



The Knowledge to Decide

www.spiresearch.com

China's One-Child Policy in the 21st century: Moving beyond “*Late, Long and Few?*”

How China's one-child policy works in
practice, how it looks set to change and
what it all means for marketers

China's One-Child Policy in the 21st century

Mao Zedong proclaimed in 1949. "Of all things in the world, people are the most precious." But, amidst explosive population growth and a weak economy, the so-called "one-child policy" was introduced in 1979. However the policy never really restricted every couple to having only one child. Now, in a dramatic departure, Shanghai is launching a campaign to encourage more births, a move that may herald an eventual national-level policy shift. How will this change the demographics and marketing environment in the world's third largest economy?

"Late, Long and Few": How it all began

Mao Zedong proclaimed in 1949: "Of all things in the world, people are the most precious." But, due to population growth taking a toll on the nation's food supply, population control policies in China were initiated in 1955. While efforts were reversed in 1958 by the Great Leap Forward, a later push under the slogan "Late, Long and Few" was successful as China's population growth dropped by half from 1970 to 1976.

China's "One-Child Policy" explained

The so-called one-child policy, introduced in 1979, has never been a straightforward ban on having more than one child. The policy admits of many exceptions. For example non-Han Chinese couples can be exempted. Also, the law is, to a large extent, not applicable or not enforced in rural areas.

HOW MANY CHILDREN ARE CHINESE PEOPLE ALLOWED?



SOURCE: GOVERNMENT statistics

Explaining that only 35.9% of the population is limited to having just one child, Mr. Wang Guoqiang, Vice minister at the National Population and Family Planning Commission, mentioned that these people live mainly in urban areas. Many rural couples, accounting for 52.9% of the population, are able to have two children if the first one is a girl. In some localities, parents can have two children regardless of the sex of the first child, and in a few areas the rules are even more relaxed. There are also certain nation-wide exceptions. For example, a couple is allowed to have a second child if both parents were only children themselves.² And, of course, ethnic minority couples can have more than one child.

In the medium-term appraisal report of the 11th Five Year Plan about National Population and Family Planning, it was made known that till 2008 the total population had reached 1.33 billion, with the goal to achieve a total population of 1.36 billion by 2010. While total population growth has been curbed, however, the gender gap has widened due to the deep-rooted traditional belief in the superiority of male children over female ones.

In order to put an end to such gender discrimination, the government issued a regulation that no public or private hospital can reveal the sex of an embryo to a pregnant woman or her family members. Any form of gender testing before birth is prohibited as well. The regulation is strictly adhered to in public hospitals, but illegal gender examination cum abortion still takes place in the informal sector, driven by huge potential profits.

Historically, many Chinese nationals who plan to start a bigger family and face restrictions choose to move outside of mainland China. For example, many choose to give birth in the Hong Kong Special Administrative Region (SAR) of the People's Republic of China, thus availing themselves of free education for their children in the Hong Kong SAR. In 2007, which was the

¹ BBC News, Grey areas in China's one-child policy, 21 Sept 07

² The New York Times, 1 Plus 1: Shanghai Tweaks Child Rules, 24 July 09

“year of the Golden Pig” according to the Chinese lunar calendar, millions of expectant mothers travelled to Hong Kong to give birth, causing over-crowding in Hong Kong hospitals.

Shanghai’s bold experiment

In a move that has been widely seen as foreshadowing the eventual national-level direction, Shanghai’s government announced a shift in fertility policy in July 2009³ towards encouraging couples to have more children. Some of the earlier restrictive rules would be relaxed, while greater efforts would be made to publicize some of the less restrictive aspects of the old law.

Other cities, in Shaanxi province⁴ and Hebei Province⁵ for example, had launched similar initiatives in the past. But Shanghai is seen as a national trend-setter of sorts, which is why this recent change is attracting so much interest.

The Shanghai government plans to undertake an awareness-raising campaign as well as to provide financial incentives and counselling to encourage couples to have a second child. Many of these would be couples who are in fact eligible to have more than one child even under the old rules. Among the activities planned would be the distribution of leaflets under the front doors of homes, exhorting families to have more than one child.

“We advocate eligible couples to have two kids because it can help reduce the proportion of aging people and alleviate a work force shortage in the future,” remarked Xie Lingli, director of the Shanghai Population and Family Planning Commission.⁶

³ China Daily, Shanghai encourages aging population to have 2nd baby, 24 July 09

⁴ Xi’an Population Net, Up to double the one-child costs in Shaanxi, 12 June 09

⁵ Langfang Daily, Family Planning Commission concerned about one-child incentives and two-child births, 9 Jan 09

⁶ China Daily, Shanghai encourages aging population to have 2nd baby, 24 July 09

With a population of 20 million of which 22% are aged over 60⁷, and one of the highest per capita income levels in the country, it is not surprising that Shanghai is the first region to pursue this path. It may not be the last. The reasons cited by Shanghai officials for this change of policy – pre-empting future labor force shortages – apply to China as a whole.

China in the 21st century: demographic time-bomb or demographic dividend?

It seems highly unlikely that China will reverse its “one-child policy” overnight at any time in the foreseeable future. However it is equally likely that the policy will gradually be relaxed, along the lines suggested by the Shanghai experiment.

China's government is conscious of what has been termed its “demographic time-bomb”, with 37% of its population set to be aged fifty or more by the year 2030 versus a comparable figure of 24% for India and 28% for Indonesia.⁸ An aging population decreases the ratio of the working to non-working people, potentially diminishing national economic competitiveness.

However given the risk of excessive population growth, any change is certain to be implemented in a staggered fashion. And certain aspects of the old policy, for example favoring births of female and ethnic minority children, will probably remain.

Companies selling into the China market will need to understand how all of this will change their customer landscape in the short-term as well as medium-to-long term.

An increasingly pro-fertility government policy will lead to more births. This will expand the market for children's products and services – such as infant nutrition, clothing, toys as well as child-care and private education services.

⁷ The New York Times, 1 Plus 1: Shanghai Tweaks Child Rules, 24 July 09

⁸ The US Census Bureau Projections, US Census Bureau's Latest China And India Projections, 17 Dec 09

Any boom in fertility may also trigger more demand for recreation services catering to families with young children, such as theme parks and family restaurants.

However the greatest benefit to companies operating in China may come in the long-term. Any relaxation of the “one-child policy” will increase the future supply of young people into the labor force, thereby raising the future ratio of the working to non-working population. China will reap the benefits in terms of enhanced economic competitiveness vis-à-vis “younger” countries like India, this assuring continued market growth in what is now the world’s third largest economy.
