

The Impact of Delayed Retirement on Economic Growth in the Background of Population Aging

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Abstract. China's aging population has been more noticeable with fast demographic changes, which begs questions regarding labor supply, pension sustainability, and more general economic development. China's population is aging quicker than in many other countries, yet it is at a level of insufficient economic development; consequently, its issues are more serious and complicated than those of many other countries. In this respect, "delayed retirement" has been proposed as the major instrument to manage aging-related issues in the social as well as the financial sectors. Delaying retirement, one could contend, boosts the labor supply and helps to reduce the growing strain on pension systems. Conversely, delayed retirement and population aging can cause changes in labor market structure and issues of intergenerational justice. This paper studies the likely consequences of delayed retirement on China's economic growth and looks for ways to achieve social equality with financial efficiency by combining empirical data with policy analysis. This article addresses the key issues and probably benefits of delayed retirement in order to provide insights into more flexible, diversified, and sustainable policy design in face of accelerated aging.

1 Introduction

As demographic shifts accelerate in China, the challenge of population aging has come to the forefront. Low fertility rates, increasing life expectancy, and previous family-planning programs collectively drive the country's growing proportion of older adults and shrinking workforce. While population aging is a global phenomenon, China's situation is particularly acute: not only is the process of aging more rapid compared to many developed nations, but it has also occurred before the country's economy and social security systems have fully matured. This mismatch often referred to as "growing old before getting rich" adds layers of complexity, as China must simultaneously expand its pension coverage and maintain economic growth [1,2].

Against this backdrop, both policymakers and researchers have been paying close attention to the feasibility and broader ramifications of delayed retirement. This policy, which involves raising the statutory retirement age or providing incentives for older workers to remain employed, is primarily aimed at alleviating the financial stress on pension systems, avoiding potential labor shortages, and harnessing the accumulated experience and skills of older workers [3]. Yet concerns remain about potential drawbacks, such as greater health

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risks for older workers, social equity issues, and whether prolonging work life might limit job prospects for younger cohorts. Thoroughly assessing both the economic and social impacts of delayed retirement is therefore crucial.

Accordingly, this paper examines the possible outcomes of delayed retirement for labor markets, pension systems, and individual financial security in China. By reviewing existing studies and policy practice, the paper evaluates the advantages and disadvantages of postponing retirement on both macro and micro levels, aiming to inform more flexible, diverse, and sustainable approaches to China's aging population challenge.

2 Population aging: definitions and characteristics

Population aging has become a major issue as demographic changes speed in China. Low fertility rates, rising life expectancy, and past family-planning campaigns taken together account for the nation's rising proportion of elderly individuals and declining workforce. Although population aging is a worldwide phenomenon, China's predicament is especially severe: not only is the aging process faster than in many industrialized countries, but it has also happened before the nation's social security systems and economy have fully evolved. Often referred to as "growing old before getting rich," this mismatch adds layers of complication since China has to keep economic growth while concurrently increase the pension coverage.

Against this context, scholars and legislators have been especially focused on the viability and wider consequences of postponed retirement. Mostly aiming at reducing the financial burden on pension systems, avoiding possible labor shortages, and leveraging the accumulated experience and skills of older workers, this policy entails increasing the statutory retirement age or offering incentives for older workers to remain employed [4]. Still, there are questions regarding possible negatives including social justice problems, increased health risks for older workers, and whether extending work life would restrict employment opportunities for subsequent generations. It is therefore rather important to carefully evaluate the social as well as financial effects of delayed retirement.

This article so investigates, in China, the likely results of delayed retirement for labor markets, pension systems, and personal financial stability. Aiming to guide more flexible, diverse, and sustainable remedies to China's aging population dilemma, the article assesses the benefits and drawbacks of deferring retirement on macro and micro levels by examining previous studies and policy experience.

3 Execution and implications of delayed retirement policy

3.1 Background and current status

The Chinese government's growing interest in postponing retirement largely stems from a need to ease pension fund pressure, maintain labor supply, and leverage the expertise of older workers [5]. At present, the statutory retirement age is relatively low-women in certain professions may retire as early as 50, and most men retire by 60. As the population ages, pension funds are under increasing pressure, creating a risk of deficits at both provincial and national levels [6]. Simultaneously, certain sectors such as healthcare, education, and advanced manufacturing have substantial demand for experienced workers, further supporting the rationale for delaying retirement.

In this context, policymakers are considering delayed retirement as a key measure to relieve pension burdens. Proposed measures include gradually raising the official retirement age, along with offering financial or policy incentives that encourage willing and qualified

individuals to keep working. This would prolong contribution periods, postpone pension payouts, and enhance the sustainability of China's pension system.

3.2 Potential benefits of delayed retirement

Delayed retirement offers multiple potential benefits that can positively influence China's economic and social systems. These benefits can be summarized as follows:

By extending the time individuals contribute to social insurance and postponing pension payouts, delayed retirement can help mitigate the financial strain on pension funds—a significant concern given rising longevity and falling fertility rates. Keeping experienced older workers in the labor force can help address talent shortages in specialized or high-tech industries, while also raising the overall average working age. This may help maintain productivity levels and buffer the economy from labor shortfalls. In fields such as management, research, and education, older workers' accumulated knowledge can continue to benefit employers and society. Extending work tenure allows organizations to capitalize on this expertise and fosters the transfer of know-how to younger colleagues. For many older adults with insufficient retirement savings or a desire to remain socially active, extending employment can provide additional income and maintain social connections. This helps support better financial security and can also bring psychological advantages.

3.3 Possible challenges and debates

Nevertheless, delayed retirement is not a cure-all. In physically demanding or lower-skilled occupations, older employees may face health risks if they continue to work beyond conventional retirement ages [7]. Moreover, discrepancies in income and skill sets might deepen existing social inequalities: well-educated, white-collar workers tend to benefit more from extended work, while manual laborers may struggle to find suitable opportunities.

There is also a concern in certain regions or industries that if economic growth is insufficient, extending older workers' participation could crowd out employment for younger workers [8]. These issues highlight the need for policymakers to account for sectoral differences, urban-rural divisions, and individual health and skill conditions when crafting delayed retirement policies to maximize its overall benefits while minimizing potential downsides.

4 How population aging affects economic development

4.1 Shifts in labor supply and productivity

As China's population ages, the proportion of working-age individuals is shrinking, raising concerns over labor supply and overall output [9]. Even with delayed retirement policies, persistently low birth rates may lead to a declining workforce in the long run. Although older workers may bring valuable expertise, diminished physical capacity and slower adaptation to emerging technologies can reduce their productivity. In response, companies may invest more heavily in automation and technological upgrades, reshaping domestic labor market structures and resource allocation.

4.2 Changing consumer preferences and market demand

Demographic shifts also alter consumption behavior, as older adults generally prioritize healthcare, pharmaceuticals, and services related to personal care [10]. This creates growth

prospects in sectors such as senior housing, home healthcare, and medical equipment. Meanwhile, industries catering primarily to younger demographics-like early education or high-intensity entertainment-may experience slower growth. These changes affect how labor and capital are distributed, influencing both market competitiveness and innovation strategies.

4.3 Fiscal pressures and public expenditures

Population aging significantly strains government finances. In China, expenditures on pensions, healthcare, and other social welfare programs are rising rapidly as the number of older adults increases [5]. If the labor force and economic growth fail to keep pace, governments may face declining tax revenues alongside escalating costs. Balancing the budget might require tax hikes or cuts in other critical areas, such as infrastructure or education, potentially inhibiting long-term economic potential. Moreover, uneven fiscal capacities between wealthy cities and poorer rural areas can exacerbate inequalities in service provision [8].

In short, population aging is reshaping China's economic structure, with far-reaching implications for labor supply, consumption patterns, and fiscal sustainability. While delayed retirement and other reforms offer potential mitigating strategies, success will depend on adapting policy to diverse regional and sectoral contexts. A coordinated approach to labor, social security, and healthcare reforms is required to navigate demographic shifts while safeguarding both social equity and economic dynamism.

5 Conclusion

As population aging accelerates in China, policymakers must balance maintaining economic vitality with supporting a rapidly expanding elderly population. The challenge is made more acute by China's faster pace of aging relative to its stage of economic development. Delayed retirement has emerged as one of the primary strategies for addressing this challenge: it aims to redistribute pension costs over a longer period and retain specialized human capital.

However, China's diverse economic landscape suggests that the impacts of delayed retirement will vary widely. Urban white-collar workers in relatively affluent sectors may easily adapt, reaping the benefits of continued employment and potentially higher pension savings. Meanwhile, rural or less-educated workers face additional obstacles such as poor health, limited job opportunities, and inadequate social support. Furthermore, balancing intergenerational equity-ensuring that extending older workers' employment does not undermine youth job prospects-remains a significant challenge.

Policymakers can address these concerns by implementing flexible retirement frameworks and targeted retraining programs for different skill levels and age groups. Greater investments in age-friendly workplaces, healthcare services, and supporting infrastructure can improve older adults' health and productivity. At the same time, tapping into the "silver economy"-the consumer and labor markets driven by an aging population-could introduce fresh avenues for growth. While China's experience offers a cautionary tale for countries facing similar demographic shifts, it also provides valuable lessons. With careful policy design and thoughtful implementation, an aging society can serve as a catalyst rather than a constraint on sustainable economic progress.

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