

# Study on the Global Trends of Delay Retirement and Potential Demand in China

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**Abstract** In recent years, delay retirement around the world has become a global trend. The policy of legal retirement age in China began in the 1950s. Although the average life expectancy of the population in China is more and more longer, the statutory retirement age policy hasn't further changed since 1958. Whether the reforms of the delay retirement policy should carried on conforming to the times in China has become a hot topic. This paper will explore the delay retirement policy in China and discuss the global trends of delay retirement and potential demand in China.

**Keywords** Delay retirement, International comparison, Policy

## 1. Introduction

Due to the increasing average life expectancy of the global population and the aging phenomenon, a lot of countries are facing inadequate pensions and social insurance economic pressure problems. Many countries, including the UK, Germany, USA, Japan, introduced the measures to invariably delay the statutory retirement age, and this phenomenon has become a popular trend in the world.

In China, there are different views about the the current delay retirement, whether we should adopt the retirement policy like Europe and America and other developed countries, the delay in the implementation of our retirement policy has various arguments, too. Therefore, this paper focuses on the delay retirement wave phenomenon, combined with China's national conditions and social realities, to explore whether there is a need of the delay in the retirement and its potential existence emerging from the soil in the world.

## 2. Statutory Retirement Age around the World

Currently, many countries continue increase the statutory retirement age and this becomes a global trend. There are many common reasons including an aging society, declining birthrate, average life expectancy, fiscal austerity, and pension payments imbalances, such as the system design flaws and mismanagement problems and pension investment

income declined significantly in some countries under the impact of the financial crisis, or even a loss and so on.

### 2.1. Countries the Retirement Age Statistics among Countries

Statistics show [1] that in the world, 288 countries and regions, there are 167 countries and regions provides the statutory retirement age. Among them, there are 102 countries and regions with the provisions of the statutory retirement age for men below 60 years old, representing 61.08% prescribed number of countries and regions in the retirement age. There are 65 countries and regions with the provisions of the statutory retirement age in men over age 60 years old, accounting for 38.92%. There are 129 countries and regions with requirements of the statutory retirement age of women below 60 years old , accounting for 77.25%, and there are 38 countries and regions with over the age of 60, accounting for 22.75%.

In addition, the statutory retirement age for men over 60 years old for most of the countries and regions, there are 64, accounting for 38.32%. Followed by 65 years old with which there are 44, accounting for 26.35%. Women's statutory retirement age of 55 for most places, there are 59, accounting for 35.33%, followed by 60 years of age, there are 52, accounting for 31.14%. These data indicate that the provisions of the statutory retirement age in the world's countries and regions, the mandatory retirement at the age of 60 and below seems to occupy the mainstream, the retirement age in men aged 60 and below accounting for 61.08%, this figure to women here reached 77.25%.

### 2.2. UK's Retirement Policy

In 2010, Britain greatly accelerated the speed of retirement years. On the January 12, 2011, the British government announced the "Pension Act," the retirement age

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for men and women respectively made the following adjustments:

(1) British women retirement age: People in April 2016 to November 2018 period gradually increased to 65 years old, and then in December 2018 to April 2020 period gradually increased to 66 years old.

(2) British male retirement age: People in December 2018 to April 2020 period gradually increased to 66 years, that is to achieve the same standard of female residents (66 years of age to pensioners).[2]

Pensions Policy Institute, which is the famous British Pensions Policy Institute artificially, in order to reduce government spending and keep the extended life expectancy, over the next 20 years the people of that country pension age will be increased to 72 years. The reason is that in 1981, according to the usual age, 25% of British life time can receive pensions. With life expectancy, by 2000, that number had risen to 30%. By 2010, the average time lifetime in third of an Englishman can be obtained pension benefits in the country.

Thus, PPI suggested that the Government should try to make people's pensioners in 1981's level. Then to 2030, pension age will increase to 72 years. In order to meet the new retirement policy, government need to increase the man's retirement age at least five years or even ten years, while women need to increase more than 10 years.[3]

### 2.3. USA's Retirement Policy

Since the establishment of the American Geriatrics social security system, due to demographic changes, each person pay the pension tax, the burden of the proportion of the population is undergoing profound changes, since 1950, the sustentation percentage is 16.5:1, which means 16.5 staff on active duty subsist one retiree. In 2005, the percentage has risen to 3.3:1. [4]

Since 1982, America's elderly Social Security payroll taxes and revenue brought are in excess of pension expense. In 2004, the surplus is 150 US billion. But with the rapid population growth of the post-war generation gradually get pensioners. Under the current tax, pension and retirement-related legal situation, pension spending will gradually over social security payroll tax revenues.[5]

It is calculated that in 2018-2019, the social security trust fund will begin to appear deficit, thus need to be extracted from the general fund. To 2041 or to 2052, the social security

trust fund surplus will be all used up, then the social security tax will be paid only enough to pay 74% -78%. To solve this problem, in 2041, government need to improve the social security tax rate to 16.41%, while in 2081 will increase to 17.6%. Otherwise, during 2041 it will need to put pensions cut by 25%, and in 2081 to be reduced by 30%.[6]

### 2.4. Germany Retirement Policy

Germany is the birthplace of the world's old-age insurance system in 1889, which founded the applicable workers' pension insurance system, and expanded in 1911 to staff and dependents. In Germany, the system design goal is the pursuit of fairness, but with increasingly serious problem of population aging leads to extremely heavy burden, reduced fertility and make this situation worse.[7]

In 2005, German population burden ratio was 2.3:1, and in 2007 the ratio raised to 2.21:1. If government do not raise the retirement age, then by 2030 this proportion will be reduced to 1.33:1, and by 2050 years will reach to 1.18:1.[8]

According to the German 2006 statistics, it shows that in 2005 due to financial difficulties all premiums during the contract period cannot be paid and the early settlement of the pension insurance has reached up to 12.6 billion euros, an increase of 200 million euros, resulting in approximately 60% of future retirees had a significant reduction in the standard of living, and nearly 1/3 of the German people will face the threat of poverty in old age.

### 2.5. China's Retirement Age Statistics

While practiced by our current statutory retirement age (men aged 60, female 50/55 years) as the dividing line, you can see the reason of the provisions of men under 60 years of national and regional reached 64, accounting for up to 38.32%. There are 65 countries and regions with the retirement age for men as 60 years or older, accounting for 38.92 percent, the statutory retirement age for men in the world is not less than that in China which has reached 77.24%. Female legal retirement age at 55 years old, 60 years old and 60 years old accounted for the number of countries and regions is as high as 89.42%. Taking these data, we can conclude that our statutory retirement age is still in the lower level of the world, especially in the statutory retirement age of women, and the gap to the mainstream level is more obvious.

**Table 1.** Changes of the American insured social security number and the proportion of dependents

Year	Insured workers (in thousands)	Profit number (in thousands)	Dependent proportion	Year	Insured workers (in thousands)	Profit number (in thousands)	Dependent proportion
1950	48280	2930	16.5:1	1970	93090	25186	3.7:1
1960	72530	14626	5.1:1	1980	113649	35118	3.2:1
1990	133672	39470	3.4:1	2030	181863	83809	2.0:1
2000	153691	45166	3.4:1	2040	187459	91526	2.0:1
2005	158999	47914	3.3:1	2050	192929	95720	2.0:1
2010	167746	52484	3.2:1	2060	197529	100985	2.0:1
2020	177070	67987	2.6:1	2070	202976	106404	1.9:1

**Table 2.** Proportional change in the German population burden

	2005	2006	2007
Practitioners age of 20-60 years old	2.21:1	1.33:1	1.18:1
Raising the retirement age	2.21:1	1.99:1	1.90:1

## 2.6. Comparison of the Retirement Age between Major Countries

If considering different social development and population structure of a set of data before the specified retirement age 167 countries and regions, there may be some countries and regions, such as underdeveloped, and various

factors that lead to social unrest in the life expectancy of the population much lower than the world average and so on. Therefore, these countries will increase the degree of dispersion of the above-mentioned data, making comparisons reduce reliability.

To this point take it into account that China has opened a lot of the gap between the world's political, economic status and less developed countries and developing countries with low, and so if only the statutory retirement age in the world, as a comparison object, can greatly improve the reliability of the comparison, specific reference to the following table [9].

**Table 3.** List of the world, the statutory retirement age

Country	Current standards	The first step adjustment	The second step adjustment
United States	66	67(2027)	70(Proposal)
Britain	Male:65 Female:60	65(2011)	68(2024-2046)
Italy	Male:65 Female:60	65(2018)	68(2050)
Netherlands	65	66(2020)	67(2025)
Hungary	Male:62 Female:61-62	Male 65; Female64(2020)	Male69; Female68(2050)
Czech Republic	Male:62 Female:59	Male63; Female59-63(2013)	65(2030)
Korea	60	61(2013)	65(2033)
Denmark	65	67(2024-2027)	
Germany	65	67(2012-2029)	
Spain	65	67(2013-2025)	
Israel	Male:65 Femal:60	Male:67 Femal:64	
Singapore	62	67	
Japan	60	65(2006-2013)	
Australia	Male:65 Femal:60	65(2014)	
Turkey	Male:60 Femal:58	65(2048)	
Austria	Male:65 Femal:60	65(2024—2033)	
Greece	58-61	63(2015)	
France	60	62(2018)	
Colombia	Male:60 Femal:55	Male:62 Femal:60(2014)	
India	58-60	60	
Brazil	Male:60 Femal:55		
Russia	Male:60 Femal:55		
China	Male:60 Femal:55		
Belgium	65 (2009)		
Sweden	65		
Switzerland	Male:65 Femal:64		
Canada	65(1951)		
Argentina	Male:65 Femal:60		

Note: Figures in brackets represent the implementation of the specific year.

As shown, the current standard in the statutory retirement age of 28 countries included in the comparison, only the retirement age in Russia, Brazil, Colombia are the same as China. If considering the provisions of China female workers can retire at the age of 50 (special industries can retire five years earlier), the statutory retirement age in China is lower than that in those countries. Other neighboring countries include South Korea, Japan have been the uniform retirement age for men and women to 60 years of age, and also proposed a further delay in the retirement age for future adjustment programs.

In Europe and other developed countries, the statutory retirement age such as the United States, Britain, Italy, Germany, Spain, Israel and Canada and other countries are higher than China for at least five years, and this gap will widen further. In the United States and Europe, only France is currently the mandatory retirement age of 60, but it makes no difference in gender. In fact, if you want to get 100% French retiree pensions, but also to meet two conditions of the full payment for 40 years and 65 years of age. So in fact the French workers retire and begin to truly normal pension age or standard much higher than the Chinese laborers.

In addition, developing countries such as Eastern Europe and Western Asia, Hungary, the Czech Republic and Turkey, the gap between male and female retirement age is only 1-2 years old, and the retirement age is higher than that in China. Even if the object is relatively concentrated in the major countries of the world, the reduction in the degree of dispersion of data, the conclusion still come to that China's statutory retirement age in the world is relatively at a lower level.

### 3. Delayed Retirement Policy Potential in China

Of course, since the national situation is different, and not simply because of a delay retirements occur worldwide and simply must implement the retirement policy to China. Adjustment of the retirement age is a complex social and economic policies, and it involves demographic factors, supply and demand of human resources, intergenerational relations, social security and other issues involving the fund balance. But through the nature of the phenomenon, many countries have introduced policies to delay retirement, and the causes can be broadly grouped into the following categories.

(1) The demand to accommodate an aging population trends in life expectancy.

(2) Ease the pressure on the growing demand for pension expense resulting from the state finance.

(3) Further development of labor resources.

So it is of great guiding significance that whether these factors can be proved in the situation in China, for the analysis of delay retirement if there is potential demand in our country.

#### 3.1. Trend of Population Aging in China

Someone argued that it is too early in our discussions to delay retirement, because early in the last century, the developed countries had already started to pay attention and experienced a series of problems caused by an aging population, the current level of population aging and the expected average life of there is a big gap compared with developed countries. However, according to the sixth national census 2010 data [10], China's population aged over 60 the proportion of the total population and 13.3% of the population aged over 65 and the proportion of the total population was 8.9%, while in the two statistics 10.3% and 7.0%, respectively, when the 2000 census, an increase of 29% and 27% in 10 years.

In accordance with the international criteria for the classification of a country population aged 60 and over 10% of the proportion of the total population, or 65 years and the proportion of the population over 7% of the total population, that is called in the country as older country. Apparently China has already entered the aging society. In fact, China is now the world's largest elderly population in the country, accounting for one fifth of the global total elderly population.

If we say that our country is currently in the aging stage of social development, then after 2015, China will enter a period of rapid growth of population aging. Forecasts show that from 2015-2035 in 20 years, China will increase the proportion of the elderly population doubled to 20 percent, the elderly population will account for one-fifth of China's population to a quarter.

In 2020, China's population aged 60 or older will account for more than 17 percent, reaching 248 million, of which 80 senior citizens over the age of over 30 million. By 2050, the total elderly population will be over 400 million, and the senior citizens reach 95 million, rising from the current 1/8 to 2050 growth of about 1/4.

The United Nations (UN) predicts the latest population data, after 30 years of 2011, the Chinese population aging will show accelerated development trend, China will begin a comprehensive aging society by 2050, the proportion of elderly people aged 60 and over will exceed 30% of Chinese society into a deep aging stage. Organization for Economic Cooperation and Development more (OECD) Development of population projections, by 2030, China will account for the population aged over 65 and that will surpass Japan's to become the world's highest degree of aging population in the country. As already mentioned, Japan has become a global delay in a retirement wave.

April 1, 2013, the Japanese "Elderly Employment Security Law" began, which provides companies an obligation to allow employees to work 65 years, a move to improve the Japanese companies with employees receiving welfare pension (ie pension) age measures match. After the new law, men can receive welfare pension age increased from 60 years to 61 years, 2025 will be increased to 65 years. Women will implement 5 years later, but 2030 will also face the same

situation. As what said, with increasingly high degree of aging, that in China will catch up and overtake Japan's, and delay retirement pension system is bound to become the top designers of lingering issues.

### 3.2. Pension Balance of Payments Pressures in China

In addition to population aging crisis, countries have introduced policies to delay retirement and a major factor in common, is to ease the pressure on the balance of payments of pension. And from a practical point of view, China's pension insurance is also increasing pressure on the balance of payments, resulting in the potential demand for delay retirement policy.

Our pension balance of payments pressures from two main factors. First, China's pension system from "PAYG" system to "reunification Account", huge amount of merger costs caused during manufacture, making the existing pension system had been implemented at the time just to make up for the burden of historical debts of pressure. Second, population aging will further exacerbate the pension balance of payments gap in long-term.

Compiled by the Academy of Social Sciences, "China Pension Development Report 2011" noted that since 1997, government at all levels to rapidly expand the transfer of pension payment scale, the amount of subsidy levels fiscal 2000 was 338 million in 2006 to 97.1 billion million in 2010 to 195.4 billion yuan, in 2011 added up to 227.2 billion yuan of subsidies, the cumulative amount of financial subsidies amounted to 1.2526 trillion yuan, means that nearly two-thirds of the pension accumulated balance from fiscal transfer payment.

Shortly thereafter, Cao Yuanzheng, chief economist at the Bank of China led the research team released the "long-term risk to resolve the national balance" report, the establishment of a scientific model to predict the pillars of our overall balance of payments position of pension. The report notes that if you do not take any reform of pension pooling accounts will result in a huge financial burden. Financial subsidies from 2017 onwards pension requirements will continue to rise until 2050 will reach more than 20% of fiscal year spending.

Comparison with the size of GDP, the present value of pension equivalent to 75% of the total gap in the current GDP, far higher than the costs of environmental protection, is nearly 20 times the debt financing platform and rail due to financial pressures. On this basis, the report proposed to raise the retirement age 7 years old, 2050. The balance of payments gap may be required of pension subsidies proportion of total expenditure declined from 20% to 9.9%.

China's current legal retirement age is determined in the 1950s under that time's population age structure and other factors. The life expectancy of our population in 1949 when New China was founded only 42 years old, the 1957 is not even 55 years ago, and the current life expectancy of our population has reached 74 years of age, which means retirees pensioners length increasing, but there is no statutory

retirement age has long been adjusted, "does not work" proportion of the aging population continues to increase. It will definitely increase the support of young workers burden and the burden of payment of pension spending.

At present, China enterprises average effective retirement age for men and women workers is only 54 years old, obviously with our population growth trends in life expectancy and the current socio-economic situation does not fit in a timely extension of the retirement age and space with great potential.

### 3.3. Delay Retirement and Elderly Human Resource Development

Because of the birth rate in developed countries, the relative shortage of labor, and therefore extend the retirement age can delay the age of 60 or older out of the labor market, increasing the proportion of the labor force, labor resources to ease tension, reduce the burden on the working age population support pensioners retired population. And China has always been a large population, long-term oversupply of labor, from the surface, in the development of labor resources, China does not seem to exist consistency with the Western countries.

However, the Ministry of Human Resources and Social Security in the fourth quarter of 2013 on the progress of the situation of human resources and social security conference has revealed an important signal, from the beginning of 2012, China's labor resources for the first time began to decline in the total. The spokesman suggesting that "unlimited supply of labor" era to an end, should study how to more fully and effectively utilize labor resources.

People's Insurance Department released this signal, indicating that an adequate supply of labor from labor shortages towards Western countries traveled roads would inevitably have been enjoying the show in the "demographic dividend" in China before. China should be ready before the arrival of inflection point, step by step to advance the development and utilization of labor resources. With the changes in China's labor market, the younger elderly human capital development will gradually highlight its importance.

Our working conditions have been greatly improved than before the reform and opening up, the average labor intensity greatly reduced in many professional and technical positions, 50, 60-year-old is experienced, skillful stage, this high-end human resources and relatively low elasticity of substitution, difficult to generate employment for young job crowding and other shock effects, if this part of the labor force early retirement, is a big waste of human capital.

## 4. Conclusions

In summary, the delay retirement wave is widespread around the globe, there is the potential causes and reasons. Similarly, in the global economy, politics, cultures communicate in the background, with the continuous development of China's economy and society, and the

average life expectancy continues to increase, delay retirement in our country also has its potential demand. Shanghai has begun a pilot pension policies and flexible CPC 'decision on deepening the reform of the overall number of important issues "raised the retirement age to study and formulate progressive policies were delayed for attention and response to this demand, the deadline the same time, the national people's Insurance Department has embarked collected views on various aspects of delayed retirement, and will make recommendations in a timely manner.

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