Policy Responses to Low Fertility and Rapid Aging in Korea

2008
Moon, Chang-Jin Ph.D.
Dean, School of Health and Welfare
Pochon CHA University
• Low Fertility and Aging : Now and Future
• Causes of Low Fertility in Korea
• Historical Review of Population Policy
• Policy Responses to Low fertility and Aging
• Recent Development of Pro-Elderly Programs
• Conclusion
For 10 years since the mid-80's, TFR remained in the region of 1.6.

Rapid decline of TFR after the Economic Crisis in 1997 → 1.13 in 2006 (one of the lowest in the world).
Trends in fertility rates

- Rapid decline in fertility: low fertility for more than 20 years; super-low fertility for more than 5 years

TFR

No. of Births (ten thousand)

'70: 101
'75: 88
'80: 87
'85: 66
'90: 66
'95: 72
'00: 64
'01: 56
'02: 50
'03: 49
'04: 48
'05: 44
'06: 45

'07: 50
Rapid aging

- It will take only 18 years for Korea to become an aged society (more than 14% elderly population) from an aging society (more than 7% elderly population).

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>Years taken</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Aging (7%)</td>
<td>Aged (14%)</td>
</tr>
<tr>
<td>Korea</td>
<td>2000</td>
<td>2018</td>
</tr>
<tr>
<td>France</td>
<td>1864</td>
<td>1979</td>
</tr>
<tr>
<td>Germany</td>
<td>1932</td>
<td>1972</td>
</tr>
<tr>
<td>Italy</td>
<td>1927</td>
<td>1988</td>
</tr>
<tr>
<td>US</td>
<td>1942</td>
<td>2015</td>
</tr>
</tbody>
</table>

## Changes in demographic structure

<table>
<thead>
<tr>
<th>Year</th>
<th>Total population</th>
<th>Economically active population (EAP)</th>
<th>Elderly population</th>
<th>Dep. ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>3,812</td>
<td>2,372</td>
<td>146</td>
<td>6.1</td>
</tr>
<tr>
<td>2005</td>
<td>4,814</td>
<td>3,453</td>
<td>437</td>
<td>12.6</td>
</tr>
<tr>
<td>2025</td>
<td>4,911</td>
<td>3,356</td>
<td>977</td>
<td>29.1</td>
</tr>
<tr>
<td>2050</td>
<td>4,234</td>
<td>2,242</td>
<td>1,616</td>
<td>72.0</td>
</tr>
<tr>
<td>2070</td>
<td>3,244</td>
<td>1,537</td>
<td>1,421</td>
<td>92.5</td>
</tr>
</tbody>
</table>

- Total population will decrease after reaching 49.3 million in 2018
- EAP will decrease after reaching 36.2 million in 2016
Reduced labor force and productivity

- Reduced EAP: 34.53 million (‘05) → 22.42 million (‘50)
- Aging of EAP: 38.0 years (‘05) → 43.2 years (‘30) → 43.5 years (‘50)

Reduced growth rates

- Reduction in labor productivity, savings, consumption and investment
  - Declining potential growth: 5.08%(2000) → 1.53%(2040’s)
  - Fiscal instability: account deficits of 10% of GDP (2040’s)
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)

The issue of inter-generational equality rises as the EAP’s burden increases.
Causes of Low Fertility

- Conflict between traditional and new values on women’s role
  - Women’s increased demand for participation in social participation
  - Persistence of women’s traditional roles

- Difficulties in balancing work and family responsibilities
  - Labor market discrimination against women
  - Absence of family-friendly employment climate

- Economic burden plus anxiety about the future
  - Unstable household economy and excessive household spending
  - Excessive care and education spending on children

- Biological fertility reduction
  - Risks of sterility
  - Increases in miscarriage and stillbirth

Reduction of marriage rate
Reduction of maritial fertility rate

※ First marriage for women: 25.4(’95) → 26.5(’00) → 27.8(’06)
※ First childbirth: 26.5(’95) → 29.0(’00) → 30.4(’06)
※ Rate of sterility for married women: 13.5%(’03), and pregnancy wastage 31.2%(’05)
## Historical Review of Population Policy

### Changes in Population Policy (1960~2006)

<table>
<thead>
<tr>
<th>Year</th>
<th>Population Policy</th>
</tr>
</thead>
</table>
| 1961 | **Adoption of anti-natal policy**  
- Five-year Economic Development Plans and Family Planning (’62)  
- Enactment of the Maternal and Child Health Law, legalization of medically necessary induced abortions (’73)  
- Priority for public housing to families with 2 or less children (’74)  
- Sterilization and contraception covered by Health Insurance (’82) |
| 1996 | **Abolition of anti-natal policy, shift to population quality and welfare** |
| 2005 | **Adoption of pro-Natal Policy**  
- Basic Law on Low Fertility and Aging Society; Presidential Committee on Low Fertility and Ageing Society (’05)  
Model Slogan of Family Planning Program

- Boys or Girls, Two is enough.

- A Well-grown girl is better than ten boys.
Lessons from Other Countries (1)

- **Sweden, 1.85(’06)**
  - 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, 1.98(’06)**
  - 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, 2.0(’06)**
  - 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)
Lessons from Other Countries (2)

Germany, 1.3 (’06)
- Distinct role division between men and women (Catholicism)
- Passive acceptance of nontraditional families
- Insufficient support for work-family balance, inflexible employment
  - 40% of women with a college degree decide not to have children
- Lack of support for childrearing and child education
  - Low family allowance
- Poor childcare services for children aged 0~3

Spain, 1.3 (’06)
- Distinct role division between men and women (Catholicism)
- Passive acceptance of nontraditional families
- Insufficient support for work-family balance, inflexible employment
- Youth have barriers to self-support
  - Unemployment rate for those aged 25 or younger: 30%
  - High housing prices
- Lack of support for childrearing and child education
- Lack of public childcare facilities
- Family policy overly focused on poor households

※ Family allowance as a % of GDP (’01): Germany 1.9%, Spain 0.5%, Korea 0.1%
※ Women’s labor force participation (’03): Germany 58.7%, Spain 46.8%, Korea 49.0%
※ Out-of-wedlock childbirth rate (’01): Germany 23.6%, Spain 17.7%
<table>
<thead>
<tr>
<th>Country</th>
<th>Policies In place</th>
<th>Limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan 1.32('06)</td>
<td>• Work-family balance (employment flexibility)</td>
<td>• East Asian culture</td>
</tr>
<tr>
<td></td>
<td>• Childcare infrastructure</td>
<td>- Confucian patriarchy with distinct role division between men and women</td>
</tr>
<tr>
<td></td>
<td>• Financial support (child allowance)</td>
<td>- Insufficient pro-family employment (Long working hours, inflexible labor market)</td>
</tr>
<tr>
<td></td>
<td>• Family-friendly employment climate</td>
<td>- Low acceptance of out-of-wed families (cohabitation, unmarried mothers)</td>
</tr>
<tr>
<td></td>
<td>• Economic of Youth</td>
<td></td>
</tr>
<tr>
<td>Singapore 1.2('06)</td>
<td>• Support for work-family balance (childcare leave)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Childcare infrastructure (allowance, nannies)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Financial support (grandparent childcare allowance)</td>
<td></td>
</tr>
<tr>
<td>Taiwan 1.1('06)</td>
<td>• Family-friendly employment policy</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Support for marriage (housing support)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Lack of support for work-family balance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Piecemeal policy measures</td>
</tr>
</tbody>
</table>
Mid- to long-term goal:
TFR 1.6 (2010’s), 1.8 (2020’s)

- Slow-down of rapid changes in population structure for sustainable development of the nation
- Super-low fertility is a recent phenomenon and can be reversed with policy efforts
Policy Responses to Low Fertility and Aging

Policy Directions

• To strengthen social role in childbirth and childbearing

• To achieve family-friendly and gender-equal culture

• To nurture healthy future generations

• To improve limited responses of local government to low fertility
Strengthened social role in childbirth and childrearing

Policy Direction (1)

- Relieve families with growing children of financial burden
  - Increase support for childcare and child education in cash and in-kind
  - Increase incentives in tax and social insurance
  - Activate domestic adoption

- Childrearing support infrastructure
  - More childcare facilities to meet increasing childcare needs
  - Improve private childcare services
  - Demand-oriented, diversified childcare services

- Increase support for pregnancy and childbirth
  - Maternal and child health
  - Infertile couples
  - Helping hand service for new mothers
Policy Direction (2)

Family-friendly and gender-equal culture

- Improved social education and family-friendly culture
  - Strengthen social education in schools to foster family values
  - Foster friendly and equal family-life culture

Work-family balance
- Maternity leave benefits
- Flexible employment
- Return-to-work support for new mothers
- Accreditation system for family-friendly firms
Nurture healthy future generations

Policy Direction (3)

- Safe growth environment for children and youth
  - Build social infrastructure to prevent child safety accidents
  - Prevent child abuse and strengthen protection for neglected children
  - Take measures for to prevent and eradicate school violence

- Establish social support system for the healthy growth of children and youth
  - Strengthen community-based child protection
  - Establish social system for the protection of children’s rights
  - Provide children and youth with art and cultural education to increase their creativeness
  - Protect youth from harmful environment
  - Improve school health management
Policy Direction (4)

Improve Limited responses of local governments to low fertility

Limitations

- Lack of infrastructure, workforce, working units, budget, etc.
- Absence of local assessment and managerial systems
- Lack of locally-tailored policy
- Insufficient commitment on the part of local stakeholders
How to invest (1)

- Of a total budget of 32 trillion won earmarked for the Plan in Response to Low Fertility and Aging Population (’06 ~ ’10), low fertility accounts for 58.9%, aging 22.4%, and growth engine 18.6%.

(Unit: hundred million won)

<table>
<thead>
<tr>
<th></th>
<th>’06</th>
<th>’07</th>
<th>’08</th>
<th>’09</th>
<th>’10</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>37,500</td>
<td>56,979</td>
<td>71,033</td>
<td>72,969</td>
<td>82,265</td>
<td>320,746</td>
</tr>
<tr>
<td>Low fertility</td>
<td>21,133</td>
<td>32,489</td>
<td>40,265</td>
<td>45,569</td>
<td>49,542</td>
<td>188,998</td>
</tr>
<tr>
<td>Aging</td>
<td>8,367</td>
<td>12,809</td>
<td>18,040</td>
<td>14,075</td>
<td>18,511</td>
<td>71,802</td>
</tr>
<tr>
<td>Growth engine</td>
<td>7,987</td>
<td>11,614</td>
<td>12,644</td>
<td>13,236</td>
<td>14,119</td>
<td>59,600</td>
</tr>
<tr>
<td>Others</td>
<td>13</td>
<td>66</td>
<td>84</td>
<td>89</td>
<td>94</td>
<td>346</td>
</tr>
</tbody>
</table>
How to invest (2)

Insufficient family support

Family-related support in OECD countries

Public & social expenditure on family support as a % of GDP

<table>
<thead>
<tr>
<th>Country</th>
<th>Support as % of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>2.8</td>
</tr>
<tr>
<td>Sweden</td>
<td>2.9</td>
</tr>
<tr>
<td>US</td>
<td>0.4</td>
</tr>
<tr>
<td>Germany</td>
<td>1.9</td>
</tr>
<tr>
<td>Japan</td>
<td>0.6</td>
</tr>
<tr>
<td>Spain</td>
<td>0.5</td>
</tr>
<tr>
<td>Korea</td>
<td>0.1</td>
</tr>
<tr>
<td>OECD Average</td>
<td>1.8</td>
</tr>
<tr>
<td>EU Average</td>
<td>2.1</td>
</tr>
</tbody>
</table>

Source: OECD(2004), Social Expenditure

Family allowance, maternity and childrearing leave allowance, income supplement, pregnancy allowance, school lunch program, and others, included.
Rapid increases in the elderly population, rapid increases in welfare needs

- **Increases in elderly-only households**
  - Elderly-only households: 51.2% (elderly living alone, one in four)

- **High rate of chronic illness; long-term care need rises**
  - Need for long-term care increases due to increasing cases of dementia and stroke
  - 90.5% of elderly are chronically ill, 36.3% experienced impairment in daily activities

- **Insufficient economic preparation for old age; growing government responsibility**
  - 28.4% of the elderly have an income below the minimum standard of living
  - An increasing share of the population find the government responsible for people’s old-age lives
    - 20.5%(1994) → 40.2%(2004)

- **Elderly want an active social life**
  - Those wanting an active old-age life increases with increasing life expectancy and education levels
    - % of the elderly with a high school education and higher 5.5%(1994) → 18.6%(2004)
Guarantee stable old-age income

- Strengthen public pension
  - Enhance long-term sustainability
  - Improve Special Occupational Pension
  - Introduce linkage between the National Pension and Special Occupational Pension
  - Introduce work incentives in pension schemes

- Eliminate Dead Zone in the old-age income protection system
  - Introduce basic old-age pension
  - Eliminate gaps in the National Pension

- Improve private income security
  - Facilitate an early implementation of retirement pension
  - Activate private pension plans
Safe and active life for the elderly

- **Safe housing**
  - New residential criteria for senior households
  - Housing refurbishment
  - Increased housing provision for seniors

- **Senior-friendly transportation infrastructure**
  - Elder-friendly public transportation & pedestrian environments
  - Specialized transportation infrastructure for senior drivers

- **Environment for the social participation of active seniors**
  - Create jobs for senior workers
  - Promote productive leisure activities
  - Foster a culture with increased protection of the rights and interests of seniors
Pro-Elderly Policy (4)

Healthy old-age life

- Old-age health management
  - Preventive health care
  - Improved old-age health security
  - Physical activity project for health promotion

- Long-term care
  - Long-term care insurance
  - Long-term care infrastructure
  - Private home care services
  - Better management of elderly with dementia
Recent developments

- Pilot project on long-term care insurance (July 2005~June 2008)
- Promulgation of the Long-term Care Insurance Act (April 2007)

Outline of Long-term Care Insurance

- Target: those aged 65 and over or those aged below 65 having geriatric diseases
- Long-term care benefit: home care benefits, institutional care benefits, special in-cash benefits
- Financing method: premiums + government support + out-of-pocket payment
- Effective in July 2008
Recent Development of Pro-Elderly Programs (2)

Long-term Care Insurance

- Ten Year Plan for Long-term Care Infrastructure (’02-’11)
  - Increase in home care centers from 368 to 1,185 in 2007
  - Needs fulfillment was 60% in 2006, expected to reach 100% in 2008
Recent Development of Pro-Elderly Programs (3)

- Special Subsidy Program (1998)
- Recent developments
  - The stressed need for the elimination of Dead-Zone in old-age income security
  - Promulgation of the Basic Old-age Pension Law (April 2007)
Recent Development of Pro-Elderly Programs (4)

Outline of Basic Old-age Pension Program
- 5% of the income of an average National Pension participant
- 3 millions of older persons be paid in 2008
- To be implemented January 2008 for those over 70
  from July ’08 for those 65 and over
One of the policies on the elderly pursued by the Government since 2004
- aimed at creating 300 thousand jobs until 2009
- Article 23, Welfare Law for the Aged; Article 11, Basic Law on Low Fertility and Aged Society
Recent Development of Pro-Elderly Programs (6)

Elderly Employment Promotion Law

- Amended in 2007 and implemented in 2008
- Increased retirement age
  - Extended retirement age, encouragement grant for continued employment ('08)
  - 2+5 Strategy: start earlier (2 years) and stay longer (5 years) in employment
- Wage peak system for phased retirement
- “Elderly-first” jobs (extended to 160)
- Loan support for effort to improve elderly-friendly working conditions
Conclusion: Society-wide cooperation

- Policy development and implementation
- Social agreement

Central government

Society-wide response to low fertility and population aging

- Corporate cultural change
- Gender-equal employment

Corporate sector

- Local-specific policies and projects
- Managerial infrastructure

Local government

- Healthy and productive criticism, policy alternatives
- Promotion of social agreement and communication

NGO’s and media

- Promotion of family & elder-friendly corporate culture
- Promotion of productivity

Labor

Central government

Local government

NGO’s and media

Corporate sector

Labor
Conclusion: Ministerial Cooperation

Presidental Committee on Aging Society and Population Policy

Welfare & Health/Construction and Transportation
- Support for healthy pregnancy and childbirth
- Protect post-retirement life
- Support NGO activities
- Promote healthy growth environment for children

Labor/Commerce, Industry and Energy
- Facilitate changes in corporate values and cultures
- Promote work-family balance
- Reduce gender and age discrimination

Education/National Defense
- Provide education programs on gender-equality
- Strengthen childcare and after-school programs
- Develop and implement elderly lifelong education programs

Gender Equality and Family/Agriculture and Forestry
- Strengthen childcare infrastructure and financial support
- Foster gender-equal family culture
- Provide support for many forms of family

Culture and Tourism/Government Information Agency
- Encourage the participation of the corporate sector and public
- Provide support for elderly health, cultural and physical activities

Finance and Economy: Financing of needed services
Planning and Budget: Setting of policy priorities
Conclusion: Message

• There is no sustainable development with low fertility and poor/unhealthy elderly.

• Earlier actions can reduce socioeconomic costs and stop up a terrible demographic time-bomb.
Thank you