

The Aging Readiness & Competitiveness Report

CHINA

Overview

China is home to nearly a quarter of the world's population 60 years of age or older, which is projected to double over the next two decades. As of 2014, the number of people age 60 and over had reached 210 million,¹ as large as the populations of Germany, the UK, and France combined. The older population is projected to exceed 418 million by 2035, with the percentage of older adults in the

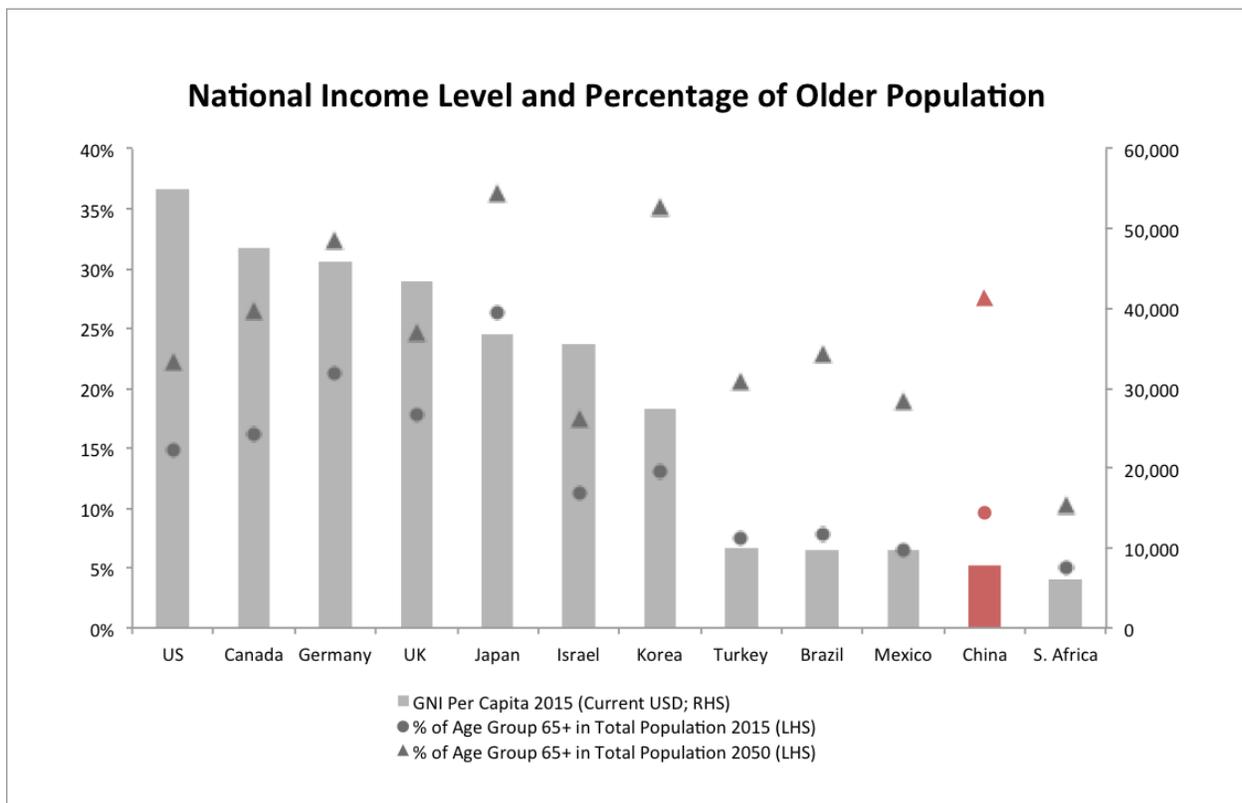
total population growing from 15.5 percent to 28.7 percent.² By 2050, the share is expected to grow further to 36.5 of the total population.³

China is growing old before it gets rich. As of 2015, the country's gross national income per capita was only 35 percent

¹ Liu, X. (2016). China Gradually Enters Aging Society, Older Population Will Reach 400 Million by 2035.

² Luo, H. (2015). CNCA: The Percentage of "Empty Nest" Older Households Has Reached 70% in Large and Medium-Sized Chinese Cities.

³ UNDESA (2015). The World Population Prospects: 2015 Revision. United Nations Department of Economic and Social Affairs.



(Sources: OECD, United Nations, World Bank)

of the average of OECD members,⁴ while its percentage of people age 65 or older in the total population was more than 55 percent of the OECD average.⁵ By 2050, China will exceed most high-income countries in terms of the share of older adults in the total population.

Today, more than half of Chinese older adults are living with no offspring in their homes. In large- and medium-sized cities, the percentage is even higher: around 70 percent of older adults are living alone or with a spouse only.⁶ The number of disabled older adults is also growing rapidly and is projected to increase by 260 percent by 2050.⁷

⁴ World Bank.

⁵ OECD Statistics.

⁶ Luo, H. (2015). CNCA: The Percentage of “Empty Nest” Older Households Has Reach 70% in Large and Medium-Sized Chinese Cities.

⁷ Li, X. (2015). Current Focus Points of Accelerating Our Country’s Social Old-Age Care System. Retrieved from Institute of Economic System and Management National Development and Reform Commission.

In light of the booming aging population, the government has focused on establishing age-friendly social infrastructure and improving healthcare and wellness. As the economy slows down and shifts toward a more consumption-driven growth model, the government is also seeking to develop the service sector for older adults into a new growth engine and to integrate digital technologies with the innovation of products and solutions for older adults.

Thus far, the government has not fully capitalized on the older labor force for productivity growth. Significant divergence exists in older adults’ labor participation between urban and rural areas, with the participation rate of rural residents ages 60 to 69 about 50 percentage points higher than that of their urban counterparts. While there is an increasing interest in re-entering the workforce among urban older adults, a lack of job-search assistance and legal protection of their rights and interests, as well as age discrimination, have been major barriers.



Community Social Infrastructure

The number of older Chinese adults living independently is growing, warranting a more age-friendly social infrastructure that supports their needs and wellness. As of 2011, around 60 percent of people age 70 and over lived alone or with a spouse, up by more than 10 percentage points from the level in 2000.⁸ In response, the government has taken actions to enhance older adults' social connection, improve accessibility and quality of physical infrastructure, and develop integrated community networks to support aging in place.

Social Connection

The Chinese family structure has undergone a dramatic change since the adoption of the one-child policy in the late 1970s. In the 1950s, the average family had more than five people, and by 2015 the average family size had shrunk to 3.35 people.⁹ Today, a typical couple between their 20s and 40s need to take care of four parents – in addition to their own children – with no siblings to share the responsibility. The growing work and life pressures of the modern society have

⁸ World Bank. (2016). Live Long and Prosper: Aging in East Asia and Pacific. Washington, D.C.: World Bank. DOI:10.1596/978-1-4648-0469-4.

⁹ National Health and Family Planning Commission. (2015). China Family Development Report 2015.

“Migration is a major cause in the decline in co-residence for older adults with their children. There is a significant divide in economic development between rural and urban areas in China, contributing to the largest population of domestic migrants in the world. Young people move from rural to urban areas or from small to large cities looking for jobs, leaving older parents behind.”

– Yang Huang, Consultant at the Development Research Group, The World Bank

made it even more difficult for them to meet the physical and psychological needs of their parents.

At the same time, ongoing industrialization and urbanization have driven labor migration both from rural to urban areas and from less developed cities to more developed ones. Yang Huang, a consultant at the World Bank's Development Resesarch Group, contends that “Migration is a major cause of the decline in co-residence for older adults with their children. There is a significant divide in economic development between rural and urban areas in China, contributing to the largest population of domestic migrants

in the world.”¹⁰ As children grow up and move to work in larger cities, parents are left behind in home towns. About 50 million older adults are living in rural areas with no children present or nearby.¹¹

These trends have resulted in the prevalence of “empty nests,” referring to households with only one older person or to an older couple who do not have offspring living with them. Currently, there are more than 100 million “empty nest” older adults in China, with the number projected to more than double by 2030.¹² As a result, a sense of social inclusion is lacking. Nearly 40 percent of those age 50 and over report they could not count on having relatives or friends to help them when needed.¹³ The China Longitudinal Aging Social Survey in 2014¹⁴ showed that 24.8 percent of older adults feel certain levels of loneliness. In particular, among those who live alone, the percentage of people who feel seriously lonely is nearly four times the average.

In light of the demographic and social changes and associated needs of older adults, China revised the Law of Protection

of Rights and Interests of the Elderly in 2012. The revised law puts an emphasis on children’s obligation to support their older parents’ mental well-being. It calls on children to not neglect their older parents and to pay visits or send greetings to them frequently if they are not living together or nearby. In addition, it suggests that employers guarantee employees’ rights to paid leave to visit their older parents. While the revised law outlines the principles, it does not provide detailed guidance, preventing the effectiveness of implementation.

Aside from emphasizing children’s role in improving social inclusion, the government has endeavored to create opportunities for older adults to participate in social activities and stay connected to the rest of the society. China has created a network of community/village recreation centers and schools for older adults to provide various entertainment and cultural activities. The number of recreation centers rose by 17 percent from 2006 through 2015, and the number of schools for older adults surged by 49 percent between 2004 and 2015.¹⁵ Despite this significant expansion overall, the distribution density of these facilities in rural areas is relatively low and needs to be improved.¹⁶

¹⁰ Interview with Yang Huang, Consultant at the Development Research Group of the World Bank. August 2016.

¹¹ Xinhuanet. (2015). People of Authority Talk, Make Dealing with Aging Society a National Strategy.

¹² *Qilu Night Newspaper*. (2015). “Empty Nest” Older Adults Will Exceed 200 Million by 2030.

¹³ National Health and Family Planning Commission. (2015). China Family Development Report 2015.

¹⁴ National Survey Research Center (NSRC) at Renmin University of China. (2015). China Longitudinal Aging Social Survey (CLASS).

¹⁵ Ministry of Civil Affairs. (2004–2015). Social Services Development Statistical Bulletin.

¹⁶ The Central Committee of the Jiusan (Sept. 3rd) Society. (2016). Suggestions about Establishing “Daily Care” Old-Age Care Centers in Rural Areas. The Central Committee of the Jiusan (Sept. 3) Society.

The Chinese government has also encouraged active aging by promoting volunteer activities, with a major program called the Silver Age Action Initiative. China introduced the Silver Age Action Initiative in 2003 whereby retired professionals are organized to volunteer in western and less-developed regions, utilizing their knowledge and experience to help local economic and social development. According to Yushao Wu, Vice President of China National Committee on Aging, the Silver Age Action Initiative helps to promote the concept of active aging across the society and provides an important platform for older adults to participate in social development, helping them to realize their value and dignity.¹⁷ Over the past decade, the initiative has evolved significantly, covering 31 provinces and implemented through various city-to-city or urban-to-rural partnerships. Volunteer activities have expanded from the initial focus on public health and medical care to a broader scope including culture, education, and agriculture. As of the end of 2013, around 5 million older professionals nationwide had volunteered and benefited around 300 million people, creating a total estimated value of more than CNY 8 billion (approximately USD 1.2 billion).

¹⁷ The China National Committee on Aging. (2013). Summary of the Silver Age Action Initiative in the First Decade.

Physical Infrastructure

Thanks to the country's economic development, general livability in China has improved, but physical infrastructure, including housing, outdoor space, and transportation, has failed to catch up with the needs of an aging population.

Older adults in urban areas usually live in apartment buildings. Except for a limited number of real estate projects that specifically target elites, apartment buildings often do not have age-friendly designs or facilities, including a lack of elevators and appropriate sanitary conditions.¹⁸ While household car ownership has grown dramatically, older complexes often do not have sufficient garage capacity. As a result, property-management companies tend to turn green lands inside complexes into parking lots, squeezing outdoor public space.¹⁹

Public parks are the most important spaces for older adults' outdoor activities, where people gather for group activities like square dancing and *Taiji*. While public parks in most cities have been open to local older residents for free, older migrants, who have followed their children to new cities, tend to be treated differently. In light of this discrimination, the 2012 Revised Law requires public facilities, including parks, to be open to older adults for free or with price discounts,

¹⁸ China Aged Science Research Center. (2016). Old-Age Blue Paper 2015.

¹⁹ *China Daily*. (2012). A Number of Complexes in Nanjing Change Green Spaces to Parking Lots.

and emphasizes equal treatment for both locals and migrants. However, a considerable number of cities still exclude older migrants from preferential treatment due to limited facility capacity and fiscal constraints.^{20 21} China's unique *hukou* (or household registration) system has inherently enabled such discrimination.

Another area where migrant older adults often fall victim to discrimination is in public transportation. The government started to subsidize older passengers of mass transit in 2004 as it introduced a strategy to prioritize the development of public transportation in urban areas. Today, except in a few large- and medium-sized cities where both local and migrant older adults are offered free access to public buses and metros, most cities limit it to locals, with the eligible age threshold varying by city, ranging from age 60 to 70. Meanwhile, “despite the expanding economic subsidies for older adults, the service quality of mass transit needs to be improved,” as noted by Jinyu Duan and Yiming Chen, two scholars at Tsinghua Tongheng Urban Planning and Design Institute. There is much room for improvement in terms of the stability of driving, the coverage of bus stops, and the availability of bus-schedule information, to ensure older adults' convenience and safety.²²

²⁰ China Aged Science Research Center. (2016). Old-Age Blue Paper 2015.

²¹ Luo, A. Chen, J. et al. (2013). Non-residence Older Adults, Equal Preferential Treatment?

²² Duan, J. & Chen, Y. (2016). Development Strategy for Urban Transportation System Old-Age Adaptation.

Community Support for Aging in Place

Traditionally, Chinese older adults remained at home, cared for by family members rather than by long-term care institutions. Due to the “empty nest” problem, an increasing number of older adults will be in need of external care services, but the availability of affordable, public nursing homes is limited despite the government's continued efforts to expand the capacity. Over the past five years, the government has focused on developing an integrated care system for older adults, which is centered on home-based caregiving, supported by community services, and supplemented by institutional care.²³ By supporting older adults' aging at home and in familiar communities, the government aims to enhance their life satisfaction and to reduce the economic costs of care for the aging.

Aiming to establish this integrated care system for older adults nationwide by 2020, the State Council released *Several Opinions on Accelerating the Development of Old-Age Care Sector* in late 2013, providing guidelines on specific objectives and measures. The document highlights the goal of developing home-based care services, including assistance with meals, bathing, hygiene, emergencies, and medical care, as well as establishing integrated community care-service networks for older adults. The government encourages for-profit and

²³ State Council. (2013). The State Council's Several Opinions on Accelerating the Development of Old-Age Care Sector.

civil organizations to play key roles and outlines a range of policies, including public subsidies, government procurement, and preferential tax and land use policies.

Following the central government's guidelines, major cities have been pioneers in launching projects that are intended to provide a community care system for older adults. Since 2014, Shanghai has been developing "15-minute old-age care life circles" by establishing community service centers for older adults, which provide one-stop services, including daily life care, medical care, mental comfort, entertainment, and emergency assistance.²⁴ The municipality has also renovated existing community facilities and idling properties into senior care residences, which accommodate 10 to 49 beds and provide short-term care or day care for older adults. The residences are operated by either public or private organizations, and the municipality has used funds from the social welfare lottery to provide a one-time subsidy of CNY 10,000 (approximately USD 1,450) per bed and has offered preferential prices for utilities.²⁵ ²⁶ As of 2015, 22 senior care residencies had been put into operation.²⁷

²⁴ Xu, Y. (2014). Forty Old-Age Friendly Communities Start the Pilot Project "15 Minutes Living Circle."

²⁵ News Daily Report. (2015). Senior Care Stations Cover All Areas by the End of 2017.

²⁶ Xinhuanet. (2016). Beijing Promotes the Establishment of Home-Based and Community-Based Services System.

²⁷ Xinhuanet. (2015). Shanghai: A New Progress Has Been Made in Establishing Social Care System.

Another pioneering city is Beijing, which launched a "Senior Care Station" initiative in 2014. It aims to build more than 1,000 senior care stations by 2020 that will be distributed across the city to provide convenient care services to older adults. The pilot project in the Shijingshan District is exemplary. There, older adults can access the nearest Senior Care Station within a 15-minute walk and obtain hygiene, recreation, and meal services by paying a small membership fee or discounted prices.²⁸ While the municipality provides the facility, civil organizations and private companies operate the stations and receive subsidies from the municipality. The stations can also provide on-call or regular home-visit care services for older adults, and some stations also provide access to online medical and health consultation.²⁹ As of October 2016, 79 Senior Care Stations were in operation. While this initiative is in an early phase, Junwu Dang, Deputy Director of the China Research Center on Aging, has pointed out that participating organizations, which are usually small-scale, should now focus on exploring self-sustaining business models by achieving the economy of scale.³⁰

In rural areas, the government has focused on promoting mutual assistance among older adults. The government renovates old schools and other public properties,

²⁸ Xinhuanet. (2016). Beijing Promotes the Establishment of Home-Based and Community-Based Services System.

²⁹ Xinhuanet. (2016). Beijing Will Create 1,000 Old-Age Care Service Stations.

³⁰ Jiang, M & Lin, Z. (2016). Many Old-Age Care Projects Are Not Included in PPP.

turning them into senior residences or centers. Senior residences accommodate older adults who are capable of living independently. They are usually not equipped with professional caregivers, but older adults are taking care of each other. At senior centers, older adults get together to participate in recreational activities and to socialize. These projects are subsidized

by the government and in some regions are partially sponsored by the private sector. From 2010 through 2015, the government allocated CNY 3 billion (approximately USD 0.44 billion) to support 100,000 senior residences and centers.³¹

³¹ Ministry of Civil Affairs. (2016). Ministry of Civil Affairs Press Release for 12th Five-Year Plan Implementation Status.

Productive Opportunity

The government has missed the productive opportunity that the older workforce represents. While the government's recent efforts to raise the retirement age would help to extend older adults' participation in the workforce, it has been driven mainly by the pursuit of fiscal sustainability of the pension system rather than productivity growth.

OECD average (12.6 percent).³² There is significant variation between men and women and between rural and urban areas.

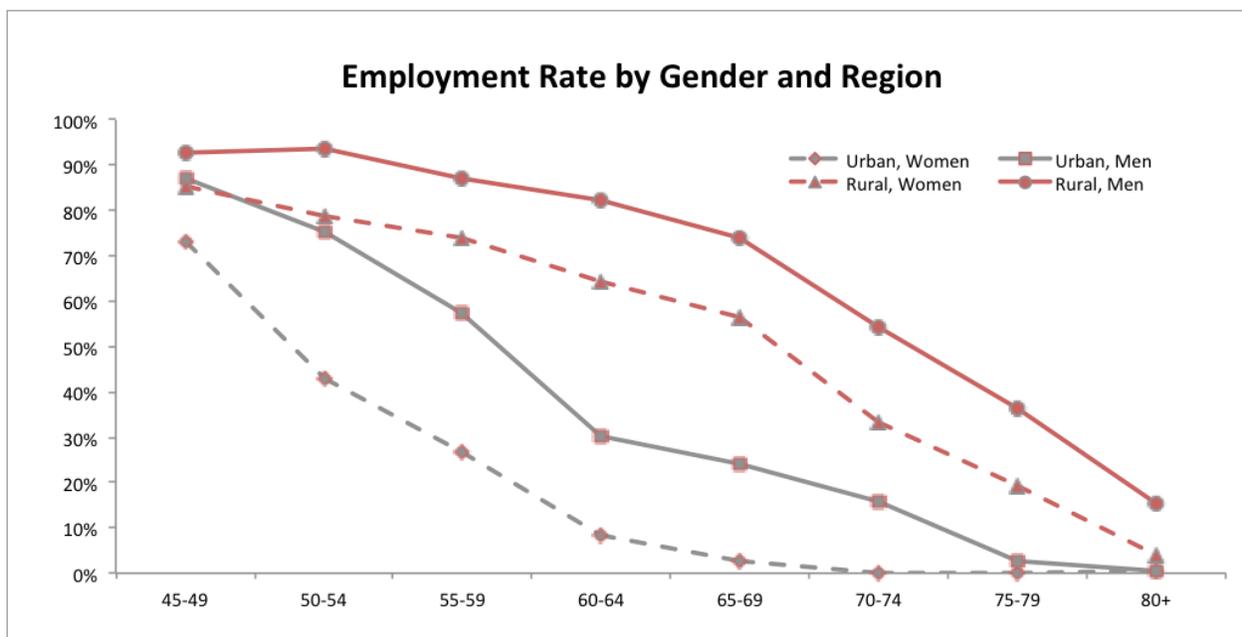
Gender disparity in older adults' labor participation is especially pronounced in urban areas, mainly due to the difference in statutory retirement age.³³ In urban areas, the statutory retirement age and

Labor Force Participation of Older Adults

The labor force participation rate of older adults age 65 and over was 21 percent in 2010, higher than the level in the United States (17.4 percent) and that of the

³² OECD Statistics.

³³ "Statutory retirement age" in China is the default age when employees retire and become eligible to claim their occupational/basic pensions. Employees could retire earlier than the statutory age under certain conditions that vary by sector. Employees could also continue to work past the statutory retirement age based on consensus between employers and employees. Statutory retirement age is only applied to urban residents.



(Source: China Health and Retirement Longitudinal Study)

pension age is 60 for men in both the public and private sectors, and 55 for women in the public sector and 50 for those in the private sector. In rural areas, there is no statutory retirement age, and the same pension age of 60 is applied to both men and women. Rural women's labor participation is higher than that of their urban counterparts but still lower than that of rural men.

Older adults' economic participation in rural areas is much higher than that in urban areas³⁴ – with the difference in employment rates reaching as high as 50 percentage points for the age group 60 through 69 – reflecting the divergence in pension benefits. The average pension benefit of rural older adults with basic insurance is only around 5 to 10 percent of that received by urban peers. According to World Bank research, older adults' labor participation in China is highly correlated with pension availability.³⁵ From 2000 through 2010, labor participation in urban areas decreased significantly following the expansion of pension coverage, while the labor participation in rural areas saw no significant changes, as the coverage of basic pension had not expanded to rural areas until 2009.

³⁴ National School of Development at Peking University. (2013). China Health and Retirement Longitudinal Study (CHARLS).

³⁵ World Bank. (2016). Live Long and Prosper: Aging in East Asia and Pacific. Washington, D.C.: World Bank. DOI:10.1596/978-1-4648-0469-4.

Barriers to Older Adults' Re-Entering Job Markets³⁶

Among older adults, there is an increasing interest in re-entering the labor force, due to economic or psychological needs. According to Peng Du, Vice President of the Chinese Association of Gerontology, retired professionals who possess special technical skills, including doctors, consultants, professors, and accountants, can often easily find a new job, with compensation either equal to or better than pre-retirement levels.³⁷ However, older job seekers who are less educated face relatively limited work opportunities, mostly low-income service jobs, but low-skilled, older adults are often unable to secure those service jobs due to age discrimination by employers.³⁸

Training offered to older adults to improve their employability is also lacking. People older than the statutory retirement age are not eligible to receive job-search assistance provided from the government that targets the unemployed, which includes training and referrals. While the schools for older adults provide lifelong learning experiences and support their mental health, they do not focus on professional training.³⁹

³⁶ Lu, C. (2016). Most Older Employers Who Go Back to Work Force Are Employed in the Service Sector.

³⁷ Ibid.

³⁸ Ibid.

³⁹ Yu, J. Wang, H, Zhang, Q. et al. (2014). Old-Age University Should Focus on Improving Older Adults' Happiness.

The lack of legal protection for the rights and interests of older adults who restart working post-retirement also inhibits this population from re-entering the work force. “Invisible employment,” whereby employers do not sign formal labor contracts, is common among “retired” workers. Employers are obligated to pay these older workers basic wages but not other social insurance. As a result, in the event that they are injured at work, with no documents to certify the employment relationship, they would have to assume associated healthcare expenditures themselves.⁴⁰

⁴¹ The 2012 Revised Law of Protection of Elderly Rights and Interests failed to address this issue and left this policy gap that has continued to inhibit retired workers from re-entering the labor market.

Retirement Age Extension

Extending the statutory retirement age in urban areas has been the government’s primary tool to raise labor participation of older adults, although it is mainly driven by the need to ensure a sustainable pension system. As noted by Richard Jackson, President of the Global Aging Institute, “The retirement age in China is very low compared with other countries, and extending the retirement age is critical for the country to prepare itself for the looming demographic change. Labor market reform, such as creating a flexible retirement system, is also needed to boost

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– Richard Jackson, President of the Global Aging Institute

older adults’ economic participation.”⁴² Starting in March 2015, the statutory retirement age for female senior officials and technicians in the public sector was increased to 60 years.⁴³ In addition, the Ministry of Human Resources and Social Security has been working on a proposal regarding the retirement age extension that would affect all urban residents. Although the proposal details are not publicly available, the Ministry has indicated that the retirement age will be gradually raised over a relatively long period and that the plan will be customized to different segments of the population (e.g., by gender and by public versus private sectors). In addition, a five-year transition period will be offered, and implementation is not expected to occur until 2022 at the earliest.⁴⁴ The final proposal is expected to come out in 2017.

⁴⁰ Gong, H. (2014). How to Support Older Adults Go Back to Work Force.

⁴¹ Lu, C. (2016). Most Older Employers Who Go Back to Work Force Are Employed in the Service Sector.

⁴² Interview with Richard Jackson, President of the Global Aging Institute. August 2016.

⁴³ CNrencai. (2015). Retirement Policy Interpretation of Female Government Officials at the Department Level.

⁴⁴ CNrencai. (2016). Late Retirement Policy 2017.

Technological Engagement

Actively incorporating digital technology into its competitiveness strategy, the government has seized on the opportunity to develop information and communication technology (ICT)-driven products and solutions to accommodate the needs of older adults. However, the digital divide between older adults and the rest of the population remains a stumbling block to realizing the economic potential in old-age digital consumption.

The Digital Divide

Older Chinese have tended to be slower to adopt information and communications technology than the general population. Just 18 percent of people age 45 and older reported having at least one computer

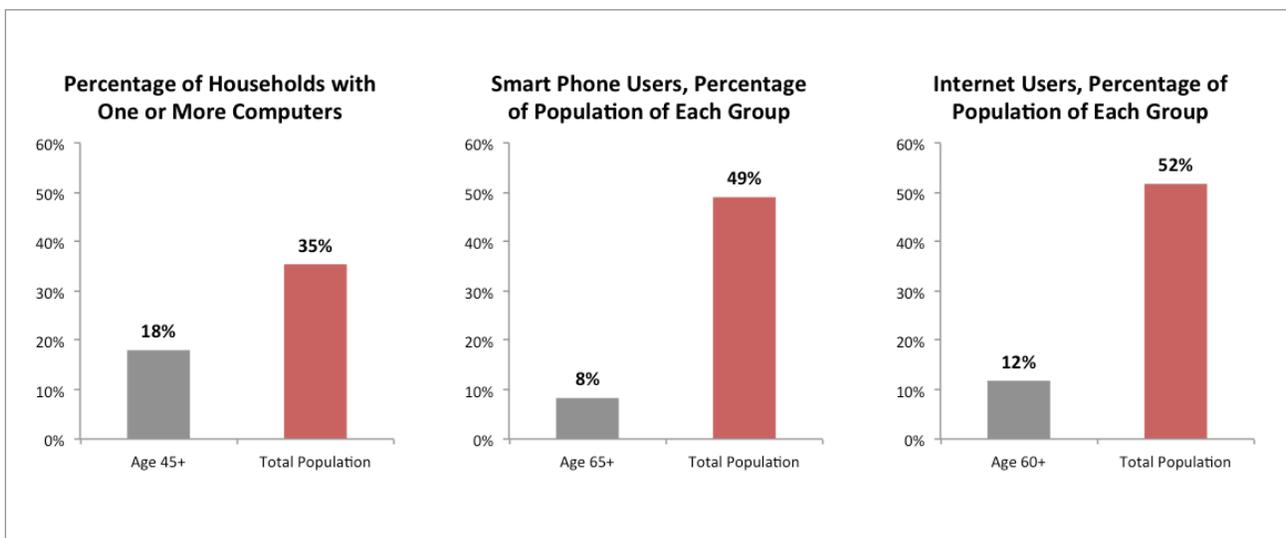
in their households,⁴⁵ while, overall, 35 percent of Chinese households are equipped with a computer.⁴⁶ Further, a 2014 study of smart phone use found that although nearly half of the total population used smart phones, the penetration rate fell to 18 percent among people ages 55 through 64 in 2014 and 8 percent among people age 65 and older.⁴⁷

The digital divide is also evident in Internet use. The percentage of Internet users among people age 60 and older more

⁴⁵ World Bank. (2014). *Fostering a Digitally Inclusive Aging Society in China: The Potential of Public Libraries*.

⁴⁶ World Economic Forum. (2013). *The Global Information Technology Report 2013 Growth and Jobs in a Hyperconnected World*.

⁴⁷ eMarketer PRO. (2016). *Smartphone Usage among Millennials Varies Globally*.



(Sources: Global Information Technology Report, OECD, eMarketer)

than doubled to 12 percent from 2012 through 2016, but that is still around 40 percentage points below the general Internet penetration rate.⁴⁸ A 2015 survey of people age 50 and older in urban areas revealed that a lack of skills is the most important factor that affects Internet use among older adults, coupled with other factors, including difficulty in verifying the validity of online information, the lack of content customized to older adults' interest and needs, and health issues such as poor vision.^{49 50}

Older adults have limited channels to learn digital skills. Nearly 90 percent of older Internet users in urban areas learn the skills through self-study or from their family members. Fewer than 7 percent learned through community schools or other training classes.⁵¹ A World Bank report⁵² on digital inclusiveness in China indicated that public libraries could be a potential channel for older adults to learn digital skills. Today, there are more than 3,000 public libraries across China,⁵³ and only 20 percent offer ICT training sessions.⁵⁴

⁴⁸ CNNIC. (2014, 2016). China Network Development Situation Statistic Report.

⁴⁹ China Education News. (2015). Survey Report of Internet Usage of Middle- and Old-Age Chinese.

⁵⁰ Shi, L. & Liu, F. (2016). Old Chinese Don't Enjoy the Convenience of Internet.

⁵¹ China Education News. (2015). Survey Report of Internet Usage of Middle- and Old-Age Chinese.

⁵² World Bank. Information and Communications in the Chinese Countryside.

⁵³ World Bank. Fostering a Digitally Inclusive Aging Society in China: The Potential of Public Libraries.

⁵⁴ Xiao, C. (2012). "Virtual Institution for Older People—An Innovative Practice to Provide Services for Older People in China." Paper presented at the Anticipating the Special Needs of the 21st Century Silver Economy: From Smart Technologies to Services Innovation.

Promoting ICT-Driven Solutions for Older-Age Care

Despite the significant digital divide, the government has recognized the potential economic opportunity in integrating ICT into care services for older adults. In July 2015, the State Council introduced the "Internet+" Action Plan,⁵⁵ highlighting the task of developing the smart care sector for older adults. Specifically, it aims to establish online information platforms for older-age care, facilitating the provision of community-based caregiving, health management, and rehabilitation services. It is also encouraging caregiving institutions to use Internet-based portable devices for physical check-ups and emergency monitoring.

The Shenzhen municipality has pioneered efforts to incorporate the development of ICT-driven older-age care products and services into their industrialization plans. The municipality launched the 2015–2017 Action Plan for the Development of Smart Products and Services for Older Adults. It intends to offer financing and preferential tax policies to companies that focus on developing digital products targeted for older consumers, including wearable devices, portable medical equipment, and mobile phones, as well as associated information and cloud platforms.⁵⁶ It also plans to launch three

⁵⁵ Xinhua News Agency. (2015). Guiding Opinion of the State Council on Actively Promoting the Action of Internet Plus Campaign.

⁵⁶ Shenzhen Municipal Office. (2015). Notice of the General Office of the City of Shenzhen Municipality on Printing and Distributing the Action Plan for the Development of Intelligent Products and Services for the Elderly (2015–2017).

to five pilot projects of smart communities where ICT-based products and solutions are applied in order to demonstrate their benefits, explore new older-age care models, and develop replicable and scalable business models.

Other local governments have taken action to embed the Internet of Things into community care services. Since 2015, Wuzhen, a town in the eastern Zhejiang Province, has been working with the China Science Institute to develop the “Smart Older-Age Care Integrated Platform,” which would aggregate health records and real-time status and coordinate various resources from volunteers, medical staff, civil society groups, and businesses to provide wellness services to older adults.⁵⁷ Beginning in July 2016, in the Shijingshan District of Beijing City, residents who are age 80 and older, disabled, or living alone are provided with free smart watches, which are developed by the Center for Modern Community and Management Promotion, a non-profit organization. Participants in the program can use the watches to order meals from community care centers. The devices can also easily position an older adult should he or she become disoriented.⁵⁸

⁵⁷ Cyber Administration of China (2015). Zhejiang Daily: Chinese Academy of Sciences Together with Wuzhen Test Water “Internet of things + Pension.”

⁵⁸ *The Beijing News*. (2016). Bajiao Street Offer the Elderly Smart Watches for Free.

Increasing Engagement of the Private Sector

The Chinese business community considers 2013 to have been the real beginning of the Chinese older-age care sector.⁵⁹ In that year, the government introduced a rash of major policies focused on older-age care.⁶⁰ According to VCBeat Research,⁶¹ 75 percent of startups that specialize in providing ICT products and services to older adults were established from 2013 through 2015. These companies cover an extensive range of products and services: 21 percent of them provide smart home-based or institution-based old-age care systems, 18 percent provide older-age care services, and the rest focus on hardware, software, and e-business services, among others.

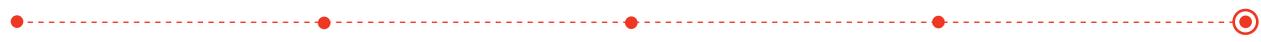
Some large Chinese companies are seeking to secure market advantage through collaboration. In 2015, ZTE Health signed a partnership agreement with GreenPeak Technologies, a Dutch company specializing in Smart Home semi-conductors and systems, to develop a smart system to allow older adults to share lifestyle information with their children as well as to help them feel safe and live independently for longer.⁶²

⁵⁹ Peng, F. (2013). The Golden Year of Chinese Retirement Industry: Multi-channel Capital to Assist “Yangyi Dream.”

⁶⁰ Ministry of Civil Affairs of The People’s Republic of China. Guidance of Private Capital into the Pension Service Implementation.

⁶¹ Cn.Health.Com. (2016). Analysis on the Trend of Entrepreneurial Investment of Pension Funds in the World.

⁶² Greenpeak. Greenpeak Signs Partnership Agreement with ZTE Health for Senior Lifestyle and Smart Home Applications.



Healthcare and Wellness

As China's population age and cultural patterns change, the government is seeking to expand institutional capacity and improve quality of long-term care services, and recently started to pilot solutions to increase the affordability of long-term care. More broadly, the ongoing healthcare system reform – which addresses increasing the function of primary care, and intensifying the focus on healthy lifestyle promotion across the society – is aimed at boosting the health of the general population, and contributing to greater health in older adults for future generations.

Long-Term Care

China has the largest population of disabled older adults in the world.⁶³ Nine percent of older Chinese are fully disabled,⁶⁴ and 24 percent need assistance in daily activities.⁶⁵ Yushao Wu, Vice President of China National Committee on Aging, projected that the number of disabled older adults will

⁶³ Institute of Economic System and Management National Development and Reform Commission (2015). Accelerating the Improvement of the Key Point of China's Social Service System for Elderly.

⁶⁴ National Survey Research Center (NSRC) at Renmin University of China. (2015). China Longitudinal Aging Social Survey (CLASS).

⁶⁵ National School of Development at Peking University. (2013). China Health and Retirement Longitudinal Study (CHARLS).

reach 9.7 million by 2050, a 260 percent increase from 2013.⁶⁶

One area of significant progress made to meet the growing needs for long-term care has been facility expansion. The number of beds per thousand older adults in China was 18 by the end of 2010, far fewer than the 50 to 70 beds in major developed countries and even fewer than the level of 20 to 30 beds in developing countries.⁶⁷ Since 2010, the government has increased investment in building long-term care facilities as well as prompting the private sector to enter this area by offering incentives including tax benefits and preferential financing. As of 2015, the number of beds had more than doubled from the 2010 level to 6.69 million and reached 30.3 per thousand older adults, largely driven by increases in care facilities owned by the private sector.⁶⁸ As of 2015, nearly 30 percent of care facilities were owned by the private sector.⁶⁹

⁶⁶ Institute of Economic System and Management National Development and Reform Commission (2015). Accelerating the Improvement of the Key Point of China's Social Service System for Elderly.

⁶⁷ Ministry of Civil Affairs of the People's Republic of China. (2011). Q&A of the Social Old Age Service Construction Planning (2011–2015).

⁶⁸ The State Council Information Office of the People's Republic of China. (2016). Press Conference on the Twelfth Five-Year Plan Implementation Status.

⁶⁹ Ministry of Civil Affairs. (2016). Actively Promoting the Private Sector to Participate into the Development of Old-Age Care Services.

However, a serious mismatch between demand and supply persists. The average vacancy rate of long-term care facilities stood as high as 48 percent as of 2015, mainly among private institutions.⁷⁰ In the meantime, older adults have tended to prefer public nursing homes, which are, on average, better administered and more affordable. A study on nursing homes in 12 cities revealed that the average charge by for-profit nursing homes is CNY 2,133 (approximately USD 310) per month per capita, above the average pension benefit received by a private-sector retiree at CNY 2,061 (approximately USD 300).⁷¹ In comparison, public nursing homes charge CNY 1,919 (approximately USD 279) per month on average. In addition, newly built large-scale nursing homes, often owned and operated by private companies, are located in suburban areas, which can be inconvenient for visiting family members.⁷² The government has indicated that it will shift its focus to promoting miniature-scale care institutions embedded in communities moving forward. These institutions would be more affordable, enable older adults to stay in their familiar surroundings, and facilitate visits from family members.⁷³

To improve the quality of long-term care provided by institutional facilities, the government has emphasized the

⁷⁰ Wu, Yu. (2016). Development Trend of Long-Term Care Institution.

⁷¹ Ibid.

⁷² The State Council Information Office of the People's Republic of China. (2016). Press Conference on the Twelfth Five-Year Plan Implementation Status.

⁷³ Ministry of Civil Affairs. (2016). Ministry of Civil Affairs Press Release for Twelfth Five-Year Plan Implementation status.

incorporation of health and social care. Currently, long-term care institutions usually provide housekeeping, meals, and basic services like transportation, but have limited capability in healthcare services. Collaboration between nursing homes and hospitals is increasing across the country. In some cities, including Beijing and Nanchang, hospitals partner with nursing homes, assigning medical staff to work on site or offering fast tracks for nursing homes' members to register for inpatient services. In other cities, including Nanjing and Weifang, nursing homes and hospitals have jointly established new institutions that are equipped with both health and social care capabilities.

Aside from the efforts to expand accessibility and quality of long-term care, in 2016 the government started to explore potential approaches to improving the affordability of long-term care. In May of that year, it selected 50 cities to pilot the practice of including rehabilitation and care expenditures in the coverage of health insurance under certain required conditions.⁷⁴ In June, it selected fifteen pilot cities to explore models for long-term care insurance for disabled persons, to study the feasible scope of coverage, payment methods, and levels of insurance premiums and benefits payments.⁷⁵ Based

⁷⁴ Taizhou Municipal Government. (2016). Notification from the General Office of the Ministry of Civil Affairs of the State Health and Family Planning Commission on the Selection of National Experimental Sites.

⁷⁵ Ministry of Human Resources and Social Security of the People's Republic of China. (2016). Guiding Opinion on the Implementation of the Long-Term Care Insurance System.

on the pilot, it aims to develop a general policy framework that is tailored to the Chinese context by 2020.

Healthcare System Reform

China has been undertaking a major reform of its healthcare system, with the goal of expanding the coverage of universal basic health insurance. As of 2014, the basic health insurance program covered more than 95 percent of urban and rural areas.⁷⁶ In spite of the coverage expansion, the out-of-pocket payment rate remains high. Thirty-three percent of Chinese households with a mean age between 70 and 79 spend 25 percent or more of total non-food expenditure on out-of-pocket medical payments. By comparison, 17 percent of Indonesian households and 29 percent of Vietnamese households of the same age group allocate 25 percent or more of total non-food expenditure on out-of-pocket medical payments.⁷⁷

Another focus of the reform is to improve the primary care service system. China's healthcare system is hospital-centric, and medical and human resources tend to concentrate in the tertiary and secondary hospitals.⁷⁸ The aging population, coupled

with the increasing incidence of non-communicable diseases (NCDs), has raised the urgency for primary care to play a bigger role in health management and education. Seventy-five percent of older adults have at least one type of NCD, including hypertension, cardiovascular diseases, diabetes, and arthritis, among others.⁷⁹ Meanwhile, older adults are often unaware of having NCDs. The Study on Global Aging and Adult Health (SAGE) China Wave 1⁸⁰ conducted by the World Health Organization shows that the prevalence of hypertension among Chinese people age 50 and older based on measurement is 59.7 percent, more than double the self-reported rate.

Early efforts have been made by some local governments to enhance the primary care system. For example, the Shanghai municipality started to implement the family doctor system in Huangpu and Pudong districts in 2011. By using empanelment, the system is focused on establishing a continuous healthcare relationship between general practitioners at community health centers and contracted residents, with a particular focus on the management of chronic diseases.

⁷⁶ *ChinaNews*. (2015). White Paper on China's Process in Human Rights in 2014.

⁷⁷ World Bank. (2016). *Live Long and Prosper: Aging in East Asia and Pacific*. Washington, D.C.: World Bank. doi:10.1596/978-1-4648-0469-4.

⁷⁸ World Health Organization. (2016). *Healthy China*.

⁷⁹ National Survey Research Center (NSRC) at Renmin University of China. (2015). *China Longitudinal Aging Social Survey (CLASS)*.

⁸⁰ National Center for Biotechnology Information. (2013). *Prevalence of Major Chronic Conditions among Older Chinese Adults: The Study on Global Aging and Adult Health (SAGE) Wave 1*.

Fostering a “Healthy China”

In light of demographic and social changes, including the aging population and growing health awareness among the population, the government has made a major move to include “Healthy China” in its national strategy within the 13th Five-Year Plan. It has increasingly focused on preventive measures and quality-of-life improvement. In October 2016, it introduced the “Healthy China 2030” Planning Framework, outlining measures including promoting healthy lifestyles, increasing health education, and expanding public fitness infrastructure. These proactive approaches will help to enhance the health status of future generations of older adults.

Older-Age Medical Tourism

Like ICT-driven older-age care solutions, medical tourism is another area where the government has seen economic potential in an aging society. Hainan province has been an early mover on this front. Traditionally, the province has been a major domestic tourism destination. The service

sector accounts for more than half of its GDP.⁸¹ The provincial government has been promoting the “migratory bird” older-age care industry, providing rehabilitation facilities for older medical tourists.

Similarly, Heilongjiang, a northeastern province, is attempting to seize on the opportunity in old-age medical tourism. Traditionally dominated by heavy industries, the province has been grappling with industrial overcapacity and slowing growth. Possessing great forest and wetland resources, as well as cool weather in summer, the provincial government is seeking to incorporate the development of older-age medical tourism into its structural transformation efforts. In 2015, Heilongjiang received 650,000 older tourists in the summer season. In 2016, the provincial government introduced a series of preferential policies in order to accelerate the expansion of medical tourism capacity.⁸²

⁸¹ Hainan Province Government. (2014). *The Development Prospect of Hainan’s Service Industry in 2013*.

⁸² Gao, J. (2016). *Heilongjiang Province Plan to Build New Old Age Service Sites*.