A brief introduction to the Elderly Care Industry in Liaoning

NBSO Dalian
Colofon

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## Contents

Colofon ............................................................................................................................................. 1

1. Introduction ................................................................................................................................. 4

2. Introduction to the elderly care industry in China ................................................................. 5

   Demographic and Social Change................................................................................................. 5

   Policy Development in Response to Ageing ............................................................................. 5

   Development of the "Elderly Care Industry” .......................................................................... 6

   Government to Government Exchange and Cooperation ......................................................... 6

3. The elderly care industry in Liaoning Province ................................................................. 7

   3.1 Elderly care institutions in Liaoning ..................................................................................... 7

   3.2 The home care model ............................................................................................................ 7

   3.3 International cooperation ...................................................................................................... 7

4. Liaoning main elderly care players: ......................................................................................... 8

5. Opportunities for Dutch expertise in elderly care ............................................................... 8

6. Relevant authorities and branch organizations ....................................................................... 9

7. Relevant trade fairs....................................................................................................................... 9

8. Contact information ..................................................................................................................... 10

9. Sources: .................................................................................................................................... 10

Appendix: Introduction to Liaoning Province ............................................................................. 11
1. Introduction

China’s elderly population is rising rapidly. Due to the country’s one child policy in the past and its influence on the country’s demographics, there is now a large elderly population and a scarcity of resources and services to provide to them. Faced with the challenges of the ageing population, social change, internal migration of labor, and rapid urbanization, the current tradition of family providing care for the elderly is under enormous pressure.

According to China Research Center on Ageing the population of senior citizens in China (aged 60 and above) was about 202 million in 2013 accounting for approximately 14.8% of the whole population. The number is expected to reach 300 million by the year 2025, and 487 million (34%) by 2050.

The possibilities that such figures offer investors in the future are also evident today. The country is struggling with problems in providing care and facilities to the increasing ageing population. By the end of last 2013, there were about 42,500 organizations in China providing essential services and products for seniors, and 4.93 million beds for 200 million people, a person-to-bed ratio of 41:1.

A report on the industry published by China Research Center on Ageing in September 2014 estimates that the domestic market for providing essential services and products for the ageing population is worth 4 trillion yuan ($644 billion), or 8 percent of GDP, which is projected to climb to 33 percent of GDP by 2050.

In Liaoning province in the northeast of China, the situation is similar as described above. The elderly care industry is still in its infancy, lacking specialized facilities, knowledge and expertise. The provincial and municipal government are paying more and more attention to this industry and have been implementing a series of favorable ageing projects. The developing elderly care industry in China offers many possibilities for Dutch companies. However, there are several challenges and policies that have to be taken into account when entering the market.

This report is jointly written by the Netherlands Business Support Office (NBSO) in Dalian and the Life Science and Health department of the Netherlands Embassy in Beijing. It gives a brief introduction of the elderly care industry in China and will present the current situation and its opportunities for Dutch SME’s in Liaoning Province.
2. Introduction to the elderly care industry in China

Demographic and Social Change
A total of 202 million (14.8%) elderly people (aged 60 and above) live in China in 2013, according to China Research Center on Ageing. This number is expected to reach more than 300 million by 2025, and 487 million (34%) by 2050. The number of working aged people (age 15-59) is now decreasing from the peak (940 million) in 2011 after a consistent increase in the past several decades.

The one-child-policy since 1970s “has reduced the birth of more than 40 million people in the past 40 years”, according to Mr. Mao Qun’an who is the spokesperson of the National Health and Family Planning Commission (NHFPC). The policy also resulted in the down-size of Chinese families. The typical “4-2-1” family means there are 4 elderly people (grandparents), 2 middle aged people (parents) and 1 single child. This family structure poses great challenge to the tradition of family taking care of the elderly.

Below figure shows the changing age structure of China’s population and the forecast for 2040.

Policy Development in Response to Ageing
Elderly care is not a new concept in China, but a loosely defined term. There is no clear classification of different levels of care, such as independent living, day care, assisted living programs, and skilled nursing facilities. The Chinese classification is more based on the individual’s dwelling place rather than the level of care needed. Having this point in mind may help a better understanding of the concerned government policies.

Chinese government has been taken a series of measurements since recent years in response to ageing. The main idea is to first maintain the family responsibility tradition in elderly care; in the meantime try to foster a market which can provide quality services.

Measurement example 1:
Family responsibilities in elderly care are defined from the legal perspective by following articles of the Law on Protection of the Rights and Interests of the Elderly (2012 Revision):

Article 13 Elderly care shall be provided on the basis of home care; family members shall respect, care for and look after the elderly people.
Article 14 Supporters of the elderly shall fulfill the obligations of providing for the elderly economically (financially), taking care of them in daily life and comforting them mentally, and attend to their special needs.

"Supporters" are defined as children of the elderly and other persons who are under the legal obligation to provide for the elderly. The spouses of the supporters shall assist them in fulfilling their obligations to provide for the elderly.

Measurement example 2:
In March 2013, the former National Population and Family Planning Commission (NPFPC) were integrated into the Health Ministry, and formed the new National Health and Family Planning Commission (NHFPC). In November 2013, the one-child policy was loosened for the first time in 30 years by allowing a 2nd child, in case one of the couple is the single child of her/his parents.

Measurement example 3:
Quite a few national and local regulations were published since 2013. The main objective is to foster a better developed elderly care system by encouraging and mobilizing private investment and effort. Some policy highlights include:
- Insurance capital is encouraged to invest in elderly care
- Preferential policy for elderly care real estate
- Preferential tax policy for elderly care institutions
- Foreign investment is encouraged in elderly care

Measurement example 4:
Long term care insurance is under discussion. Beijing Civil Affairs Bureau sent a delegation to NL in 2014 to study the Dutch long term care insurance system.

Development of the "Elderly Care Industry"
The elderly care industry is also called the "silver industry" in China. The industry has "developed very quickly in recent years, however there is still a shortage of supply in elderly care services and products; the market is not well developed yet," according to a policy document of the State Council in 2014. The goal by 2020 is "to set up a functional elderly care system based on home care, supported by community care and institutional care", says the policy document. "Service system including daily care, medical services, mental care, and emergency aid should cover all elderly people living at home. A cluster of relevant companies will be developed, and some well-known brand will be established."

The consumption power of Chinese elderly people was about 4 000 billion RMB (8% GDP) in 2014, according to the 2014 Development Report of China Elderly Care Industry by China Research Centre on Ageing. This figure is projected to grow to 106,000 billion RMB (33% GDP) in 2050, when China will become one of the biggest markets on elderly care.

Government to Government Exchange and Cooperation
Totally 27 ministries or government bodies are concerned with the issue of ageing and elderly care, including Ministry of Civil Affairs (MoCA), National Development and Reform Commission (NDRC), National Health and Family Planning Commission (NHFPC), Ministry of Finance, Ministry of Human Resource and Social Security (MoHRSS), etc. China National Committee on Ageing (CNCA) is the coordination body among these 27 ministries.

With the development of ageing policies, Chinese government has shown interest in policy exchange with foreign countries, e.g. Beijing Civil Affairs Bureau sent a delegation to Netherlands in 2014 to study the Dutch long term care insurance system. Other possibilities may include policy exchange on insuring the quality of elderly care, as well as on the pros and cons between home care and institutional care.
3. The elderly care industry in Liaoning Province

Similar to other places in China, the elderly care industry in Liaoning has developed quickly in recent years. According to the Liaoning statistics, by the end of 2014 the total population in Liaoning province was around 44 million with around 7.5 million people (17%) aged 60 and above. Compared to 2013, this number increased by 5%.

The government of Liaoning Province has set goals to develop the service systems including daily care, medical services, mental care and emergency aid. The government will provide subsidies for projects in the industry to stimulate development.

3.1 Elderly care institutions in Liaoning

The demand for the elderly care and rehabilitation facilities is growing rapidly. Currently there are around 1600 elderly care institutions, among which 770 are public owned facilities and 830 are private owned facilities. The number of beds is around 210 thousand.

Many private elderly care institutions are developed by real estate companies. Public elderly care institutes have the reputation of offering poor services and therefore families do not trust the public facilities. Wealthier families rather spend some extra money on private institutes instead. As a result, the investment in elderly care real estate has been huge in recent years. In order to earn their profit back as soon as possible, many investors focus on the short term and try to make quick money by selling memberships, renting and even selling the apartments instead of focusing on professional care. Therefore many elderly care real estate projects are more close to being commercial real estate projects than professional caring facilities. Furthermore, the government has not defined a clear policy of the difference between a commercial real estate project and an elderly care real estate project. Although several real estate developers have set foot in the elderly care real estate in Liaoning, they have a hard time finding the right business model and often lack experience to meet the expectations.

The overall size of the elderly care institutions in the province is quite small with the average amount of beds per facility being around one hundred. The institutes do not meet the demand of the society and the overall standard is low with lacking high-end facilities, low service level, lacking of skilled professionals and no tailor made services. There is a shortage of high-end elderly care and rehabilitation institutions.

3.2 The home care model

The in the Netherlands widely accepted and integrated home care model still has a long way to go in Liaoning Province. In Dalian, a Japanese company set up an in house care system for the elderly. So far the system was not very well received by the local people. The main reason is the cultural difference. People find it unacceptable to invite strangers to their house to take care of the elderly. They don’t trust this system and rather go to an elderly care institute or have relatives taking care of the elderly.

3.3 International cooperation

Because of its geographical location, the province of Liaoning and especially the city of Dalian is home to many companies and investments from Japan, Korea and Taiwan. According to the Dalian Silver Industry Federation, the Japanese elderly care system is getting more popular in the area. People trust this model, and the Japanese elderly care industry has been promoted for quite a long time in the province. Both Japan and Taiwan have entered the elderly care market in Liaoning and have set up cooperation with local companies for elderly care institutes and training.
4. Liaoning main elderly care players:

**Dalian Happy-healthy Service Management for the Aged**

**Dalian Silver Industry Federation**
An organization in Dalian that has set up a platform of elderly care companies. They have been established in 2013 and have around 60 member companies. Companies are from different fields in the industry such as medical care and rehabilitation, community construction and development, financial service and support, elderly care products and education and training. They are one of the organizers of the Dalian International Senior Industry Expo. Website: Not available

**Dalian Sunshine Garden Institution**
One of the main elderly care institutions in Dalian with a construction area of approximately 2000 square meters and a capacity of over 200 beds. Website: [http://www.dlyanglaoyuan.com/](http://www.dlyanglaoyuan.com/)

**Dalian Xinghuo Garden Institution**
Another elderly care institution in Dalian. It was established in 2006. Its construction area is around 800 square meters, and there are around 50 beds. Website: [http://www.xhhyyly.com/page/html/company.php](http://www.xhhyyly.com/page/html/company.php)

**Shenyang Silver Town**
Located in the Panshan tourism development area, Shenyang Silver Town presents 9 9-story buildings with a total floor area of 269,000m2 and 2300 beds. The project is supported by the government and provides medical, health, community and care services. Website: [http://www.sysylfwzx.com/](http://www.sysylfwzx.com/)

**Shenyang Biquan Elderly Care Institution**
One of the main elderly care institutions in Shenyang with around 100 beds. The construction area is around 2000 square meters. Website: [http://www.bqgy.com/](http://www.bqgy.com/)

**Shenyang Baifukang Elderly Care Institution**
Well-known nursing home in Shenyang with a construction area of 7000 square meters and a capacity of around 360 beds. Website: [http://www.sybfk.com/about/](http://www.sybfk.com/about/)

**Shenyang Hongxiang Elderly Care Institution**
Elderly care institution with over 150 beds. Website: [http://www.syaxyly.com/](http://www.syaxyly.com/)

5. Opportunities for Dutch expertise in elderly care

Since the elderly care industry is one of the challenges China is facing, the government is paying more attention on developing this industry. It is expected to be the next ‘sun-rise industry’ in China. Currently, quality products and service are still limited; well-known brands have not emerged; investors and active players have not found a successful business model. On this start-up but promising market, there are many opportunities for Dutch expertise.

**Setting up high end elderly care and rehabilitation institution**
Foreign investment is encouraged to set up for-profit elderly institutions, which can enjoy the same preferential tax policy as domestic ones, according to a joint announcement by Ministry of Commerce and Ministry of Civil Affairs in Dec 2014. Franchised institutions and premium brands from foreign investment are encouraged in elderly care.
Education and training for elderly care professionals
Many of the current elderly care givers have limited education and training. An education or training system for professional care givers is absent. In June 2014, the education ministry together with 8 other concerned ministries issued the "Opinion on Speeding Up the Training of Elderly Care professionals". In the "Opinion", it aims at "setting up a multi-level training system by 2020, in order to meet need of the development of elderly care industry". The "Opinion" encourages "extensive exchange and cooperation with developed countries with elderly care industry", and encourages "professional course and curriculum with international standard" to be introduced in China.

Design & Operational expertise
In 2012, the institutional bed number for per 1000 elderly people was 19.7. The objective of the government is to have 30 institution beds by 2015, and 35 to 40 beds by 2020. As new elderly care institutions expand, there are great needs for expertise in designing a modern elderly care institute, as well as in operating those in a more efficient way.

Expertise in elderly care for special need persons
There is very limited experience in taking care of elderly care people with special needs in China, e.g. elderly people with dementia.

6. Relevant authorities and branch organizations

Ministry of Civil Affairs of the People's Republic of China
The Ministry of Civil Affairs of the People's Republic of China is responsible for social administrative affairs under the State Council.
Website: http://www.mca.gov.cn/

China National Committee on Ageing
This committee is the coordination body of 27 ministries concerned with the issue of ageing and elderly care in China.
Website: http://www.cncaaprc.gov.cn/

China Silver Industry Association
The China Silver Industry Association is established in 2010. It covers all aspects of elderly care including research, rehabilitation, services, manufacturing, tourism etc.
Website: http://www.zgllcy.org/chanye/

China Rehabilitation Devices Association
This association seeks to bridge and link associations, in order to strengthen the horizontal government linkages between international organizations and the domestic industry.
Website: www.crda.com.cn

Liaoning Civil Affairs Bureau
The Provincial department responsible for social and civil affairs.
http://www.lndca.gov.cn/

7. Relevant trade fairs

In Liaoning Province:

Dalian International Senior Industry Expo
Where: Dalian
Website: http://www.disie.org/

China (Liaoning) International Elderly Care Expo
Location: Shenyang
Website: not available
In China:

**China International Silver Industry Exhibition**  
Where: Guangzhou  

**China Rehabilitation Show**  
Where: Rotating  
Website: [www.rehabshow.com.cn](http://www.rehabshow.com.cn)

**China Care Expo**  
Where: Shanghai  
Website: [www.CareExpoChina.com](http://www.CareExpoChina.com)

**Care & Rehabilitation Expo China**  
Where: Beijing  
Website: [www.crexpo.com.cn/english](http://www.crexpo.com.cn/english)

**China International Senior Services Expo**  
Where: Beijing  

**China (Shenzhen) International Aged Care Industry Expo**  
Where: Shenzhen  
Website: [http://www.agedexpo.com/](http://www.agedexpo.com/)

**The 11th China International Exhibition of Senior Care, Rehabilitation Medicine and Healthcare**  
Where: Shanghai  
Website: [http://www.china-aid.com/](http://www.china-aid.com/)

### 8. Contact information

Many Dutch companies establish business across the Dutch borders. The Dutch Ministry of Foreign Affairs therefore actively supports the interests and puts efforts together for Dutch companies abroad. Through embassies, consulates and Netherlands Business Support Offices (NBSO).

In Northeast China the Netherlands is represented by the NBSO Dalian. NBSO Dalian covers the provinces of Liaoning, Jilin and Heilongjiang. Services provided by the NBSO include providing tailor-made market information and connect you to the right local partners, for example by executing a Business Partner Scan. If you would like to know more about the opportunities that the Liaoning elderly care sector has to offer to your company, NBSO Dalian is happy to offer support.

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### 9. Sources:
- Input by Sunny Liang, Life Science and Health officer NL Embassy in Beijing
- Interview with Dalian Silver Industry Federation
- LaunchFactory 88 - Chinese Elderly Care and Rehabilitation Sector
- Several articles from China Daily:  
Appendix: Introduction to Liaoning Province

Liaoning Province forms the southern portion of the northeast China region. Covering an area of 145,900 square km and with a total population of almost 44 million, this region represents a powerful economic bloc within Mainland China. Liaoning Province is the largest economy in the northeast. The capital of Liaoning Province is Shenyang. There are 14 cities directly under the jurisdiction of the provincial government. Its nominal GDP for 2014 was 2.86 trillion RMB making it the 7th largest in China. Because the other provinces in northeast China (Heilongjiang, Jilin and Eastern Inner Mongolia) are landlocked, Liaoning provides the gateway for products manufactured or grown across the entire region to be transported either overseas or to the south of the country.

<table>
<thead>
<tr>
<th>Facts Heilongjiang</th>
<th>Shenyang</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>Shenyang</td>
</tr>
<tr>
<td>Other major cities</td>
<td>Dalian, Anshan, Fushun, Yingkou, Benxi</td>
</tr>
<tr>
<td>Population</td>
<td>43.6 million</td>
</tr>
<tr>
<td>Province GDP 2014</td>
<td>2.86 trillion RMB</td>
</tr>
<tr>
<td>Main industries</td>
<td>Equipment manufacturing, automotive, mining and metallurgy, petrochemical, gas and new energy, agriculture and horticulture, shipbuilding, high value added services</td>
</tr>
<tr>
<td>Major import markets</td>
<td>Japan, South Korea and Germany</td>
</tr>
<tr>
<td>Major export markets</td>
<td>Japan, USA, South Korea, Singapore and Hong Kong</td>
</tr>
</tbody>
</table>

Liaoning, renowned as the “equipment department” of China, is a research and production base for heavy equipment. The province has been a major center for heavy industry and raw materials industrial development over the last 100 years, and today these industries still represent the largest component of the economy in China’s northeast region. The province has the most important raw materials production bases in China, including mining, quarrying, smelting and pressing of ferrous metals as well as petroleum and natural gas extraction.

There is also a significant agricultural sector, making the province a major producer of maize, sorghum, and soybeans, and a major exporter of various fruits. Other important industries for the province include shipbuilding, horticulture, automotive and high added value. Industrial development in Liaoning is concentrated around Shenyang and Dalian, cities that are supported by comprehensive supply chains and research and development institutes. These two cities are the most popular destinations for FDI in Liaoning, accounting for around 80 percent of the province’s total FDI.
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