

Policy Responses to Low Fertility and Rapid Aging in Korea

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1. LOW FERTILITY AND AGING: NOW AND FUTURE

Among OECD countries, Korea has experienced most rapid decline of total fertility rate and aging. Total fertility rate (TFR) declined from 6.0 in 1960 to the population replacement level of 2.1 in 1983 and 1.58 in 1989, thanks to the National Family Planning Program and economic development. After some fluctuations between 1.5 and 1.8 during the period between 1985 and 1997, TFR again fell down to 1.3 in 2001 and 1.08 in 2005. The rapid decline of TFR seems to be affected by the 1997 economic crisis. As a result, as of 2006, the TFR is 1.13, one of the lowest level in the world. The decline of TFR has produced the decrease in the number of births per annum from 870,000 in 1980 to 450,000 in 2006.

Rapid fertility decline led to several unwelcome consequences. Among them, prominent is rapid aging. The number of elderly population was 1,460,000 in 1980, but has increased up to 4,370,000 in 2005. This number is expected to increase up to 9,770,000 in 2025, and 16,160,000 in 2050. The rate of elderly population among total population was 7 percent in 2000, getting entry to 'Aging Society'. Korea will enter 'Aged Society' with 14 percent of the elderly population rate in 2018, and 'Super-aged Society' with 20 percent of the elderly population in 2026. It will take only 18 years for Korea to be from 'Aging Society' to 'Aged Society', and 8 years to be from 'Aged Society' to 'Super-aged Society'. In comparison with other advanced countries such as Japan, Germany, Italy, U.S., the speed of aging is extremely high

The impact of rapid aging is very serious. First, rapid aging has a negative effect on the economy. The number of economically active population (EAP) is estimated to be reduced from 34.53 million in 2025 to 22.42 million in 2050. The average age of EAP was 38.0 years in 2005, and will be increased to 43.2 years in 2030. As a result of reduced labour force and productivity, there will be a decline of potential annual economic growth rate from 5.08 percent in 2000 to 1.53 percent in the 2040's. Second, aging will result in financial constraints on social security. As the number of EAP per older person has decreased steadily, EAP should pay more and more tax and social insurance premiums with time in order to support elderly population. Accordingly, aging will generate the issue of intergenerational equality due to the increasing burden of young population.

2. CAUSES OF LOW FERTILITY IN KOREA

Demographically, fertility is determined by two factors; first marriage age of women and fertility rate of married women. First marriage age of women was 25.4 years in 1995, but jumped up to 27.8 years in 2006. Naturally, age at first child birth has increased from 26.5 years in 1995 to 30.4 years in 2006. Marital fertility rate per thousand married women shows a decreasing trend in most age groups with some recent exceptions in older age groups. The marital fertility rate of 25-29 has decreased from 362 in 1970 to 193 in 2004.

The socioeconomic and cultural environment has an interactive effect on the above demographic factors and fertility in Korea. Low fertility has occurred for several reasons: (1) conflict between traditional and modern values on women's role; (2) difficulties in balancing work and family responsibilities; (3) economic burden plus anxiety about the future; and (4) biological fertility reduction and loss due to such as sterility, miscarriage, and stillbirth.

One distinguishable point is that extramarital childbirth is repressed both socially and individually in Korea. There is still a social stigma for cohabitation and unmarried

mothers in the Korean society. As out-of-wed childbearing is not socially acceptable, most such unwanted pregnancies end up being induced abortion or overseas adoption. According to a 2005 survey, 42 percent of 350,000 induced abortions per annum are carried out on unmarried pregnant women.

3. HISTORICAL REVIEW OF POPULATION POLICY

In Korea, the National Family Planning Program was adopted in 1961 as a part of Five-Year Economic Development Plan. This anti-natal program was strongly implemented by government with the linkages of other sectors such as mass media, medical societies, and community organizations.

The program had provided contraceptive services for eligible couples with government support to prevent unwanted pregnancy and social and economic incentives and penalties to promote small size family norm. The model slogan of the family planning program at that time was “Boys or girls, two is enough.” And “A well-grown girl is better than ten boys.”

Resultantly, TFR declined dramatically in the 1980's. In 1988, the National Family Planning Program achieved its goal of reducing the fertility rate to below the replacement level and reaching universal contraceptive use.

In response to fertility decline to below replacement level since 1988, the government stopped anti-natal policy and adopted a new population policy with an emphasis on the quality and welfare of the population in 1996. The objective of the new population policy were: (1) to keep the rates of fertility and mortality at levels of required for sustainable socioeconomic development; (2) to promote family health and welfare; (3) to balance the sex ratio at birth; (4) to promote women's labour force participation and welfare; (5) to promote the health and welfare of the elderly population; and (6) to achieve the balanced distribution of the population across the country.

Although the government abolished anti-natal policy, TFR continues to decline to 1.47 in 2000. Looking at this, many scientists suggested pro-natal approaches and the Korean government decided to adopt fertility promotion policy.

Finally, in 2005, the Basic Law on Low Fertility and Aging Society was enacted and the Presidential Committee on Low Fertility and Aging Society was established. The 1st Basic Plan on Low Fertility and Aging was initiated in 2006 at the national level.

3. POLICY RESPONSES TO LOW FERTILITY AND AGING

3.1. Lessons from other countries

In coping with rapid decline of TFR and extremely low fertility, Korea got some lessons from other countries which experienced low fertility earlier and succeeded in maintaining relatively high fertility rates.

Sweden is one of the countries that Korea adopted its model for the recovery of fertility. Sweden's model is represented by equal responsibilities between male and female in the family and well arranged child care infrastructures.

France is another model with an advantage of financial support of childrearing. The U.S. is a country with high-fertility foreign immigrants and flexible labour market.

On the contrary, German, Spain, and Italy are countries which show low fertility as well as several anti-natal limitations: (1) distinct division of role between men and women in the family; (2) insufficient support for work-family balance; (3) inflexible employment; and (4) lack of support for childrearing and child education.

3.2 Pro-natal policy

According to the 1st Basic Plan(2006-2010), the government sets the long-term goal of fertility rate: 1.6 in the 2010's and 1.8 in the 2020's. Policy vision is to get the slow

down of rapid changes in population structure for sustainable development with the belief that current extremely low fertility can be remedied by intense societal efforts.

In order to achieve the goal, the plan provides the following policy directions. The first one is to strengthen social role in childbirth and childrearing by relieving families with supportive infrastructure such as childcare facilities and by increasing support for pregnancy and childbirth such as maternal and child health.

The second one is to achieve family-friendly and gender-equal culture by the following measures: (1) balance between work and family responsibilities through government's expanding support for maternal leave benefits, flexible employment, women's return to work after child-caring, and support for the family-friendly employers; and (2) improving social education and family-friendly culture through strengthened educational program at school and society, and equal family life culture.

The third one is to nurture healthy future generations by the following measures: (1) safe growth environment for children and youth by building social infrastructure to prevent child safety accidents and preventing child abuse and by strengthening protection of neglected children; (2) establishment of social support system for healthy growth of children and youth and for the protection of youth from harmful environment.

The fourth one is to improve limited responses of local government to low fertility by building up financial infrastructure, manpower capacity, and strong commitment of local stakeholders.

In response to the 1st Basic Plan(2006-2010), a total of 32 trillion won was earmarked; 58.9 percent for low fertility, 22.4 percent for aging, and 18.6 percent for sustainable growth engine. With regard to financial investment, OECD data reveals that Korea's family-related support is quite weak in comparison with other member countries. For instance, in 2004, public and social expenditures on family support as a percent of GDP was 0.1 for Korea, 2.9 for Sweden, 1.8 for OECD average, and 2.1 for EC average.

3.3 Pro-Elderly Policy

Rapid increasing of elderly population produces rapid increasing of welfare needs and thus rapid expansion of welfare expenditures. Current needs of the elderly are mostly unmet in terms of income, health, and social life, because many of them suffer from poverty, diseases, disabilities, social isolation and exclusion.

According to statistics, more than 50 percent of total household is the elderly-only household. More than 90 percent of the elderly are chronically ill. Almost 30 percent of the elderly have an income below poverty line.

In order to cope with the problem of rapid aging and the poor and unhealthy elderly, the Basic plan provides the following measures. First, to guarantee stable old age income, public pension system as a key social safety net will be strengthened in many ways. Dead zone in the old age income protection system will be eliminated. Private income security will be promoted. Jobs for the elderly will be socially provided and encouraged.

Second, for safe and active life of the elderly, the plan provides a set of measures: (1) supply of safe housing; (2) establishment of senior friendly transportation infrastructure; (3) promotion of environment for social participation of active seniors.

Third, for healthy life of the elderly, the plan provides several measures: (1) old age health management program including preventive health care, physical health promotion activity projects in local communities; (2) long-term care system through insurance program.

4. RECENT DEVELOPMENT OF PRO-ELDERLY PROGRAMS

4.1 Long-term Care Insurance

Among pro-elderly policy measures, one of milestones is the introduction of long-term care insurance for the elderly. Long-term Care Insurance was implemented in July 2008 to provide necessary care services for the elderly with serious geriatric diseases such as dementia and paralysis. Before opening this new insurance, pilot project has been conducted three times during 2005-2008 to evaluate its feasibility and people's

acceptance. To make this insurance mandatory, the Korean government drafted the Long-term Care Insurance Law and submitted to the National Assembly. After several intensive discussions, the Law was promulgated in April 2007 and enforced in July 2008.

The target population of this long-term care insurance is those having geriatric diseases under 65 as well as the aged 65 and over. Benefit of long-term care insurance consists of home care services, institutional care services, and special cash benefits. This insurance are financed by insurance premiums, government subsidy, and out-of-pocket payment. In order to meet long-term care needs, the government has made great efforts to expand care infrastructure by providing financial support to private small home care centres as well as large-scale care institutions. As a result, accommodation capacity is estimated to meet current demand mostly in 2008.

4.2 Basic Old-age Pension for the Elderly

Another milestone of the pro-elderly policy is the Basic Old-age Pension for the Elderly. This basic old-age pension, implemented in January 2008, aims to reduce the dead zone of income security system for the elderly.

As Korean National Pension Program was introduced in 1988 and completed in 1999 through step-by-step expansion, no universal coverage has been achieved until now. Approximately 5 millions of eligible people are not included in the National Pension Program. Half of self-employed insured has not paid pension premiums in time. Unstable income security due to incomplete pension program, in the long run, may lead the elderly population to 'longevity without income'.

In 1998, the Korean government introduced Special Subsidy Program for the low-income elderly. The purpose of this subsidy is to assist temporarily the poor elderly who were excluded from the public pension programs. However, this subsidy program had limitations in terms of coverage and standard. The subsidy was not able to support all of the low-income elderly and was not enough for them to maintain minimum standard of living.

The Basic Old-age Pension is newly designed income security program as an alternative of the Special Subsidy Program to cure insufficient income security of current low-income elderly. The amount of the Basic Old-age Pension is equivalent to 5 percent of average income of the national Pension recipients. About 3 millions of elderly people, 60 percent of total elderly population, are expected to be the recipients of the Basic Old-age Pension in 2008. This pension program was implemented in January 2008 for those over 70 and will be expanded for those 65 and over from July 2008.

4.3 Job Provision Program for the Elderly

Provision of jobs for the non-working elderly is one example of income-generating pro-elderly policy in Korea. The Korean government started Job Provision Program for the elderly since 2004. The government's plan is to provide 300,000 jobs until 2009. According to the government's plan, public sector is responsible for providing jobs relating to social services in the field of transportation, environment, education, and welfare with the support of government budget. Private sector provides physically less intensive jobs for the elderly in the labour market such as mailing delivery, gas filling, and monitoring of parking violation.

Another effort for the provision of jobs is found at the Elderly Employment Promotion Law, which was amended in 2007 and implemented in 2008. According to the amended law, retirement age was extended from 55 to 60 for continuing work and government grant is given to employers for continued employment. This law also provides wage peak system to promote phased retirement, the extension of 'Elderly-first jobs', loan support for employers to improve elderly-friendly working conditions.

5. CONCLUDING REMARKS

Super-low fertility and consequent rapid aging are great challenges to threaten the future of Korean society as well as other advanced societies by elimination growth potentials and inducing intergenerational conflict. In order to overcome current demographic crisis,

pro-natal and pro-elderly socioeconomic environment should be strongly established not only in public sector but in private sector.

In addition, wide cooperation network should be built and maintained between central government and local government, between ministries concerned within public sector, and between labour and corporate sector. The role of mass media and NGOs is also very important. Especially, political leaders should keep in mind that there is no sustainable development with low fertility and poor/unhealthy elderly. Earlier actions can reduce socioeconomic costs and future shock due to low fertility and rapid aging, and stop up a terrible demographic time-bomb.