

Title: *Demographic Changes and Family Economic Wellbeing in Urban China*

Author(s): Qin Gao

Institution/Country: Fordham University, USA

China has been experiencing dramatic demographic and socioeconomic transitions since the economic reforms launched in 1978. Among these changes, the most noticeable has been the increase in economic resources and living standards among Chinese families, especially those in urban China, alongside the notable economic growth (e.g., constantly high GDP growth rate). Empirical evidence shows that the urban household per capita real income almost doubled between 1988 and 2002, increasing drastically from 4,656 Yuan to 9,232 Yuan (in 2002 constant value).

In examining factors that contribute to changes in family economic wellbeing, much of the existing literature has focused on the effects of market economy and (sometimes) social policies, while the impact of demographic changes has been mostly under studied. Using the national China Household Income Project (CHIP) data 1988, 1995, and 2002 waves, this paper studies the changing patterns of demographics and family economic wellbeing in urban China, and explores how such demographic changes impact family economic wellbeing, alongside market and social policy factors. The CHIP data provide the most comprehensive information on family income, expenditures, and assets since the economic reforms and the unprecedented 2002 data in particular make it possible to study the most up-to-date outcomes. Findings of this paper will not only fill in the literature gap, but also provide important implications for taking into consideration the demographic changes in future economic and social policy reforms.

This paper first provides a description of changes in demographic composition and family formation in urban China since the economic reforms, with a particular focus on the significant aging trend and the effects of the One-Child Policy launched in 1979. More specifically, it presents evidence on changes in age compositions (i.e., shares of children, elders, and other adults in total population) and family structures (i.e., household size, and shares of nuclear (among which families with one vs. more children), elders only, three-generation, and childless families) from 1988 to 1995 and 2002.

Second, this paper presents results on the changing economic wellbeing among urban families over the three years. Family economic wellbeing is measured by 1) household per capita post-tax post-transfer final income level; and 2) family's poverty status, i.e., whether family falls below the absolute (measured as the official national and local urban poverty lines) and relative (measured as 50 percent of median income) poverty lines. These family economic wellbeing outcomes are also presented by family type to see whether certain family formations are more likely to be economically disadvantaged.

Third, this paper explores the impact of changing demographics on family economic wellbeing, alongside the effects of the market and social policies, using OLS regressions with fixed effects. The socio-demographic characteristics of the household head (including age, ethnicity, marital status, education level, employment status, and communist party membership) as well as the household (numbers of children, elders, and other adults) are the major independent variables, while family final income and poverty status are the dependent variables. In addition, pre-tax pre-transfer market income decile is controlled for as an indicator of the market force. Provincial fixed effects are controlled for to account for other unobservable factors that might moderate the effects of changing demographics on family economic wellbeing within provinces.