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China's Demographic Transition: Insights for MNEs Dealing with Aging Workforces

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China's population is aging rapidly and declining by about a million people each year. This has left multinational enterprises (MNEs) facing a rapidly aging and shrinking labor force simultaneously as their consumer base is contracting. In this paper, we review recent policy responses to these trends and offer guidance for MNE managers on how to manage effectively in an aging environment by creating senior-friendly workplaces, tapping into the expanding silver economy, enhancing productivity by integrating emerging technologies, and diversifying supply chains by moving labor intensive production to younger countries. We also highlight examples of MNEs already putting these strategies into practice.

INTRODUCTION

China's transformation over the past forty years has been remarkable: rapid economic expansion, emergence as the world's second-largest economy, the lifting of over 800 million people out of poverty, and global leadership in multiple industries. At the same time, it has undergone a profound demographic shift: 14% of its 1.4 billion-strong population is already aged 65 or older—up from less than 6% in 1990—and it is projected to become a 'super-aged' society by 2033, with more than 20% of its population above age 65 (Citi, 2025; McCartney, 2025). China's working-age population peaked in 2010, and its total population in 2021. Its fertility rate has fallen below 1.0, far below the replacement rate of 2.1, underscoring a deepening demographic crisis (Bao & Cheng, 2026).

The legacy of the one-child policy has contributed to China's demographic challenges. Although the one-child policy ended in 2016 (allowing two children, and by 2021 up to three), very few families have chosen to have more than one child, and the total fertility rate has continued to decline (Atkinson et al., 2025). In 2025, China had its fewest births on record. Rising living costs, greater workplace opportunities for women, stagnating wages, and a more individualistic focus on self-fulfillment have all been cited as potential explanations. Originally designed to reduce population growth, the one child policy not only reduced births, but also led to an imbalanced gender ratio with the historic preference for male children. This further led to a decline in the number of women of childbearing age, exacerbating the demographic challenge. China's 2020 census recorded a surplus of approximately 35 million men relative to women, skewing national gender ratios and accelerating the decline in marriage rates. This imbalance has produced a large cohort of 'leftover men' in the 20–40 age group who now face sharply reduced marriage prospects (Yang, 2024).

The low fertility rate has meant that simultaneously with people living longer, there are fewer babies being born and fewer people coming into the labor force. Thus, the workforce is shrinking at a time when the number of seniors is rising.

In 2022, China's recorded population fell for the first time in over 60 years. The decline has accelerated with the population falling by over a million in each of the following years (Huld & Wu, 2025). In 2025, China had nearly 210 million people in the 30–39 age cohorts but only about 120 million in the 0–9 cohorts (Population Pyramids, 2025). This means that the size of this age group will be cut almost in half over the next 30 years. Overall, by 2050, nearly 250 million Chinese workers are projected to exit the labor force. This will cause the dependency ratio (the ratio of the population not of working age to the working-age population) to increase from 45% in 2021 to nearly 76% by 2050, leading to higher social expenditures and a weakening of the social safety net. The International Monetary Fund (IMF) projects that China's impressive annual economic growth rate of 9% between 2000–2020 will significantly slow down to about 3% after 2027 (Harvard International Review, 2023). Combined with slowing productivity growth and a falling working age population, rising labor costs are eroding the cost-advantage that originally attracted many MNEs to China. This is especially important given the increasing availability of lower cost manufacturing hubs in the Southeast Asian region e.g. Vietnam, Cambodia, Philippines which also have younger workforces.

This demographic transition has led to multiple human resource challenges, including a graying workforce, fewer incoming workers to replace retirees, and the lack of skilled workers in many sectors. Simultaneously, the size of the consumer market is shrinking as the population falls. These challenges are not unique to China—aging populations are a global 'grand challenge', and China's experience can pro-

vide important insights for organizations in countries that are rapidly aging. In this paper, we will discuss ways in which multinational enterprises (MNEs) in China can address some of these challenges and be more productive in an aging environment. We generate insights for MNE managers as to how they can best deal with these critical issues. These include creating accessible senior-friendly workplaces, taking advantage of the rapidly growing silver economy, leveraging emerging technologies to improve productivity, which requires constant investment in training and education, and realigning global value chains (GVCs) by moving labor-intensive production to younger lower-cost countries.

POLICY RESPONSES TO AN AGING ENVIRONMENT

The Chinese government has implemented several policy responses to the demographic transition. It started the process of raising retirement ages in 2025. Currently set at 60 years for men and 55 years for women in white-collar professions and 50 years for women in blue-collar professions, retirement ages will, over the next 15 years, rise gradually to 63 years for men, 58 years for women in white-collar professions, and 55 years for women in blue-collar professions (Baker McKenzie, 2024). China's current low retirement age has been in place for more than 70 years and became a structural pillar of the country's 'iron rice bowl' welfare regime. This underscores the significance of the current reforms. The original retirement ages reflected a period when life expectancy was in the forties and the labor force was young and abundant, making early retirement fiscally manageable within a planned economy. Although still below the statutory retirement age in most countries, the gradual increase in retirement ages will keep millions of older adults in the labor force and slow the decline of the working-age population. Beyond increases in retirement age, the Chinese government is also implementing natalist policies – e.g., maternity leave was raised from 98 days to 158 days in 2024, and tax breaks introduced for households with children under age three (Bao & Cheng, 2026). Sub-national jurisdictions are providing further incentives for having children- e.g., Shenzhen has plans to provide up to 19,000 Yuan (about \$ 3,000) over three years for families with three children.

A declining population can eventually lead to consumer markets shrinking. Government policies designed to boost domestic demand such as the dual circulation strategy are helping to partially counteract this along with rising incomes. There are opportunities for growth in industries that serve seniors—the eldercare market is expected to reach over \$ 3 trillion by 2030 driven by increases in demand for healthcare, pharmaceuticals, and medical devices. Increased public investments are also being made in elder care services. These are partly designed to make it easier for seniors to stay in the workforce amid fears that economic growth will slow down and pension plans become unviable (CNBC, 2025).

The Chinese government is emphasizing automation to help boost productivity. This includes a focus on fourth industrial revolution (4IR) technologies such as digital innovation, biomedicine, robotics, quantum information, and artificial intelligence (AI). China is already a leader in industrial automation, with the highest number of industrial robots and the third highest robot density in the world (McCartney, 2025). Simultaneously, there is a focus on increasing domestic value addition and tax breaks for high-tech manufacturing. The increased adoption of cutting-edge technologies such as industrial robots, automated assembly lines, chatbots taking over service functions, and AI could reduce the need for some human labor, allowing organizations to produce more with fewer workers (Harvard International Review, 2023). We summarize some of the steps that the government is taking, along with the opportunities and challenges for MNEs in [Table 1](#).

INSIGHTS FROM MNE RESPONSES TO AGING

The aging workforce calls for designing and implementing effective workplace strategies from managers at MNEs. We discuss some workplace policies and practices that are currently being implemented and provide contemporary examples. These are not meant to be exhaustive; rather, they should be seen as strategies that can work synergistically with government policies while helping increase organizational effectiveness.

DESIGNING SENIOR-FRIENDLY WORKPLACES TO MANAGE THE DEMOGRAPHIC TRANSITION

MNEs need to be prepared for labor shortages as the working age population shrinks, especially in labor intensive industries. As firms confront these shortages, age discrimination against older employees becomes particularly counterproductive, given its negative effects on employee well-being, motivation, and performance (Brady, Cadiz, Truxillo, & Zaniboni, 2025). Making the workplace more senior-friendly could help mitigate some of these biases and help older workers stay longer in the workforce. This could involve a combination of ergonomic workplace designs, assistive robots, investing in technology to reduce repetitive and labor-intensive tasks, implementing human resource policies that consider the needs of senior workers, and workplace policies that promote the side-by-side employment of different generations. Increasing the labor force participation of women by investing in child-care facilities and supporting work-life balance can further help reduce labor shortages (Chand & Markova, 2025). Multiple government incentives are available that could help in this transition. For example, the Chinese government is expanding childcare services and promoting the use of annual leave while discouraging excessive overtime to improve work-life balance.

Several of the largest foreign MNEs in China have already implemented senior-friendly workplace policies. The Volkswagen Group China combines ergonomic furniture, wheelchair ramps, accessible workstations, along with a

Table 1. Government Initiatives to Deal with Aging

Government Initiatives	Opportunities for MNEs	Challenges for MNEs
Raising retirement ages	More workers with skills and experience available for recruitment, adapt senior support programs from operations in other countries - given China's relatively low retirement ages, workplace adaptation may be comparatively easier	Ensuring senior-friendly workplaces and implementing policies to support older workers, cultural challenges in adapting other countries' senior support policies
Natalist incentives	Take advantage of government incentives to implement family friendly workplace policies	Increased childcare responsibilities often fall on women, leading to higher turnover and increased costs
Investment in automation and 4IR to increase domestic value addition	Availability of tax incentives and subsidies for 4IR technologies, shift low value addition work to lower cost countries	Training workforce on AI adoption, managing job displacement from 4IR, geopolitical considerations in supply chain placement

supportive culture to build a more inclusive workplace (Volkswagen Group China, 2026). Similarly, Siemens China employs flexible work policies, up to 2 days a week work from home, and generous training opportunities to make its workplace more accessible to seniors (Siemens, 2026). These steps are not isolated measures for older adults; they form part of a broader effort to make the workplace inclusive and accessible for employees with diverse physical and social needs. This aligns with evidence that supportive human resource practices are positively associated with the commitment of older workers (Van Beurden, Pak, Kooij, & de Lange, 2024). Fostering a culture in which employees feel empowered to use supportive policies has also been essential to achieving these goals. Designing inclusive, senior-friendly workplaces is critically important for MNEs with large operations in China, as it will help attract and retain a shrinking working-age population and create opportunities for older adults to remain employed beyond traditional retirement ages.

TAKING ADVANTAGE OF NEW OPPORTUNITIES IN THE GROWING SILVER ECONOMY

The 'silver economy' focusing on the needs of those over 50 is growing rapidly and can provide tremendous opportunities for businesses. The total consumer expenditure by Chinese households headed by seniors is estimated to have increased by 129% between 2015 to 2025, and is expected to further accelerate - between 2025 and 2040, spending by senior households is expected to triple, with projections that the silver economy will generate over a third of China's consumer expenditure (Yu & Master, 2025). However, unlike other rapidly aging economies such as Japan, South Korea, or most European countries, China is aging as a middle-income country with a comparatively underdeveloped social safety net. These structural conditions make it essential for firms to tailor products and services specifically to the distinctive needs and constraints of the Chinese silver market.

Several MNEs in different sectors are taking advantage of this growth. Pfizer announced in February 2026 that it will partner with Hangzhou-based Sciwind Biosciences in a deal worth nearly \$500 million, securing exclusive rights to commercialize the newly approved GLP-1 medication in the

Chinese market. The drug is used to treat type 2 diabetes and potentially weight loss and reflects the tremendous opportunities available in China's rapidly growing chronic disease market (Kanseteiner, 2026). Medtronic, a global healthcare technology leader, has opened its first digital innovation hub in Beijing. It will deploy 4IR technologies—including AI, big-data analytics, cloud computing, and the Internet of Things (IoT)—to develop senior-care health solutions in collaboration with regional hospitals, research centers, and startups, with the objective of improving disease management and delivering more individualized care (Precedence Research, 2025). Major financial institutions, including Manulife and HSBC are increasing investments in China's silver economy capitalizing on the need for retirement investment products.

The Chinese government underscored the importance of the senior care sector in its 2014 Eldercare Foreign Investment Circular, which granted foreign investors the same treatment as domestic firms. In 2018, foreign investors were further allowed to establish wholly owned elder care subsidiaries. Taking advantage of these policies, Colombia China, a joint venture formed by US-based Colombia Pacific Management and Singapore-based Temasek, operates multiple senior care facilities in China (China Briefing, 2024). These senior-care facilities typically work in close coordination with families to plan and manage care for older adults. The importance of the silver economy is magnified for China-focused market-seeking MNEs since it is a structurally expanding demand base with rising disposable income (albeit lower than that in industrialized economies).

CONSTANT INVESTMENT IN TRAINING AND EDUCATION TO INCREASE PRODUCTIVITY

As the demographic transition accelerates, productivity growth will increasingly be driven by improvements in worker skills and automation. Investments in technologies underpinning the 4IR, such as robotics, AI, IoT, and cloud computing, hold the promise of substantial productivity gains despite a shrinking workforce, underscoring the importance of providing opportunities for all workers to engage in job-specific training and education. There is often a stigma against older workers having long-term training opportunities to progress in their careers, discouraging them

from learning new skills or seeking new employment. MNEs need to provide training opportunities for all employees irrespective of age. This will also help older employees to stay in the workforce longer (Chand & Markova, 2025).

Having an organizational mentoring program can help utilize the skills of older employees while also increasing motivation levels. Some companies are already doing this. For example, PWC China has a six-month 'reverse mentoring' program. This program pairs senior and junior level staff, providing learning opportunities and facilitating the understanding of the experiences and challenges both parties face. It has helped employees become more open-minded while also building new skills. Junior staff get access to their mentee's knowledge and perspectives as well as recognition from management. Senior staff get to learn new communication styles and modern technologies. Operating since 2021, the program has proved to be highly successful and led to innovative ideas in digitalization, workplace environment, and team building (PWC, 2025). Its implementation has been adapted to China's higher power-distance norms: junior staff receive coaching on how to provide feedback respectfully within hierarchical expectations, while senior staff are encouraged to model humility and openness to learning. Equally important is the provision of training and career-development opportunities for employees of all ages. Siemens China has taken positive steps in this direction to make its workplace more accessible to seniors by offering and supporting extensive training opportunities for all employees (Siemens, 2026). Sustained, organization-wide investment in training and education is critical for MNEs that aim to enhance productivity through technological adoption and attract or retain older employees.

MOVING LABOR INTENSIVE PRODUCTION TO LOWER COST COUNTRIES

Since 2020, several large MNEs have moved production from China to lower cost countries in the region. Apparel manufacturing companies (e.g., Nike, Adidas) are increasingly moving production to Vietnam, Cambodia, Pakistan, and Bangladesh. This is partly driven by rising labor costs in China, which in turn is partly caused by the aging population. The destination countries have lower labor costs and a younger population (Barre, 2025). The electronics industry is also undergoing a dramatic shift in moving production out of China – partly due to geopolitical concerns, but also due to rising labor costs. MNEs such as Apple, Samsung, and Dell are in the process of moving manufacturing and assembly to lower cost locations such as India, Vietnam, and Thailand (Valerio, 2025). Parallel to this outward movement, the Made in China 2025 policy has encouraged domestic firms to transition from low-value, labor-intensive production toward high-tech, high-value sectors. The shift to lower-cost locations is particularly important for manufacturing MNEs with globally distributed value chains, as these firms can reallocate labor-intensive stages of production to maintain cost competitiveness and reduce geopolitical risk. We summarize our insights along with opportunities, challenges, and examples in [Table 2](#).

Some of these lessons are applicable to other rapidly aging economies around the world. Designing senior-friendly workplaces, accelerating automation, investing in the expanding silver economy, and strategically disaggregating value chains should all be central considerations for MNEs operating in rapidly aging economies. However, several of China's demographic pressures are unique: it is aging as a middle-income rather than a high-income country; the pace of population aging is exceptionally rapid; its social safety net remains comparatively underdeveloped; its long-standing gender imbalance distorts caregiving capacity; and its pronounced rural–urban divide limits equitable access to senior-care services.

CONCLUSION

The rapidly aging population in China is leading to major challenges for MNEs including a shrinking workforce and a contracting consumer market. However, it also opens interesting new possibilities, including the expansion of the silver economy and harnessing the potential of the 4IR. This will call for MNEs to pivot toward more automation, senior-friendly workplaces, strategic investment in age-driven growth sectors, and the diversification of supply chains focusing on high-value-added activities. While China faces several unique demographic constraints (e.g., aging as a middle-income country, a less developed social safety net, and an imbalanced gender-ratio), most of these lessons remain applicable to other rapidly aging economies. With effective workplace strategies and cooperation with policymakers, China's demographic transition can become an opportunity to build a more inclusive and productive society.

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Table 2. Insights for MNEs Dealing with Aging Populations

Actionable Insights	Opportunities	Challenges	Examples from MNEs
Designing senior friendly workplaces	Work with government, labor groups, and demographic experts to design talent attraction/retention policies, take advantage of these policies to create senior friendly workplaces	Shrinking working age population can lead to rising labor costs as the number of seniors rises, discrimination and stereotyping of seniors working past retirement ages	Volkswagen Group and Siemens age friendly workplace designs and policies
Take advantage of growth in silver economy	Growing senior consumer market with higher disposable income, more opportunities for investments in elder care	Adapting different goods and services for use by seniors, stereotypes about senior lifestyles and needs	Pfizer investing to commercialize GLP-1 medications, Medtronic opening digital hub, Manulife investing in senior retirement products
Constant investment in training to increase productivity	Availability of government incentives for technology investment, China's leadership in multiple 4IR technologies	Lack of training opportunities for seniors in workplaces, Increasing cultural aversion to blue-collar jobs	PWC China reverse mentoring program, Siemens training opportunities open to all workers
Move labor intensive production to younger countries	Government encouraging higher value addition, relocation incentives from neighboring countries, access to more markets	Potential loss of jobs when moving overseas, supply chains becoming more fragmented	Nike, Adidas in apparel and Apple, Samsung, and Dell in electronics moving production to South and Southeast Asia



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