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Policy Responses to Low Fertility and Population Aging in Korea

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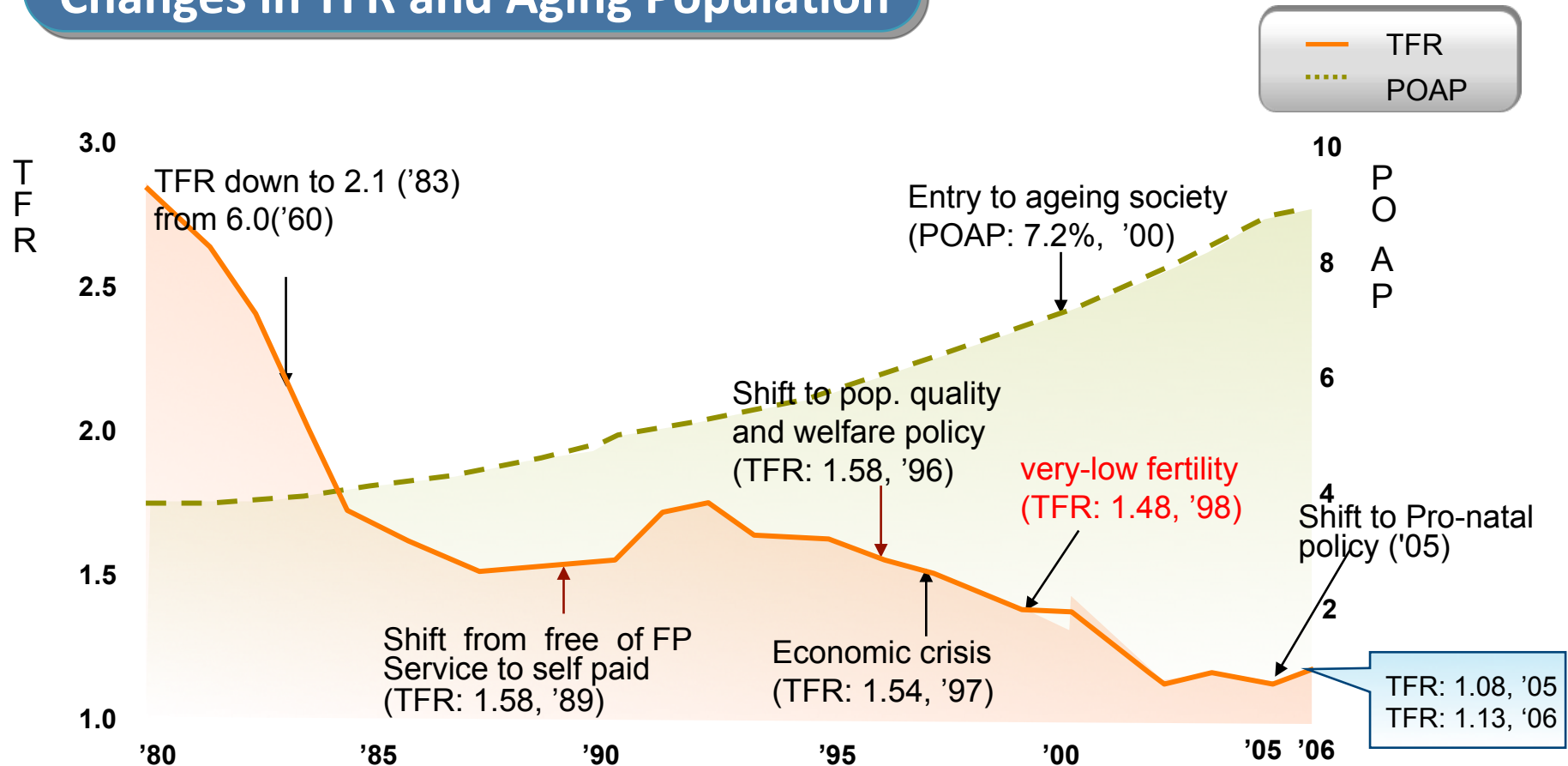
I. Changes in Population Policies and Major Demographic Indicators

Changes in Population Policies

Year	Population Policy
1962	<ul style="list-style-type: none">▪ Adoption of the population growth control policy('61)✓ Initiation of the national family planning program as part of the five- year economic development plans in 1962
1996	<ul style="list-style-type: none">▪ Shifted to the population quality and welfare('96)✓ Balance of sex ratio at birth, and improvement of health and welfare services for women and elderly
2005	<ul style="list-style-type: none">▪ Adoption of the pro-natal policy('05)✓ Enactment of the basic law on low fertility and ageing society ('05), and initiation of the first five-year plan ('06-'10) in response to the low fertility and rapid aging('06)

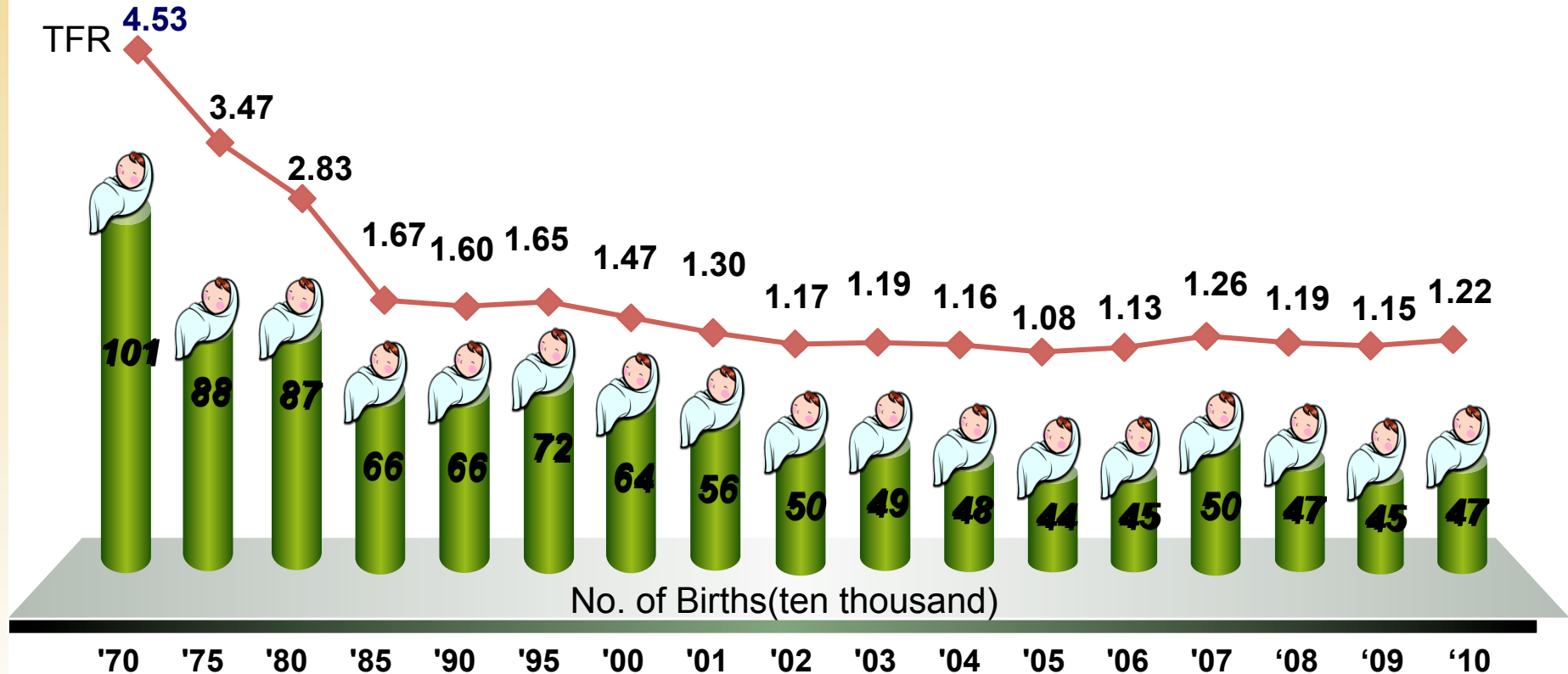
I. Changes in Population Policies and Major Demographic Indicators

Changes in TFR and Aging Population



I. Changes in Population Policies and Major Demographic Indicators

Trends in fertility rates and very low fertility trap



I. Changes in Population Policies and Major Demographic Indicators

Future population prospects

- The working age population is expected to decrease in 2016, and the total population in 2018. The proportion of the aging population will reach 38.2% in 2050, which is the highest in the world .

	1970	1980	1990	2000	2005	2010	2020	2030	2050
Pop.(000)	32,241	38,124	42,869	47,008	48,138	48,875	49,326	48,635	42,343
PGR(%)	2.21	1.57	0.99	0.84	0.21	0.26	-0.02	-0.25	-1.07
Composition	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
0~14	42.5	34.0	25.6	21.1	19.2	16.2	12.4	11.4	8.9
15~64	54.4	62.2	69.3	71.7	71.7	72.9	72.0	64.4	53.0
65+	3.1	3.8	5.1	7.2	9.1	11.0	15.6	24.3	38.2

Source : NSO, Future Population Projections, **2006. 11.**

I. Changes in Population Policies and Major Demographic Indicators

Rapid population aging

Country	Year			Years taken	
	Aging (7%)	Aged (14%)	Super-aged (20%)	Aging to aged (7%→14%)	Aged to super-aged (14%→20%)
Korea	2000	2018	2026	18	8
Japan	1970	1994	2006	24	12
France	1864	1979	2018	115	39
Germany	1932	1972	2009	40	37
Italy	1927	1988	2006	61	18
US	1942	2015	2036	73	21

Source : NSO, 'Population Projection', 2006.



II. Causes and Impacts of Low Fertility

- Reduced labor force and productivity
 - ✓ Reduced EAP: 34.53 million ('05) → 22.42 million ('50)
 - ✓ Aging of EAP : 38.0 yrs.('05)→43.2 yrs. ('30)→43.5 yrs. ('50)
- Reduced economic growth rates
 - ✓ Reduction in labor productivity, savings, consumption and investment
 - Declining potential growth: 5.08%(2000) → 1.53%('40's)
 - Fiscal instability: account deficits of 10% of GDP ('40's)



II. Causes and Impacts of Low Fertility

- Financial constraints on social security
 - ✓ Increasing pension, health spending on the elderly, weakened tax base, etc.
 - No. of EAP per older person: 8 ('05)→4 ('22)→2 ('37)
 - Pension contribution burden: 30% ('50)→39% ('70)
- Family as an institution weakens as welfare needs increase
- The issue of inter-generational equality rises as the EAP's burden increases

II. Causes and Impacts of Low Fertility

Causes of low fertility

Conflict between traditional and new values on women's role

Difficulties in balancing work and family responsibilities

Economic burden plus anxiety about the future

Delay of marriage and late childbirth

- Women's increased demand for participation in social participation
- Persistence of women's traditional roles

- Labor market discrimination against women
- Absence of family-friendly employment climate

- Unstable household economy and excessive household spending
- Excessive care and education spending on children

- Risks of sterility
- Increases in miscarriage and stillbirth

Reduction of marriage rate

Reduction of marital fertility rate

Declining fertility

- First marriage for women: 25.4('95) → 26.5('00) → 27.8('06) → 28.7('09)
- First childbirth: 26.5('95) → 29.0('00) → 30.4('06) → 30.9('10)
- Rate of sterility for married women: 13.5%('03), and pregnancy wastage 31.2%('05)

II. Causes and Impacts of Low Fertility

Policy success in countries in the relatively high fertility rates

Sweden, 1.9('09)

- Sharing of family responsibilities
- Support for work-family balance
- Financial support for child-rearing
- Childcare infrastructure
- Institutional acceptance of various forms of family
- Social acceptance of immigration

France, 1.9 ('09)

- Sharing of family responsibilities
- Support for work-family balance
- Financial support for child-rearing
- Childcare infrastructure
- Institutional acceptance of various forms of family
- Social acceptance of immigration

US, 2.1('09)

- Labor market flexibility
- Makes it easy for workers to balance work and family
- Inexpensive private childcare services
- High fertility rates among naturalized citizens

- Family allowance as a % of ('01) : Sweden 2.9%, France 2.8%, US 0.4%, Korea 0.1%
- Women's economic participation rate('03: Sweden 72.8%, France 56.7%, US 65.7% Korea 49.0%)
- Out-of-wedlock birth rate : Sweden 56%('04) France 43.7%('01) US 33.8%('04)

II. Causes and Impacts of Low Fertility

Policies and limitations in East Asian low fertility countries

Japan 1.3('09)

Singapore 1.3 ('09)

Policies In place

- Work-family balance (employment flexibility)
 - Childcare infrastructure
 - Financial support (child allowance)
 - Family-friendly employment climate
 - Economic of Youth
- Support for work-family balance (childcare leave)
 - Childcare infrastructure (allowance, nannies)
 - Financial support (grandparent childcare allowance)
 - Family-friendly employment policy
 - Support for marriage (housing support)

Limita- tions

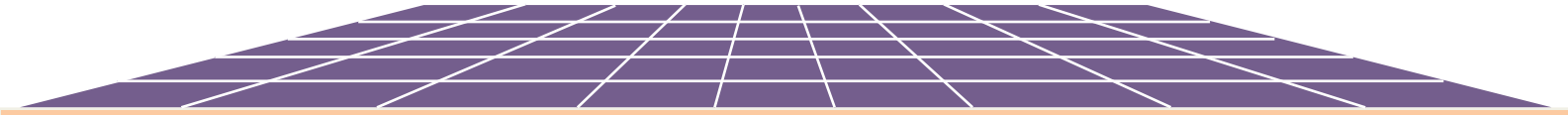
- **East Asian culture**
 - Confucian patriarchy with distinct role division between men and women
 - Insufficient pro-family employment (Long working hours, inflexible labor market)
 - Low acceptance of nontraditional families (cohabitation, unmarried mothers)
- **Lack of support for work-family balance**



III. Policy Responses to Low Fertility and Population Aging

Vision and Goals

Sustainable society, economic prosperity, and individual happiness



Mid- to long-term goal:
TFR 1.6 (2020's), 1.8 (2030's)

- Slow-down of rapid changes in population structure for sustainable development of the nation
- In order for Korea to get away from the Very-low fertility trap, the existing policy measures will be further reinforced.



III. Policy Responses to Low Fertility and Population Aging

- In June 2006, the 1st five-year basic plan on low fertility and population aging ('06-'10) was initiated, and the plan included 230 specific measures regarding the following major areas;
 - ✓ Foster a climate conducive to childbirth and childrearing
 - Strengthening social role and financial supports
 - Family-friendly and gender-equal social climate
 - Nurture healthy future generations
 - ✓ Guarantee stable old-age income and healthcare
 - Basic old-age pension, and long-term care insurance systems
 - Job creation, and promotion of the social participation of the elderly
 - Institutional infrastructure to promote the old age-friendly industries



III. Policy Responses to Low Fertility and Population Aging

Evaluation of the first five-year plan('06-'10)

- Although the new population policies in Korea has been too short for measuring their impacts, the following policies have been very successful;
 - Reduction of the burden of childrearing through diverse childcare support(The support for childcare was expanded from 22% in 2005 to 42% in 2010)
 - Legislation for extended maternity and child care leaves, and paternity leaves
 - Implementation of the basic old-age pension system(Jan'08), and the long-term care insurance systems(July'08)

III. Policy Responses to Low Fertility and Population Aging

Major changes in the 2nd five-year plan('11-'15)

	1st Plan	2nd Plan
Low Fertility	Low-income families	Double-income families
	Childrearing support	Comprehensive approaches such as the work-family balance
Aging Society	Low-income elderly aged 65+ Elderly Households	Baby-boom generation aged 50
	Income guarantee, and Long-term care	General social system such as income/health/housing /leisure...



III. Policy Responses to Low Fertility and Population Aging

Major Goals of the 2nd five-year Basic plan('11-'15)

Low Fertility

Foster a climate conducive to childbirth and childrearing(95 measures)

- 1 Improve the work-family balance, and gender-equal social climate
- 2 Relieve the burden from marriage/childbirth/childrearing
- 3 Create a healthy growth environment for children and youth



III. Policy Responses to Low Fertility and Population Aging

Population Aging

Set up a basic framework for raising the quality of life in an aging society(78 measures)

- 1 Establish a social system for the baby- boom generation('55-'63)
- 2 Guarantee a stable and active life in old age
- 3 Create an aging-friendly social environment



III. Policy Responses to Low Fertility and Population Aging

Growth Engine

Attainment of Growth Engine and System Enhancement by Area(58 measures)

- 1** Set up a basic framework for using potential HR and improve HR competitiveness
- 2** Improve a socio-economic system in response to changes in population structure
- 3** Promote the aging-friendly industry



III. Policy Responses to Low Fertility and Population Aging

Investment in the first and second five-year plans

- The total investment in the 2nd Five-Year Plan ('11-'15) has increased to 6.9 billion US dollars from 3.8 billion dollars of the 1st Five-Year Plan('06-'10).
- ✓ Of a total budget of 6.9 billion dollars earmarked for the 2nd five-year plan, low fertility accounts for 53.4%, population aging 37.3%, and growth engine 10.3%.



IV. Summary and Conclusion

- In spite of the government's efforts in response to low fertility and population aging in Korea, very-low fertility (below 1.5 children) will last for a much longer time, due to the following unfavorable factors;
 - the remaining cultures associated with the past long-standing anti-natal policies
 - relatively weak policy interventions to raise nuptiality
 - increasing trends of high college entrance rate (83.8%)
 - high youth unemployment rate (8.0% of those aged 20-29), etc.
- ✓ In order for Korea to get away from the very-low fertility trap, the existing support policy measures should be further reinforced.



IV. Summary and Conclusion

- Since the marriage and childbearing culture in East Asian countries including Korea are different from that of western low fertility nations, a new value system regarding marriage, family, and child birth should be formed.
- ✓ Thus, population education should be actively reinforced through formal schooling and other social institutions in order to create a birth- and aging-friendly value system.

Thank You !

