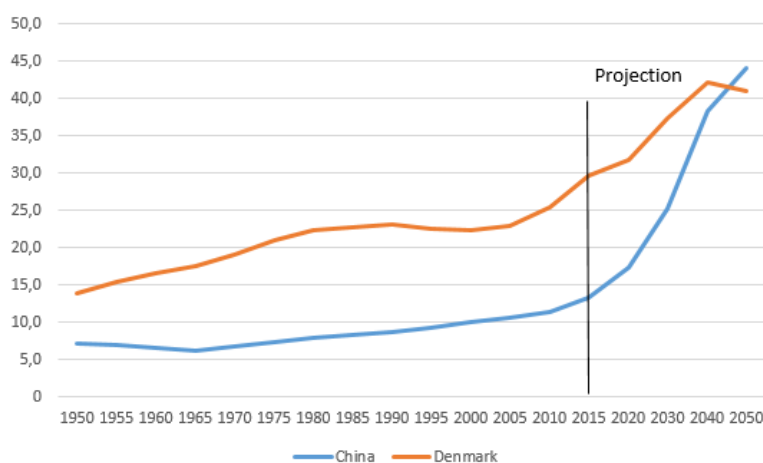
Japan	67.7	84	2.0	2.1	1.8	1.5	1.4	1.4	1.4
South Korea	53	82	6.1	4.5	2.8	1.6	1.5	1.2	1.2

Source: WB, 2017

Table 1 presents the development of life expectancy and TFR in Denmark, Germany, China, and other East Asian countries, from 1960 to 2016. No country reveals an increase in life expectancy comparable to China, though South Korea comes close, and apart from Thailand and South Korea, no countries can match China’s decline in fertility. China has a high dispersion of life expectancy, for instance, in 2010 life expectancy ranged from 78 years in the richest cities, such as Shanghai, to around 64 years in the poorest (e.g. the autonomous region of Tibet) (NBS, 2010).

Regarding fertility, China’s decline from a TFR of 5.7 in 1960 to 1.6 in 2016 is dramatic. However, the decline is not unique when compared to Thailand. Moreover, China’s TFR of 1.6 is well above countries like Japan or South Korea. Actually, it is around the European average, though it is slightly lower than in Denmark.

Figure 3. Old-age dependency ratios (ratio of population aged 65+ per 100 population aged 15-64) in Denmark and China from 1950-2015, and with 2020-2050 UN projections



Source: UN, 2017

As life expectancy increases and fertility decreases, the old-age dependency ratio rises. As compared to Denmark and Europe in general, China’s population has remained extremely young until now, with an old-age dependency ratio of only 13.3 in 2015 (Fig. 3). It should be noted, though, that some regions have a much higher ratio. According to the China Statistical Yearbook 2018 (NBS, 2018), the old-age dependency rate is highest in Chongqing (20.6),

followed by Sichuan (19.8), and Jiangsu (19.2). However, a great deal of these differences are likely a result of migration, as the old-age dependency ratio is calculated based on the residing population. At the other extreme, Tibet has an old-age dependency ratio of 8.2 (NBS, 2018), which is most likely due to low life expectancy in the region.

As shown in Fig. 3, China is predicted to overtake Denmark in terms of old-age dependency ratio by 2050. Of course, this depends on future fertility rates and mortality, but it is certain that there is rapid and dramatic change ahead.

Support capacity

Given the worrying demographic trend in China, the current and future capacity to support the elderly people will be briefly examined, through the society-support ratio. Support ratios provide an overview of the capacity of the working age population to provide support for the elderly (the ratio of 20-64 year olds to the number of people aged 65 years and above), whereas the old-age dependency ratio (Fig. 3) shows the opposite, that is, the proportion of the elderly in need of support. It is important to examine these ratios to gain insight into the sustainability of the Chinese pension system.

Table 2. Society-support ratios in China and Denmark

	Society-support ratio, 1950	Society-support ratio, 2015	Est. society-support ratio, 2050
China	11.8:1	6.9:1	3.1:1
Denmark	6.4:1	3.0:1	2.2:1

Society-support ratio: Age 20-64 / Age 65+

Source: UN, 2017

As revealed by Table 2, the society-support ratio in China in 2015 was 6.9:1, meaning that there was almost seven working-age people to support one person aged 65 or above. Even though this has changed much since 1950, it remains very favourable as compared to society-support ratio of 3.0:1 in Denmark.

However, in universal welfare states (such as Denmark), there is universal access to the public pension system. Therefore, it suffices to examine the society-support ratio, because the entire population participates in the pension scheme. Conversely, in China a far smaller proportion of the population contributes to the public pension system, because coverage is not yet universal. Due to this, the measure is not representative of the 'actual' support capacity in

China. To show this, we need knowledge on the amount of people contributing to the public pension system and the amount of people receiving pension benefits; known as the system-support ratio.

According to the China Statistical Yearbook 2018 (NBS, 2018) the Chinese system-support ratio stood at 3.3:1 in 2017. However, it is highly likely that this differs greatly across the country.

Thus, examining the system-support ratio in China enables us to observe the ratio of people contributing to the public pension system to those receiving pension benefits. The Chinese system-support ratio is much lower than the society-support ratio, because firstly the number of people who actually participate in pension schemes is far lower than the number eligible for participation, and secondly because of the low pension age in China. There was a 3.3:1 ratio of benefit contributors to retirees in 2017. These system-support ratios are similar to the Danish society-support ratios in 2015. However, considering China has not yet attained its demographic target, without further reforms these are likely to change significantly, as the workforce reduces, the ageing cohort grows, and the contributors become fewer. This raises questions about the sustainability of the Chinese welfare system and the capacity to handle an ageing population.

Overview: the Danish response to demographic challenges

As illustrated in the figures above, China has entered a period of accelerated ageing and is projected to overtake Denmark by 2050 in terms of old-age dependency ratios by a small margin. Even though projections for 2050 are roughly similar for China and Denmark, the demographic challenges differ according to their magnitude.

Unlike China, Denmark has adopted wide ranging policy reforms to address the demographic challenge. This pertains to pension reforms, stimulating labour supply through ‘activation’ of the entire social and tax system, and through pro-natal policies. Several initiatives have been targeted at postponing retirement, creating incentives to work longer, and seeking employment (see e.g. Ebbinghaus, 2011; Andersen, 2011; Jensen & Madsen, 2015).

Employment rates among 55-64-year olds has for decades been high in Denmark since the traditional homemaker family model began to lose importance in the 1980s. In addition, in recent years the employment rate of those over the age 70 years has increased rapidly. An analysis made by the Danish trade union ‘Ledernes Hovedorganisation’ in spring 2019, revealed that the age of working people over the age of 70 has risen from around 31.000 in 2006 to 55.340 in 2016. An increase of 77% (Lederne, 2019).

At the same time, provision of public childcare and elderly care has ensured comparatively high fertility rates, alleviating the demographic challenge. Still, the Danish government considered this insufficient, and the demographic challenge has been addressed proactively. First, by pension reforms to ensure adequate and sustainable pensions, and second, by extracting as much labour as possible from the working age population, including initiatives to prolong the working age. The initiatives can be divided into two categories: ‘pull’ and ‘stay’. Pull factors view retirement as voluntary and related initiatives focus on (for example) making retirement less attractive by raising retirement age, or by creating economic incentives not to retire. In Denmark, a voluntary early retirement scheme enabling people to retire at favourable conditions from the age of 60 has been almost phased out through a series of reforms in 1998, 2006 and 2011. Stay initiatives have included a number of initiatives that emphasise the importance of good working conditions and competitive salary, by framing seniors as ‘grey gold’ in order to encourage employers to retain and recruit elders, and by providing consultancy for companies wishing to form policies aimed at senior employees (Jensen & Madsen, 2015). Equally important, the Danish pension system has been changed towards providing strong economic incentives to prolong working life.

The political agreement over the Danish 2019 budget favours seniors, with new initiatives to secure their willingness to continue working, such as a cash reward for working more than 30 hours a week (Lederne, 2019). Finally, government has placed great emphasis on preventing early exit to disability pension, through rehabilitation and subsidized part-time employment. Overall, these initiatives have resulted in significantly rising employment among the elderly (Andersen & Jensen, 2011; Jensen & Madsen, 2015; Lederne, 2019).

A major issue in the Danish pension system is their ‘one size fits all’ approach to pensions, with a fixed pension age for all groups. Previously, a voluntary early retirement system had enabled people to retire up to 5 years before pension age. This was used by most unskilled workers, but by very few academics.

The issue has caused great controversy, as many Danes believe that the pension age should be regulated according to your type of job. Leading up to the Danish election in 2019, the debate was reignited as political parties debated the probability of a differentiated pension age. However, while some believe that, those who entered the labour market early and have been worn down by years of manual labour should have the possibility of earlier retirement; other political parties deem the plan of a differentiated pension age impossible.

Provisions of old age security

In the late 1960's the Scandinavian countries began to move away from their former pension model, which was a universal, flat-rate, state-funded 'people's pension' available to all citizens. However, rather than straying, Denmark continued along the former path and improved the people's pension to a very generous level. However, the costs for the state were high, and the replacement rate was insufficient for middle class wage earners, this led to a *crowding in* of private or occupational pensions. To avoid a 'dual pension system' and to enhance private savings which were too low, fully funded labour market pensions were introduced as a second pillar of the pension system for nearly all workers from 1991 (see Table 3). These labour market pensions were not enacted by legislation, but via collective negotiations between the social partners; trade unions and the employers. Some employers and employees were not covered by collective negotiations, but the collective agreements set a standard which nearly all employers had to follow if they would be able to compete for labour power. Over the years, coverage has become nearly universal.

Hence, Denmark was a laggard in introducing earnings-related pensions, but became a frontrunner in developing a multi-pillar system where the occupational pillar is a defined contribution system with the size of pensions depending on the contributions of the employee/employer.

The Danish system may be described as a socially balanced variant of a World Bank (1994) system, even though it was introduced several years before the World Bank recommendations were issued (Andersen & Hatland, 2014; Andersen, 2015). The Danish people's pension (see Table 3) is divided into a basic amount and a pensions supplement, means tested against income. Besides this, there are supplementary pensions and individual supplements for the poorest pensioners. Taken together, this elevates the poorest pensioners well above the relative poverty level and justifies the application of the term "universal" to characterize the system as a whole, even though the individual components have been de-universalized.

To a large degree, China's pension reforms also reflect a multi-pillar approach, as recommended by the World Bank (CDRF, 2012). The overall structure of the Chinese and Danish pension systems are compared in Table 3.

Table 3. Overall structure of China and Denmark's multi-pillar pension systems

	China		Denmark	
	Content	Characteristics	Content	Characteristics
The first pillar	Urban employee basic pension system Urban-rural resident basic pension system Pension system for civil servants and public employees	Mandatory: social pool and individual account	Peoples pension ATP: supplementary labour market pension Means-tested supplementary schemes (Ældrecheck - a supplement to pensioners with available funds less than 86.000 dkr., housing benefits and individual supplements).	Mandatory: tax financed Mandatory for wage earners: Fully funded (savings based)
The second pillar	Enterprise annuity schemes Occupational annuity schemes	Voluntary and defined contribution	Labour market pensions Civil servants' pensions	Semi-mandatory
The third pillar	Private savings	Voluntary	Personal pensions (rent pension, old-age savings scheme, rate pension and private savings)	Voluntary

Sources: based on Andersen, 2016: 188; Peng, 2016: 52

The Chinese government first initiated pension reform among urban employees, and later expanded pension coverage to rural residents and urban non-working residents; these programs were called 'the urban employee basic pension system', 'the new rural social pension system' and 'the urban resident social pension system'. However, in 2014, the latter two schemes were merged into 'the urban-rural resident basic pension system'. Together with a pension scheme for civil servants and public employees, these schemes are regarded as the first pillar of the pension system.

In addition, the Chinese government established supplementary programs; 'the enterprise annuity and 'occupational annuity schemes' as the second pillar of the pension system. Finally,

private savings are regarded as the third pillar of the pension system (Peng, 2016) (see Table 3).

There is no unified public pension system in China; participation is based on working conditions and residence. However, the Chinese pension system has undergone several reforms in recent times (for an overview see Peng, 2016), in an attempt to achieve full coverage. The multi-pillar system is set up to share the burden of old age security between state, enterprises, and individuals, as is the case in Denmark. The reform has been successful in several ways: the urban employee basic pension system expanded rapidly from providing cover to 61.7 million people in 1990, to 304.3 million in 2012. The number of participants in the new rural pension system, which as of February 21st 2014 merged into the ‘urban-rural resident basic pension system’, grew by more than 200% from 2010 to 2011 alone, and by the end of 2012 there were 483.7 million people covered by the scheme (Peng, 2016: 58-59). However, the pension system continues to be underdeveloped and possibly not well equipped for the challenge to come. The pension system faces a number of issues. These include inequality and equity, low replacement rates, fragmentation in social security old-age benefit, limited coverage, system deficit/financial unsustainability, and fragmentation across the rural/urban boundary (Cai & Cheng, 2014; Chen & Turner, 2015; Peng, 2016; van Dullemen et al., 2017) as illustrated in Tables 4 and 5.

Table 4. Different pension arrangements among different sectors in China

Sector	Scheme	Features	Average coverage (CNY per month)
Government and institutional units	Pension system for civil servants and public employees	Non-contributory and defined-benefit	2543.44
Urban enterprises	Urban employee basic pension system	Defined-contribution and funded	1813.84
Urban and rural residents	Urban-rural resident basic pension system	Defined-benefit and funded	127.47 (The basic 70 CNY pension can be supplemented by local government revenue)

Source: based on Zhu & Walker, 2018: 1410-1417

The unequal institutional pension arrangements across different sectors and segments of the labour force (see Table 4), is testimony to the varying stability, coverage, and generosity of the different pension schemes in China.

The disparities are particularly discernible across the rural/urban divide. An urban pension system was initiated in the early 1950s, whereas old age insurance for rural residents

was not initiated on a large scale until 2009 (Wu, 2013). Among other things, this has resulted in a high degree of stratification.

The rural/urban divide is not only a geographical matter, but also a systemic one. Rural residents have been deprived of entitlements to which urban residents are privy. As a result, informal support has formed the basis of welfare provision in rural China. A study conducted by Liu (2017), found that the State relies directly or indirectly upon households' support capacity as the State's contribution to rural pension is minimal and inadequate and entitlement to a pension is dependent upon all family members participating in the scheme (Liu, 2017: 293-294). The rural elderly are dependent upon their family for support, however given rapid migration by the working population, dependence patterns in rural areas have changed. Actual contact between adult children and ageing parents has been reduced, while remittances have become a major source of household income, and by extension pension supplement, in many rural areas.

By comparison, many ageing countries have had comprehensive pension systems, including rural people, in place at a much earlier stage of population ageing. Denmark was the first country in the world to establish a comprehensive, residual pension system in 1891; the United Kingdom began to provide universal coverage of social security in 1946, and Japan and South Korea initiated their rural pension systems in 1971 and 1990, respectively (Cai, Giles, O'Keefe, & Wang, 2012).

However, Zhu & Walker (2018) argue that those most marginalised by the stratified Chinese pension system are women with low human capital. Though it is not comparable, women are also worse off compared with their male counterparts within the Danish pension system. 'Magisterbladet' (Magisterbladet, 2019), a magazine for the Danish trade union 'Dansk Magisterforening', reported in spring 2019 that men save 37% more in pension savings, compared to women. However, this number is down from 51% in 2008, reportedly due to higher educational attainment among women, higher parity in salaries and more men being entitled to and making use of paternity leave.

Raising retirement age

The eligibility age for retirement varies greatly across the different pension schemes in China. In some professions, the retirement age is 60 years for both men and women, whilst in managerial positions, it is 55 years for women, and 50 years for women in other roles (Chen & Turner, 2015; Chen, 2016; Peng, 2016) as stated in Table 5.

Table 5. Basic pension system characteristics in Denmark and China

	China	Denmark
Recipients of basic pension	Sectoral and local residency, in some cases voluntary.	Residence.
Length of residence/participation required to obtain basic pension	15 years	40 years
Pensionable age	50-60 depending on residence, employment and gender.	Semi-automatic adaption of retirement age to longevity.
		65 (increases to 68 by 2030 and 77 by 2095).
Coverage (2012), basic pension (the first pillar)	Urban employee basic pension: 304 million insured. The new rural pension system: 326 million insured.	Universal.

Sources: Chen, 2016; Nordiska ministerrådet & Nordiska ministerr, 2017; Peng, 2016)

The retirement age in China is low. The Organisation for Economic Co-operation and Development (OECD) average normal pension age in 2016 was 64.3 years for men and 63.7 years for women, across all schemes for an individual reaching retirement (OECD, 2017).

The pension age in Denmark has traditionally been quite high (67 years until the 1980s). The same can be said for labour market participation for people in their sixties. Denmark has adopted a ‘semi-automatic adaption of retirement age to longevity’ approach; fixed pension ages have lost some meaning due to the defined contribution principle. The pension age, in age brackets, is indexed to life expectancy at age 60 as a result of the 2006 welfare reform. The pension age is regulated every fifth year, effective from the 1st of January 15 years later. The pension age was last regulated in 2015, and is set to increase to 68 years by 2030. Given the projected development in life expectancy, the indexation mechanism is projected to increase pension age to 77 years for those born in 2018 (Department of Labor and Recruitment, 2018).

Increasing the pension age in China has been a prevalent topic in academia (see e.g. Liu & Miao, 2004; Peng et al., 2013; Chen & Groenewold, 2017; Feng et al., 2018), among politicians, and in the media (see e.g. China Economic Review, 2015; Xinhua, 2016; ECNS, 2018). All suggest that it should be increased incrementally, until a non-gender specific pension age of 60–65 years is reached. However, this can only be considered a stepping-stone.

With the expected decline of the working age population in China (see Fig. 1), an increase in retirement age could be an effective way to increase the labour force participation rate (Chen & Turner, 2015; Peng, 2016; Peng & Mai, 2013). However, there are other cultural concerns in relation to China, namely the issue of grandparenting. Grandparenting in China is rooted in traditional family values and norms; childcare is considered an intergenerational collaboration between parents and grandparents. Despite an increasing demand for formal care solutions, family continues to be the primary source of care. The same is true in several other Asian countries; however, grandparenting appears to be more prevalent in China. As an example, a study conducted by Ko and Hank (2014: 649) suggests there are significant differences in the proportions of grandparents having provided any childcare between China (58%) and Korea (6%). This is a striking difference, although it corroborates previous research within the field. It is argued that the high participation of mothers in the labour force is likely to explain the significantly higher demand for grandparenting in China, together with the government's failure to satisfy the demand for formal childcare facilities. Grandparents therefore provide a complementary source of care where the government fails. Because of this, it is likely that increasing the retirement age might place greater pressure on welfare provision in other areas.

A related issue is that of ageism in the labour market. In China, 'old age' is traditionally recognised as occurring at 60 years, and this is considered the appropriate time to retire and make room for younger people in the labour market. According to a survey by Manulife (2014), approximately 64% of Chinese people who were interviewed had a negative attitude towards an increase in the official retirement age (Feng et al., 2018). As previously mentioned, the elderly have been pro-actively represented as grey gold in Denmark—helped by the dissemination of insights from gerontology—enabling employers to realise that the elderly can be as productive as younger workers (Jensen & Madsen, 2015). However, despite popular and political support, raising the pension age remains a difficult political subject, especially whilst the one size fits all approach to pensions in Danish politics seems an ongoing, unresolved issue.

Assessments and conclusion

China will face a steeply increasing old-age dependency ratio, a shrinking labour force, and a tense intergenerational relationship. Reforming China's pension system is a demographically pressing issue, as well as socially vital.

Recent literature has proposed numerous solutions to China's demographic challenge, e.g. to strengthen and unify the pension systems, to create equality and social justice across sectors, to accommodate labour mobility and protect pension rights of migrant workers, to

create universal and adequate coverage and raising the pension age (see e.g. Cai & Cheng, 2014; Chen & Turner, 2015; Fang, 2016; Peng, 2016).

However, China is not alone; many countries are ageing, but their approaches to stemming the demographic challenges differ widely and from these approaches, there are insights to be gained. Denmark is one of the most well-adjusted countries in terms of dealing with demographic change and though the Danish demographic challenge has never been as urgent as those faced by China, there are still lessons to be learned in the way that China addresses the challenge of population ageing.

Below follows an outline of three factors from which China arguably could gain insights from Denmark in its attempt to meet the challenges of demographic change under current conditions.

1. Avoiding the one size fits all problem

China's current retirement policy was initiated in the 1970s, at a time when the life expectancy was around 60–65 years. However, the longevity of Chinese citizens has since increased to more than 76 years (see Table 1). A gradual adaptation of the retirement age could increase the workforce and lower the expected increase in labour costs. Furthermore, it could reduce the pressure on the pension system. Extending the pension age could have significant consequences for social and economic prospects in China. Delaying the pension age could enhance the fiscal sustainability of the pension system and enhance their system-support ratios, with more contributors and fewer benefit receivers.

Raising the retirement age is by far a new suggestion and awareness of this issue is high among Chinese policymakers. Meanwhile, China should take notice of the Danish problem of a one size fits all approach to pension age, which remains a major unresolved issue. A fixed pension age allows social inequality within health and life expectancy to manifest, as some will have a relatively short retirement – in poor health.

In China, the pension age is differentiated depending on residence, employment and gender. Despite, as mentioned earlier, that both academia, politicians and the media suggest that the Chinese retirement age should be increased incrementally until a non-gender specific pension age of 60–65 years is reached, China should take note of the Danish issues when reforming the pensions system and maintain a differentiated pension age.

2. Swaying public opinion

Postponing the official retirement age and persuading the public to contribute to the mandatory public pension system is a thorny political initiative, which is facing much resistance, as willingness is low. Delaying retirement may also challenge the stereotype of the

elderly in China, where 60 years is the traditional marker of being old and there exists strong ageism against elderly people at work. Studies from Denmark have shown that employers in general hold a more positive view towards older employees (Larsen, 2006). Correspondingly, Danish employers feel a sense of urgency when it comes to population ageing and a shrinking workforce, with approximately 70% of Danish employers suggesting that population ageing poses an important challenge to society (Jensen, 2012).

A sustainable pension reform thus needs to effectively address issues related to ageism in society and create awareness about the demographic challenges, rather than just postpone the pension age. As mentioned earlier, Denmark had great success with framing seniors, as grey gold to encourage employers to retain and recruit seniors, as well as to enable employers to realise that seniors can be as productive as younger workers. In order for China to fully make use of the capacity of seniors, they need to make the public realise their potential as an active part of the workforce. China has abolished the one-child policy and enacted a two-child policy to balance its demographic development. This could potentially lessen the demographic burden and ease the unintended consequences of the one-child policy, such as a preference for male children, high levels of abortions and female infanticide (Zeng & Hesketh, 2017). This is an important step, because as Esping-Andersen (2009: 9) puts it “pension reform begins with babies” and pro-natal policies (along with net-immigration) are the main reason why Denmark (along with the other Scandinavian countries) has faced less demographic pressure compared to other European countries, as their TFR’s have remained comparatively high (Andersen & Hatland, 2014).

However, in China there is little institutional support for women who choose to have two children. Childcare in China continues to be a mixed regime; families are considered as the main providers of childcare and the government merely plays a residual role.

Due to the lack of policies to provide protection and support for families, young women are likely to experience problems when entering the labour market, as companies are reluctant to pay for repeated maternity leave and could therefore discriminate against young women. Since the abolition of the one-child policy, China’s ranking in the World Economic Forum’s global index of gender parity has fallen from 87th (2014) to 100th (2017) (World Economic Forum, 2014; 2017). Supporting women in their endeavours to raise a family and at the same time have a career is a necessary step to achieve balanced demographic development.

The traditional role of grandparents has been to care for grandchildren, which lessens the need for social welfare. However, considering that, the proportion of grandchildren to

grandparents is declining quite drastic (according to Fig. 1); grandparents are at risk of being 'underutilized', if the retirement age remains unchanged.

It seems that Chinese social welfare is at a crossroads, the system had not yet adapted to the demographic changes, which could potentially leave a great deal of elderly people outside the labour market and with no other utility, as well as many families with only one child because the system does not support their endeavours to have two.

The experiences of the development of the Danish pension system have been explored, with the aim of seeing to what extent they can add insights that are useful for the development of a sustainable approach to population ageing in China.

It is evident from studying the Danish approach to demographic changes that pensions are not the sole focus; stimulating labour force participation, creating initiatives to postpone retirement and work longer and enforcing pro-natal policies are all part of the solution.

This might be the greatest lesson to be learned from Denmark; it is unlikely that a sole focus on the elderly cohort will be enough to stem the demographic transition in China. There is a need to create a comprehensive policy approach, which addresses the demographic challenges as a many-faceted issue in society. A long-term, sustainable solution should be found in a holistic welfare state approach to ageing - as has been the case in Denmark. This is only possible if China addresses issues of care for the elderly, increasing the pension age, while at the same time addressing issues related to declining fertility and gender parity.

The changes proposed here are by no means straightforward. The Danish demographic transition has been slow and started about 100 years before the Chinese transition. Though China still has the opportunity to build social welfare and there continues to be room for socio-political reform, it will not be an easy task. As shown in Fig. 1, the demographic composition of China is changing rapidly, and the changes needed to accommodate this development will be expensive and will likely lead to some opposition.

Furthermore, as mentioned earlier, changes within one policy field, may lead to greater pressure on welfare provision in other areas, for example raising the retirement age may place greater pressure on public childcare. China is nearing a crossroads in determining the relationship between family, state and market in terms of welfare provisions.

Transferring the provision of social security and care from the family to the state/community will reach beyond social policymaking. In Denmark, this development happened gradually, however, given rapid demographic change the Chinese population will have to adapt to these new citizenship rights much faster. Due to this, any pension reform must

take into consideration the capacity for adaptation on a personal and societal level to secure a sustainable approach to population ageing.

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