

# **SOUTH KOREA'S AGEING DEMOGRAPHY AND ITS CHALLENGES**

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## **Executive Summary**

1. With rising life expectancy and plummeting birthrates, South Korea is about to undergo a stunning demographic transformation. The United Nations estimated the share of population aged 60 and above in South Korea will increase from 18.5% in 2015 to 31.4% in 2030 and 41.5% in 2050, making it one of the oldest countries in the world.
2. To date, policies have not been effective in increasing total fertility rate (TFR). South Korea's TFR in 2015 was 1.3 children per woman, lower than the global average of 2.5 and slightly higher than Hong Kong's 1.2, Thailand's 1.2 and Taiwan's 1.1.
3. Along with low TFR is greater longevity. Life expectancy at birth in South Korea was 78 years old for male and 84.6 for female between 2010 and 2015, much higher than the global average (68.3 years old for male and 72.7 for female).
4. The ageing demography has altered South Korea's labour force. The share of workers aged above 60 had increased from 9% in 2000 to 14% in 2015 whereas the share of young workers aged 15-29 declined from 24% to 16% during the same period.
5. Economic growth prospect will be shadowed as saving, consumption and investment are expected to decline subsequent to the ageing demography. The National Assembly Budget Office in South Korea forecast that the changing demography will drag down average economic growth from 3.8% in 2014-2020 to 2.6% in 2016-2030 and 1.7% in 2041-2045.
6. Rising female, youth and the elderly's employment participation will alleviate the impact of the shrinking young working population. South Korea will also have to largely increase productivity, particularly in services, in order to maintain the country's future economic prosperity.

7. The greater ageing population also means that the young adults' financial burden to support the elderly will be heavier. In 2015, two young South Korean support one elderly. In 2030, however, it will become almost one young Korean support one elderly according to the United Nations' forecast.
8. There is also the greater demand for pension after retirement. South Korea's expenditure for senior and survivors' pension was 2.5% of its gross domestic product in 2012, lower than OECD countries' average of 7.9%.
9. Due to the insufficient financial support for the elderly from both government and young family members, many senior citizens are living in poor conditions. In 2013, the relative poverty rate for those aged 65 and above in South Korea stood at 48%, more than four times the national average ratio of 11.8%.
10. A wide range of policy reforms that incorporate comprehensive social welfare provision and flexible employment are imperative in the face of a rapidly ageing population. More importantly, South Korea will have to seek new approaches to sustain economic growth without adding too much financial burden on taxpayers.