

National Strategies in Response to Low Fertility and Population Ageing in Korea

September 2007

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Korea Institute for Health and Social Affairs**

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I . Low Fertility and Policy Measures

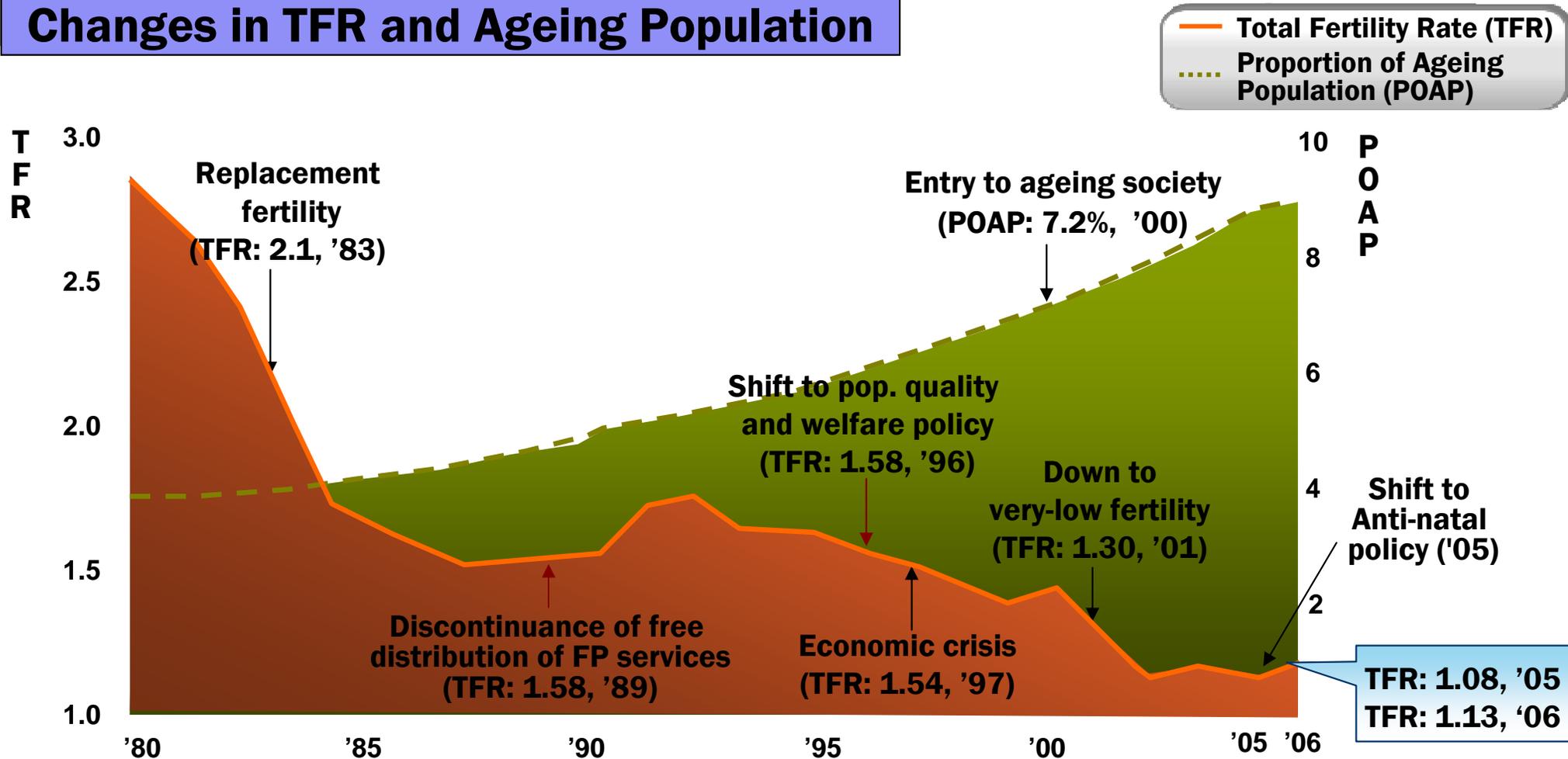
Low Fertility and Ageing: Now and Future (1)

Changes in Population Policy (1960~2006)

Year	Population Policy
1961	<ul style="list-style-type: none">■ Adoption of anti-natal policy<ul style="list-style-type: none">• Five-year Economic Development Plans and Family Planning ('62)• Declaration 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	<ul style="list-style-type: none">■ Abolition of anti-natal policy, shift to population quality and welfare
2005	<ul style="list-style-type: none">■ Adoption of pro-Natal Policy<ul style="list-style-type: none">• Basic Law on Low Fertility and Aging Society; Presidential Committee on Low Fertility and Ageing Society ('05)• Initiation of the First Basic Plan in Response to Low Fertility and Population Aging(2006-2010) in Aug. 2006.

Low Fertility and Ageing: Now and Future (2)

Changes in TFR and Ageing Population

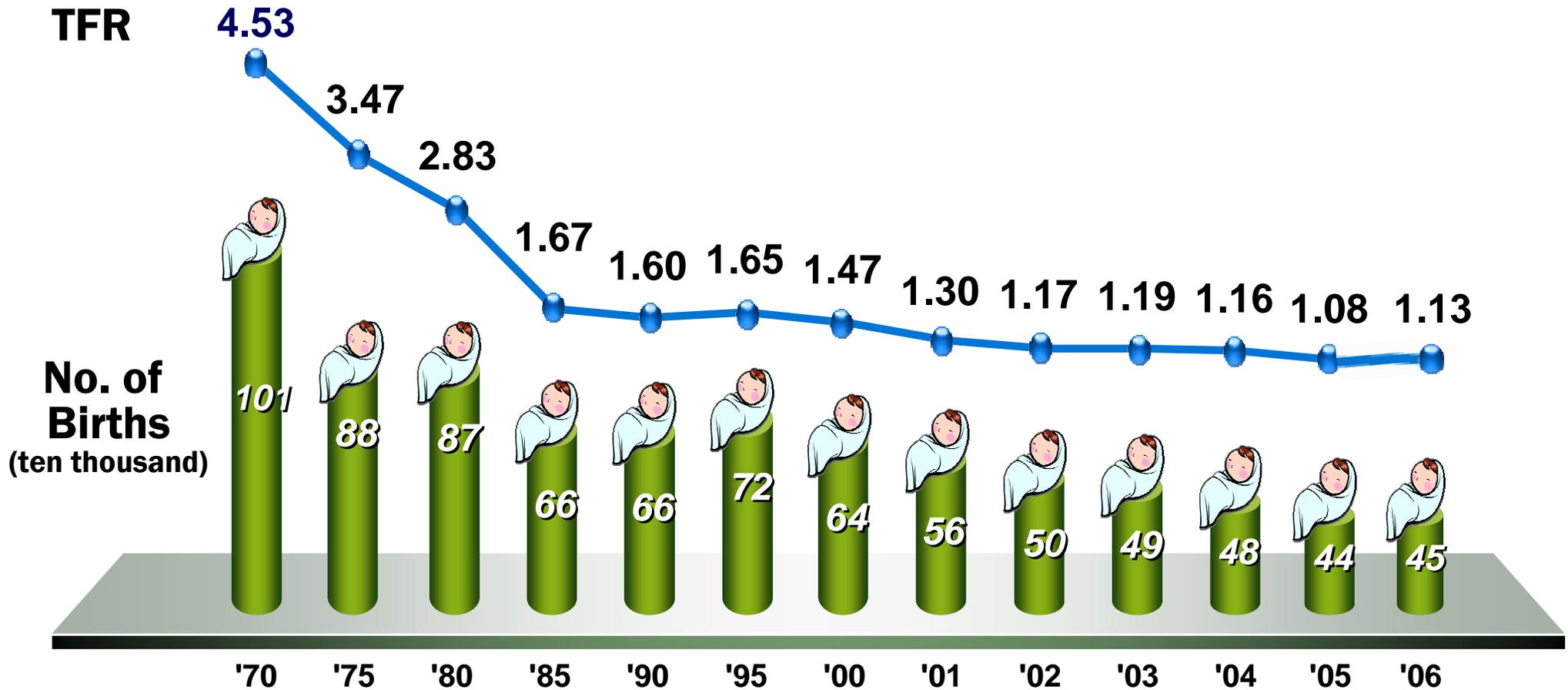


- For 10 years since the mid-80's, TFR remained in the region of 1.6
- Rapid decline of TFR after the Asian Economic Crisis in 1997 → 1.13 in 2006 (one of the lowest in the world)

Low Fertility and Ageing: Now and Future (3)

Trends in fertility rates

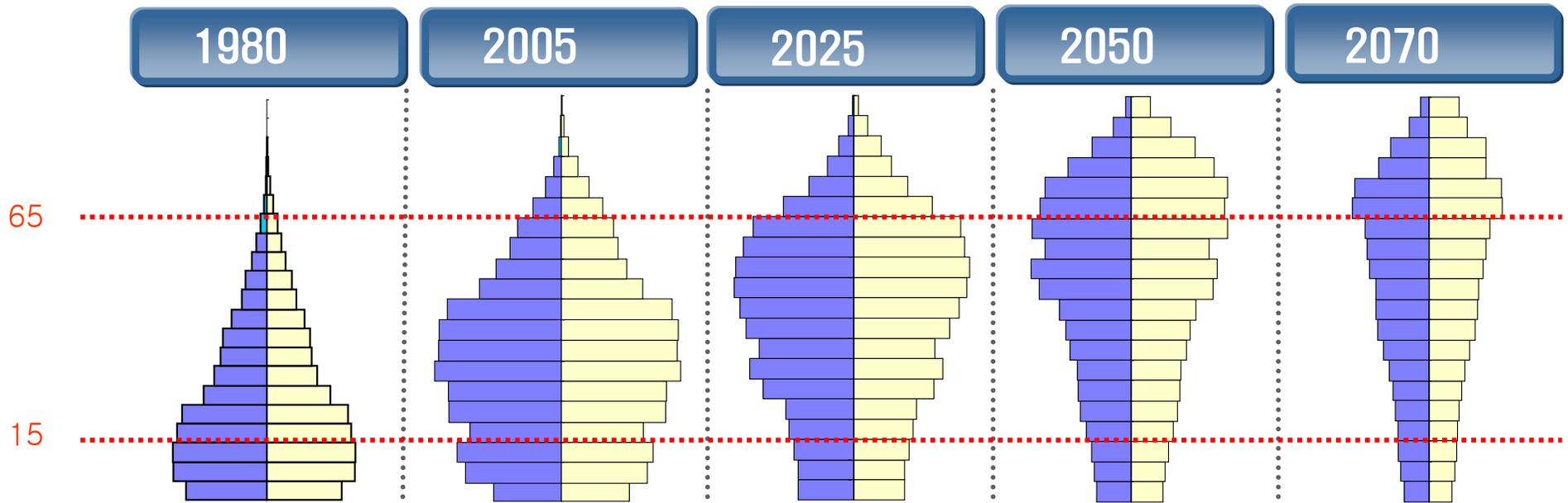
- Rapid decline in fertility: low fertility for more than 20 years; super-low fertility for more than 5 years



Low Fertility and Ageing: Now and Future (4)

Changes in demographic structure

Unit: 10 thousand



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

- Total population will decrease after reaching 49.3 million in 2018
- EAP will decrease after reaching 36.2 million in 2016

Low Fertility and Ageing: Now and Future (5)

Rapid ageing

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

Country	Year			Years taken	
	Ageing (7%)	Aged (14%)	Super-aged (20%)	Ageing 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.

Future Impact (1)

■ 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)

Future Impact (2)

■ Financial constraints on social security

- Increasing pension, health spending on older persons, 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

Low Fertility: Causes and Responses (1)

Causes of low fertility

Conflict between traditional and new values on women's role

- Women's increased demand for 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

Delay of marriage and late childbirth

- 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)

※ 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)

What other countries are like (1)

Policy success in countries with relatively high fertility rates

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)

What other countries are like (2)

Causes of low fertility in low fertility countries

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%

What other countries are like (3)

Japan 1.32('06)

- **Work-family balance (employment flexibility)**
- **Childcare infrastructure**
- **Financial support (child allowance)**
- **Family-friendly employment climate**
- **Economic of Youth**

**Policies
in
place**

**Singapore 1.2('06)
Taiwan 1.1('06)**

- **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)**

- **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**
- **Piecemeal policy measures**

**Limita
-tions**

What to do (1)

Vision and goals

Sustainable society, economic prosperity, and individual happiness

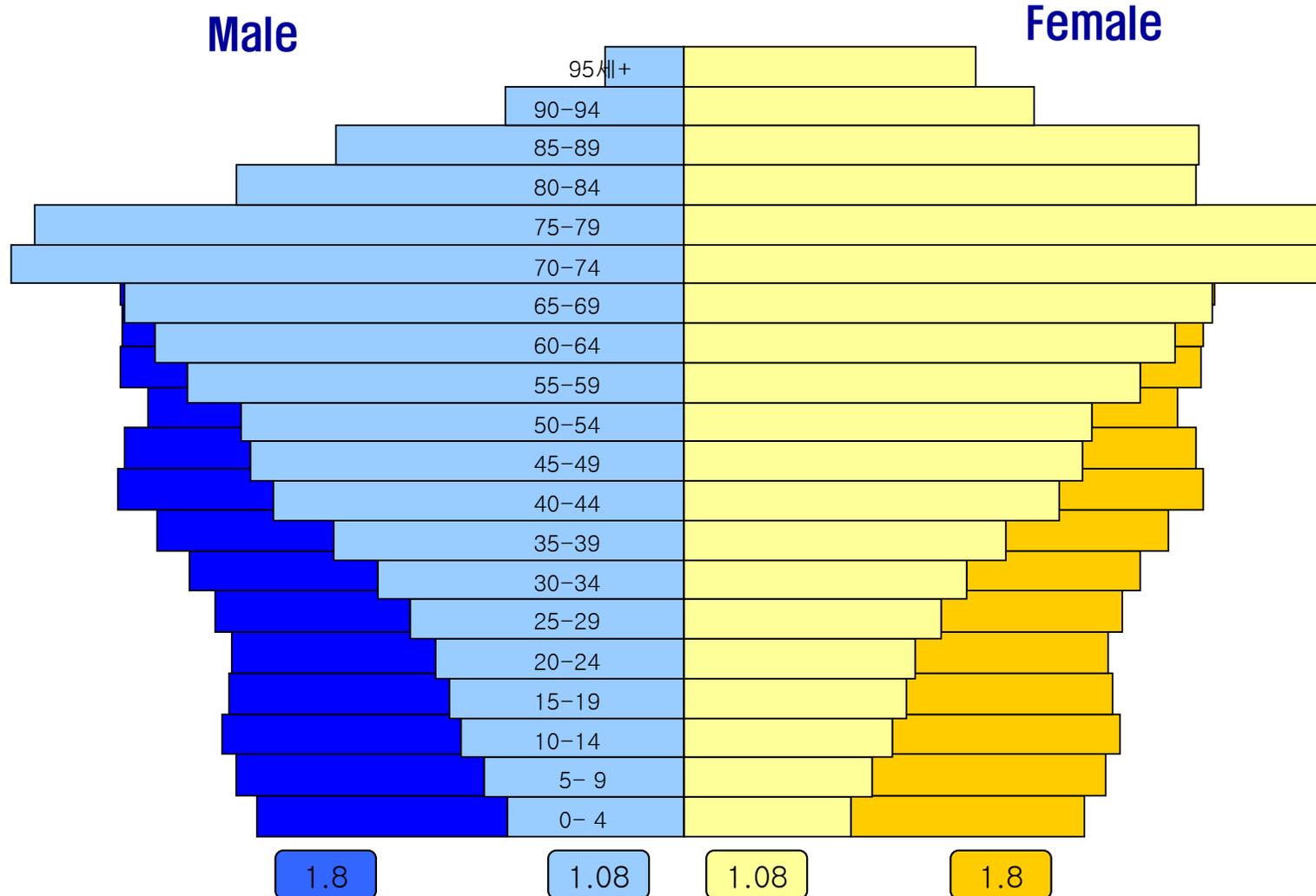
Mid- to long-term goal:
TFR 1.6 (2010's), 1.8 (2020's)

- **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**

What to do (2)

Changing population composition

- Comparison : Difference in TFR between 1.08('05) to 1.8

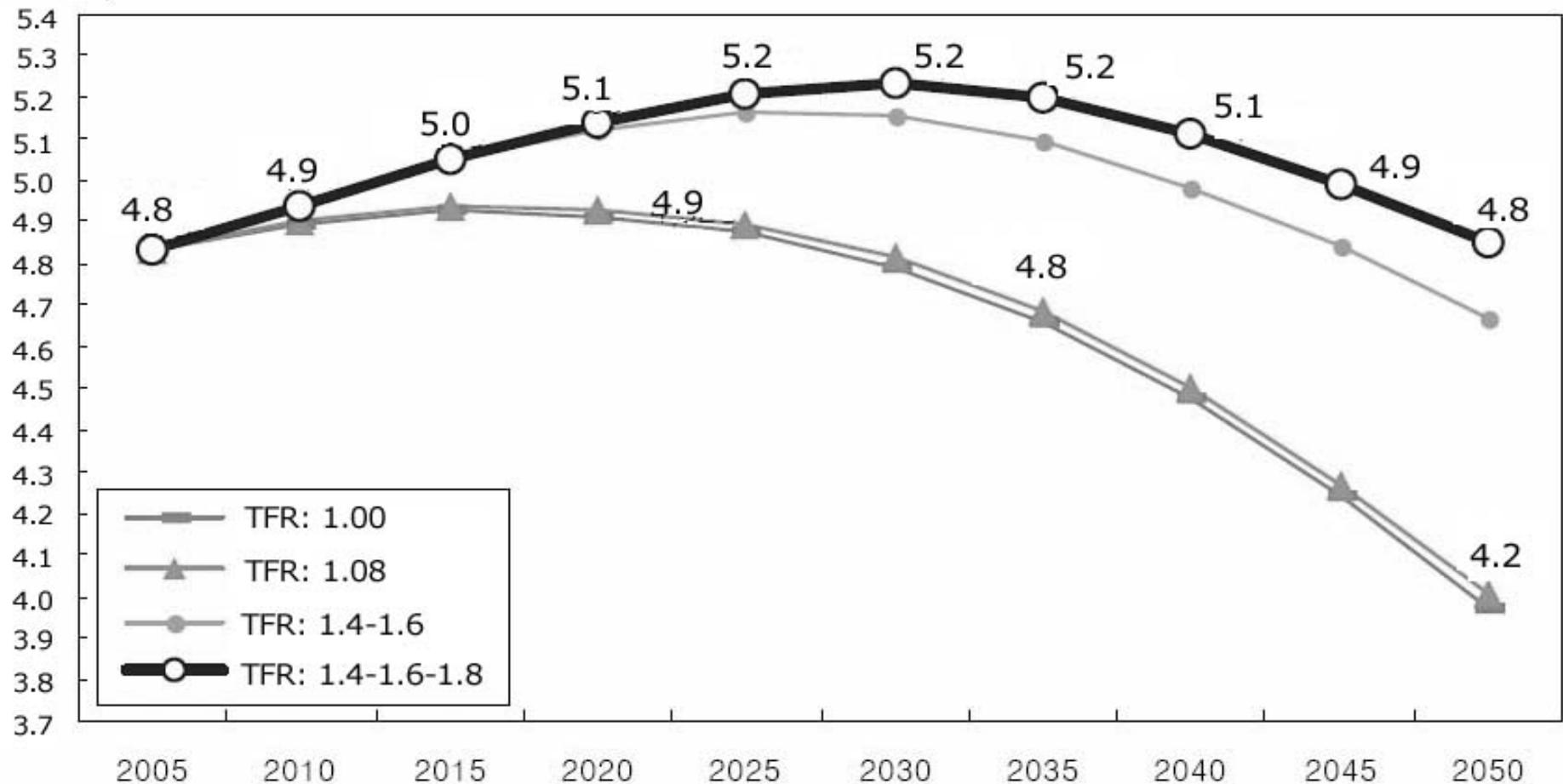


What to do (3)

Population maintenance at proper levels

Population size
(million)

Changes in population size by TFR assumptions



What to do (4)

Foster a climate conducive to childbirth and childrearing

**Strengthened social
role in childbirth and
childrearing**

■ 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

What to do (5)

Foster a climate conducive to childbirth and childrearing

**Family-friendly and
gender-equal social
climate**

■ Work-family balance

- Maternity leave benefits
- Flexible employment
- Return-to-work support for new mothers
- Accreditation system for family-friendly firms

■ Improved social education and family-friendly culture

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

What to do (6)

Foster a climate conducive to childbirth and childrearing

Nurture healthy
future generations

■ 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

II . Rapid Ageing and Policy Measures

Lives and welfare needs of the elderly

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 older persons 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 older persons with a high school education and higher 5.5%(1994) → 18.6%(2004)

Old-age Income Security Policy Measures

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 gaps 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

Old-age income security policy & measures (1)

Basic old-age pension

● Recent developments

- The stressed need for the elimination of gaps in old-age income security
- Basic Old-age Pension Bill (Private Members' Bill (06. 9)
- Promulgation of the Basic Old-age Pension Law (07.4.25)

● Basic Old-age Pension in a nutshell

- 5% of the income of an average National Pension participant (a monthly amount of 80-90 thousand won for 60% of older persons, starting next year)
- To be implemented January '08 for those over 70; from July '08 for those 65 and over

Old-age income security policy & measures (2)

Reverse mortgage and retirement pension plans

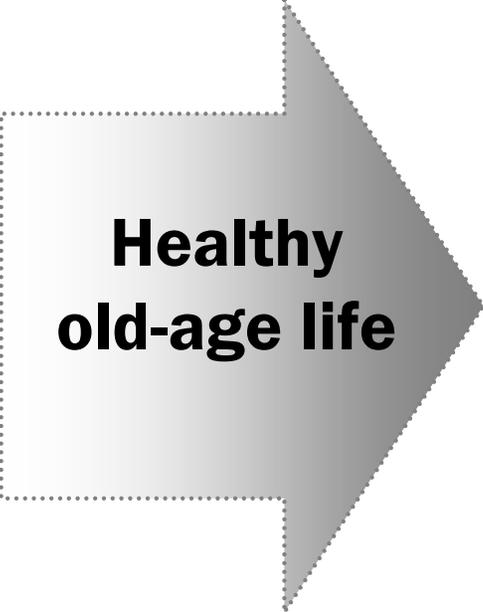
● Reverse mortgage

- Comes in the form of pension benefits for seniors who have a house, not income
- With the amendment to the Housing Finance Corporation Act (06.12), reverse mortgage in Korea was renamed in July 2007 as “housing pension,” sold by private financial institutions; the government plans to introduce a public reverse mortgage system

● Retirement pension

- Introduced in Dec. 2005
- Coverage: 3.5%(213 thousand in number) in 2006-> 6.9% in 2007
- In need of education, technical assistance, protection systems, etc.

Health Policy and Measures



**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

■ Daily life physical activity for lifelong health promotion

Health and long-term care (1)

Increase health screenings and health promotion for seniors

- **Tailored health screenings for the aged**
 - Health screenings for those at 66
 - Items covered: chronic diseases, depression, dementia, osteoporosis, etc.
- **Nationwide spread of health promotion**
 - Strengthen health promotion (physical activities, nutrition, oral health)
(pilot projects on 16 health centers in 2006; nationwide spread in 2008)
 - Increase physical activity facilities and events for seniors
 - Strengthen research and assessment into the effect of elderly health promotion programs

Health and long-term care (2)

Long-term care insurance

- **Recent developments**

- Pilot project on long-term care insurance (July 2005 – present)
- Promulgation of the Long-term Care Insurance Act (07.4)

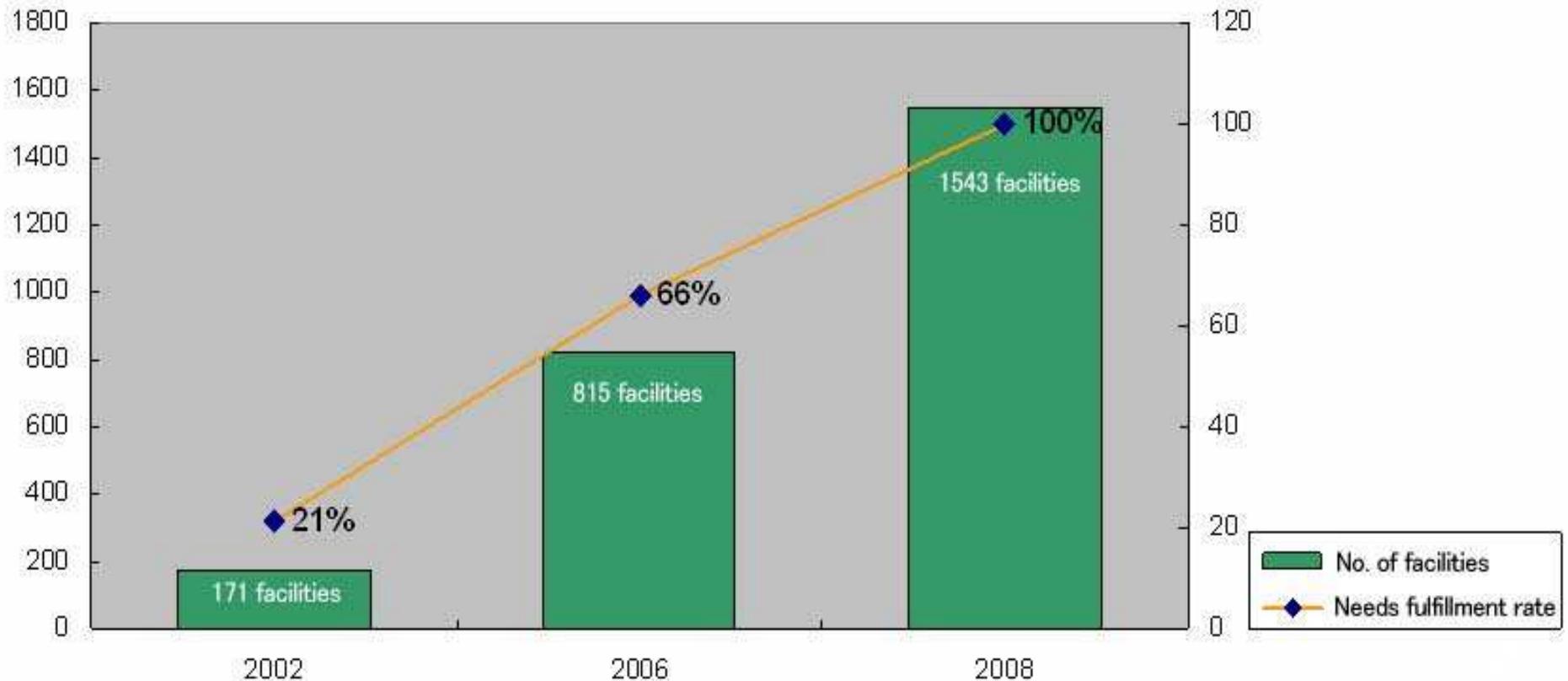
- **Long-term Care Insurance in a nutshell**

- Target: those aged 65 and over or those aged below 65 having geriatric diseases (3%)
- 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

Health and long-term care (3)

Long-term care infrastructure

- **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



Policy measures for safe & healthy later life (1)



Basis for safe and healthy later life

■ 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

Policy & measures for safe & healthy later life (2)

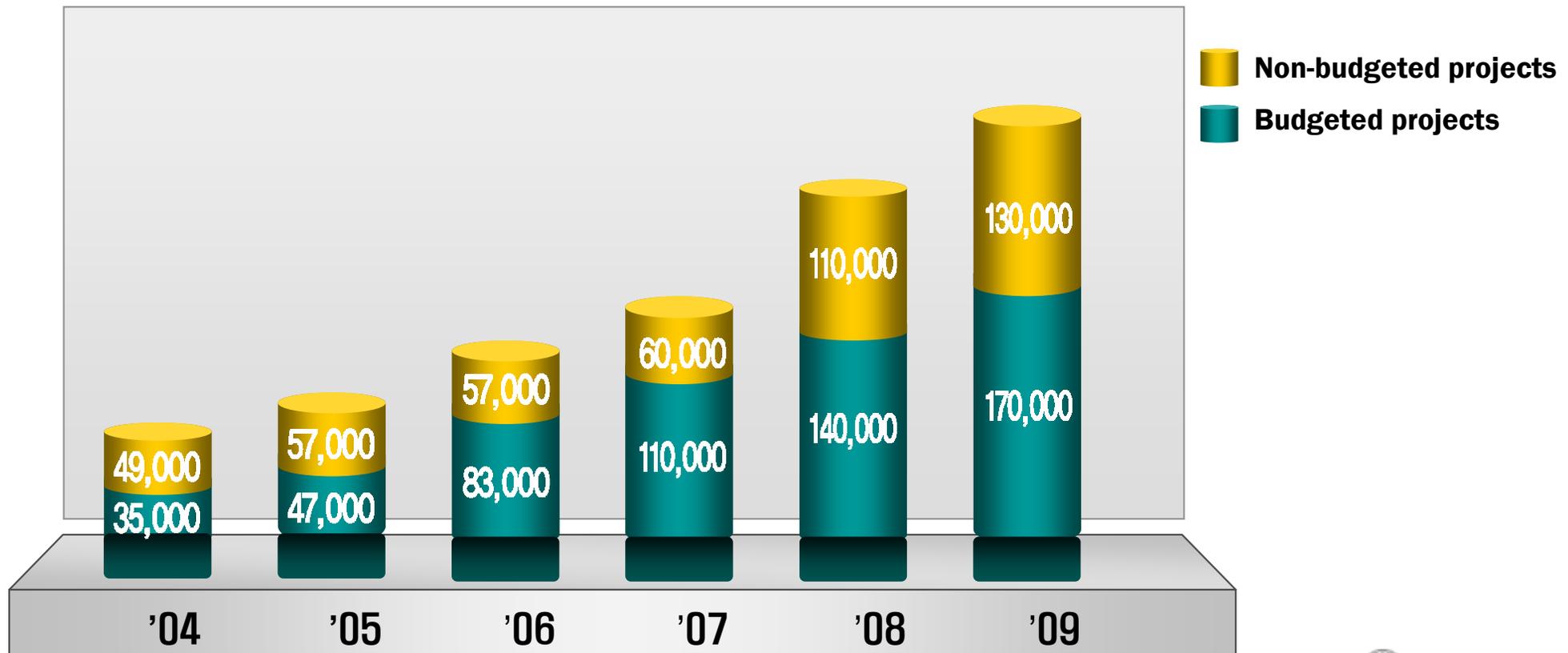
Residential and transportation environments for seniors

- **Official announcement of the Criteria for Senior Housing Refurbishment ('05)**
 - **Development and dissemination of the Manuel for Senior Housing Refurbishment ('07)**
Residential criteria for senior households ('07)
 - **Pilot project on National Rental Housing for Seniors ('05 – present)**
 - **Public housing priority for those providing support for their old parents**
-
- **Improve public transportation and pedestrian environments**
 - Provision of low-floor buses, implementation of “silver-zones”, provision of subway elevators
 - **Roads and traffic infrastructure for senior drivers**
 - Special driver’s license system and safety education programs for senior drivers
 - Introduction of “Silver Mark” system

Policy & measures for safe & healthy later life (3)

Job creation for elderly workers

- 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



Basis for old-age life

Promotion of the social participation of older persons

- **Senior volunteer programs**
 - Participants currently number 2,500
- **Development and provision of a variety of lifelong education programs**
 - IT, health management, self-support enhancement, foreign languages
- **Leisure facilities for the elderly**
 - Senior welfare centers: 123 ('02) → 195 ('07)
 - Senior centers: 46 thousand ('02) → 58 thousand ('07)
 - Education institutes for seniors: 819 ('04) → 1,099 ('06)

How to improve the potential of the elder

Tap the
productivity
potential of senior
workers

- Prohibit age discrimination and improve the current retirement system

- Improve corporate wage systems and diversity employment forms

- Increase work incentives for senior workers

- Support the development of work skills for mid-career and senior workers

- Improve the working conditions for senior workers

Increased productivity potentials of the elderly(1)

- **Elderly Employment Promotion Law
(amendment in 2007 and implementation 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**
- **“Elderly-first” jobs (extended to 160)**
- **Loan support for effort to improve elderly-friendly working conditions**

Promotion of old age-friendly industries

Old age-friendly industries as a growth engine for the future

■ Infrastructure

- Institutional infrastructure with which to promote old age -friendly industries
- Accreditation system for "good" old age-friendly products
- Exhibition halls for old age -friendly products

■ R&D support and promotion for old age-friendly products

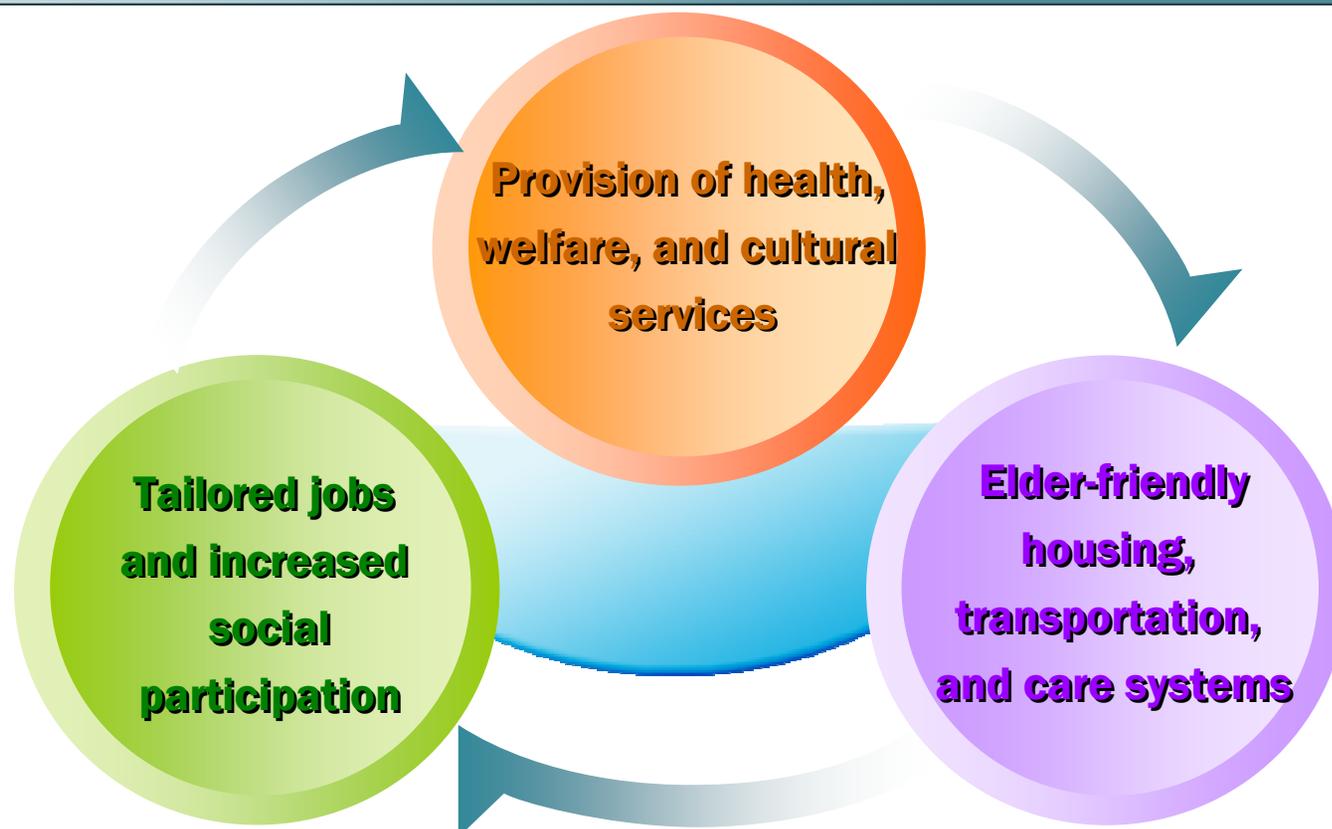
■ Standardization of old age-friendly products

Making of old age-friendly communities

Model for elder-friendly communities

- **Promote a new vision for an aged society**

- Communities where older persons can lead their lives in a healthy and active way
- Communities where different generations live together in a harmonious and sustainable way



III. Areas for Improvement

Promotion of local government roles

Local-level policy responses to low fertility and population aging

■ Establish needed organizations

■ Increase and specialize manpower

■ Establish monitoring and information-gathering functions

■ Develop community-specific policies and programs

■ Make best use of community resources

■ Strengthen local-level education and public relations

How to invest (1)

Investment Plan

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

(Unit: hundred million won)

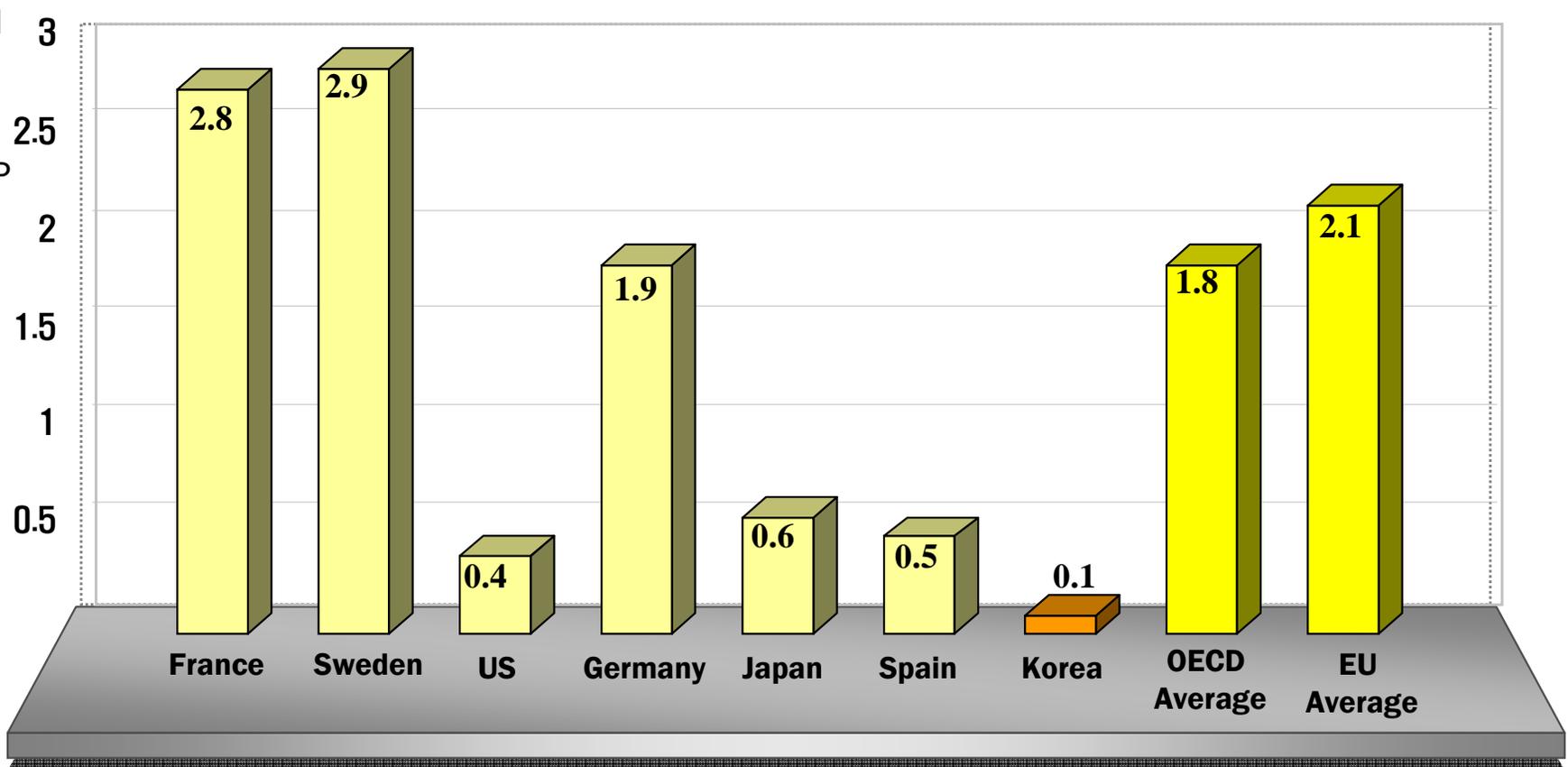
	'06	'07	'08	'09	'10	Total
Total	37,500	56,979	71,033	72,969	82,265	320,746
Low fertility	21,133	32,489	40,265	45,569	49,542	188,998
Ageing	8,367	12,809	18,040	14,075	18,511	71,802
Growth engine	7,987	11,614	12,644	13,236	14,119	59,600
Others	13	66	84	89	94	346

How to invest (2)

Insufficient family support

Family-related support in OECD countries

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

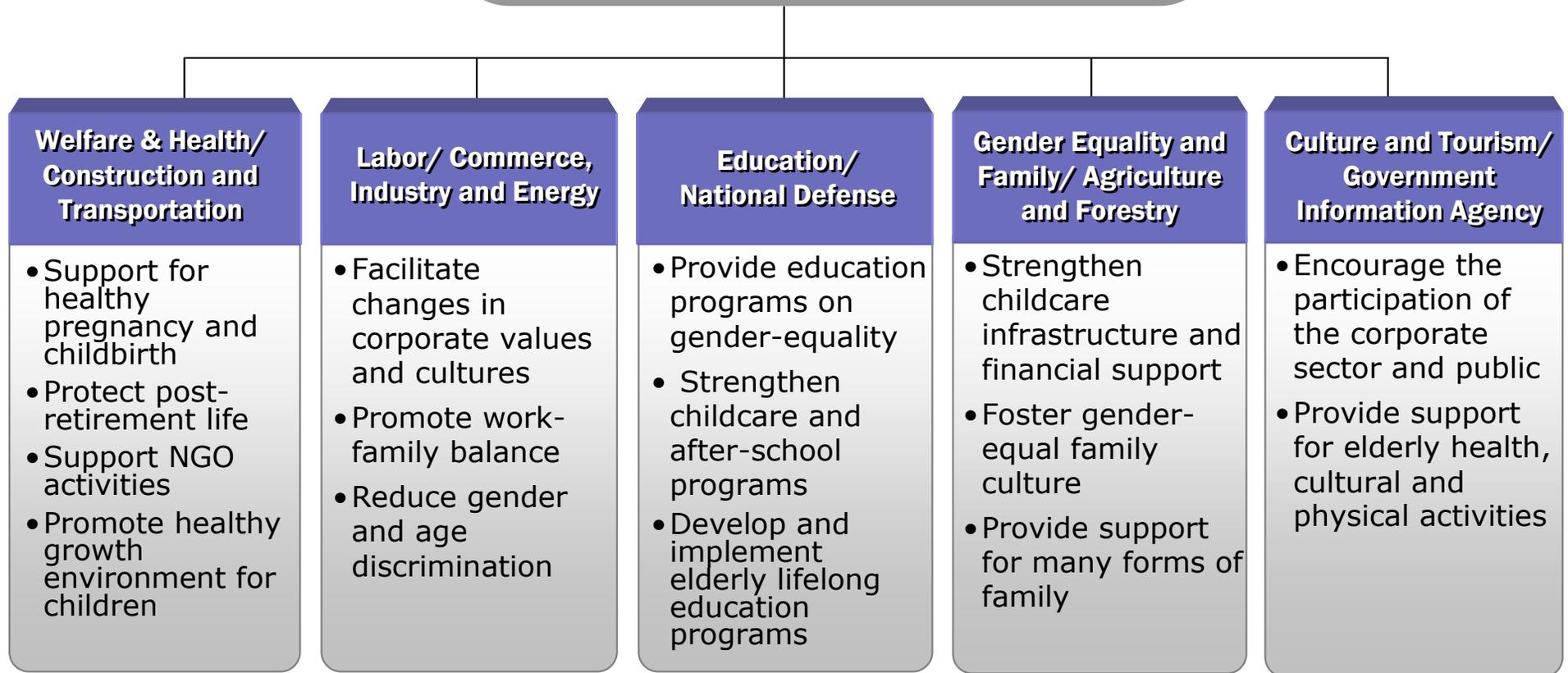


Source : OECD(2004), Social Expenditure

※ Family allowance, maternity and childrearing leave allowance, income supplement, pregnancy allowance, school lunch program, and others, included.

Who does what

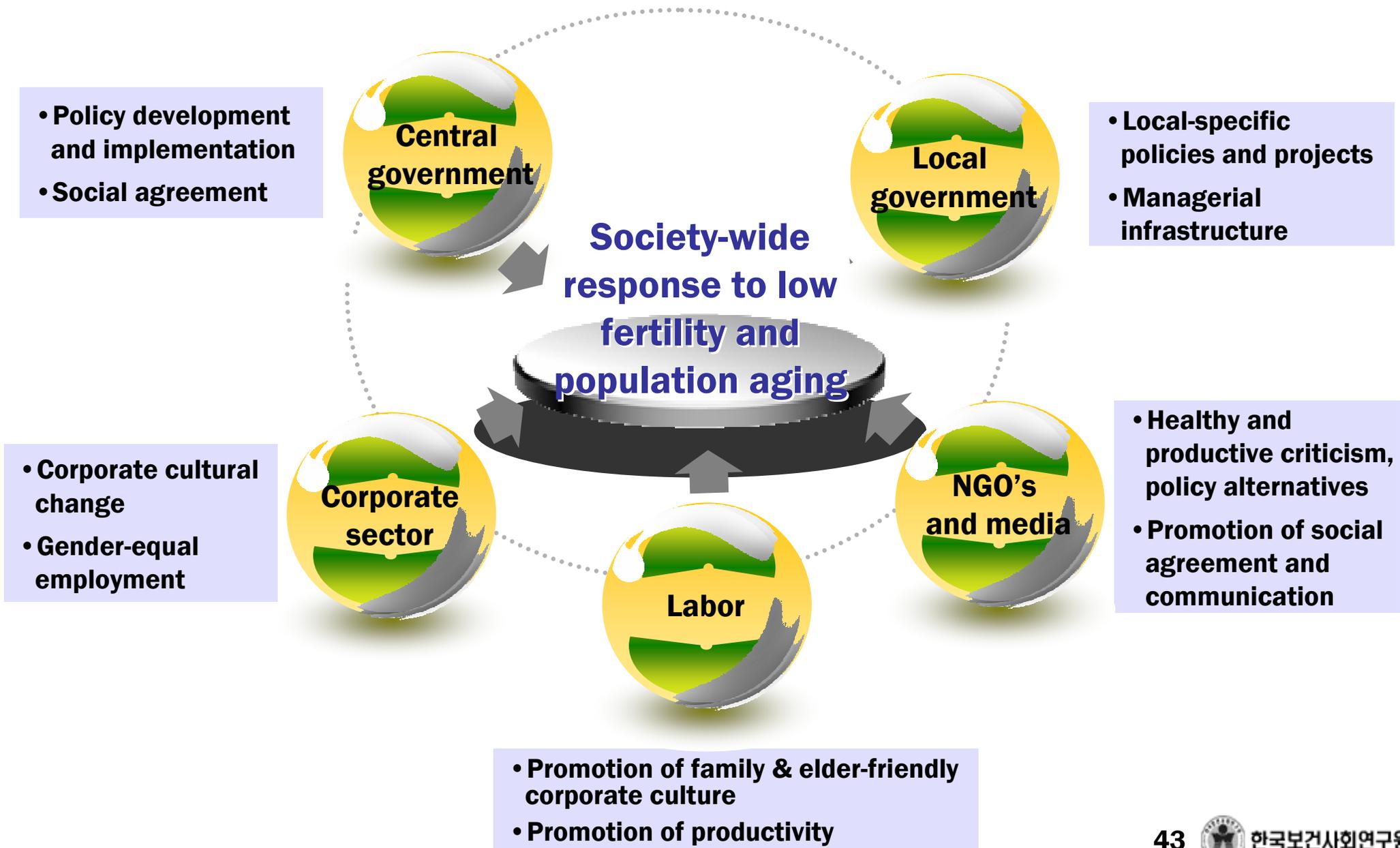
Presidential Committee on Ageing Society and Population Policy



**Finance and Economy:
Financing of needed services**

**Planning and Budget : Setting of
policy priorities**

Society-wide cooperation



Thank you