

South Korea's demographic challenges and Intra-Asia-Pacific Cooperation

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South Korea faces serious demographic challenges, heading to one of the fastest ageing population and the lowest birth rate with 0.78 per a woman in the world—much lower than Japan's fertility rate at 1.26 - to become a super-aged society by 2025. By then, the proportion of people aged 65 years and over will reach 20% of the total population of South Korea. In 2020, for the first time since the country's founding in 1948, South Korea registered a [net population decline](#).

Economically, the low fertility rate has already serious consequences for South Korea's economy. The most obvious problem is a decline in the economically active population (15–64 year olds) from 37.4 million in 2015 to 20.6 million in 2065 — a drop of more than 55 per cent if the current trend continues persistently in next some 30 years. As a result, South Korea is likely to suffer diminishing consumption, waning of investment, a budget imbalance in which welfare expenditure on the elderly will soar while tax revenue will decline and a pension shortfall is inevitable.

Given these demographic challenges, South Korea should consider to open domestic labor market systematically to foreign workers who can become permanent residents and also to introduce a formal immigration policy to resolve on-going demographic crisis.

In 2004, South Korea began accepting low-skilled foreign workers, who can fill in labor demands in rural farming, construction, and care-giving for elder people, etc. South Korea had about 49,000 long-staying foreign nationals in 1990, increased to 2.52 million by the end of 2019, making

up 4.9% of a population of about 51 million. About 40% of these foreigners are Chinese, mostly people of Korean descent. Korean Chinese are in great demand because they speak the same language and share a similar diet. Long staying foreign nationals are also allowed to exercise voting rights to elect public officials. As such, foreign migrants can now influence South Korea's domestic socio-political scenery.

South Korea has maintained a long homogenous ethnic identity, which can no longer sustainable. Japan has also started to adopt similar foreign worker policies. So we can learn each other on the policy implementation of foreign workers' migration. South Korea also needs to collaborate with labor surplus Asia-Pacific economies to ensure mutually beneficial international movement of labor forces including Korean language schools and some on the job training.

In addressing the super-aged society, South Korea will face rising social welfare costs to deal with underemployment, youth unemployment, and increasing healthcare costs. Another critical matter is to revamp national pension system to ensure long term sustainability for future generations under a principle of more contributions and less payment. Prevailing political populism tends to make it harder. Domestic consensus is needed to develop economic growth cum needed social welfare expansion.

South Korea's wrenching demographic challenges are also likely to impact greatly South Korea's socio-political future. There are four distinctive age cohort groups in Korea, which have very different views on South Korea's politico socio economic system. First, there is Korea War generation and the postwar baby boomers in their late sixties and older. Second, the Democratization Generation (known in South Korea as the 386 Generation) now in their fifties and early sixties, who were born in the 1960s and involved their diehard activism against high-growth oriented and militant governments during the country's democratization in the 1980s. Third, the first post-democratization generation in their forties known as Generation X. Finally, there is the millennium generation in their twenties and thirties, known as MZ

grown up in an affluent South Korean society but face growing economic angst.

While South Koreans of all ages support democracy in principle, the four generation groups respond differently to emerging international conflicts and inter-Korean relationship. North Korea has been perceived very differently by each generation: from totally anti- North Korean regime by the war time generation, to a more accommodative stance to North Korea's "self-reliance" doctrine by the 386 generation, and then rather indifferent attitude towards North Korea by younger generations. Given ideological differences, it is critical challenge how South Korea to ensure a consensus based robust democracy in case of serious potential inter-Korean conflicts.

In addressing worsening income inequality and related social welfare programs, perception gaps across different cohort groups are another serious issue. Politicians tend to take an advantage of the generation gaps to win popular support by adopting highly populist policies at the expense of unborn future generations. It is a big challenge for South Korea how to implement effective mechanism for inter-generation dialogues to reach a national consensus towards a truly open democratic welfare state.

On the low fertility issue, South Korean mothers' average age at their first birth was 33.5 in 2022, compared to an OECD average of 28.3 in 2019. All adults in South Korea are fully aware of the country's 'educational hell'. They themselves were subjected to going to a myriad of extra-curricular schools after school and being under pressure for their children to excel at school for their successful careers. As a result, education costs in the country are extremely high. Given these competitive high educations cost, younger generation also wants to have more time for themselves and to focus on their career and to keep their freedom and independence, placing a married life on a second priority.

To a certain degree, most of Asia-Pacific economies face demographic challenges one way or another. Most of South Korea's policy responses to complex demographic challenges offer some valuable lessons to other Asia-Pacific economies. Simultaneously, South Korea should learn

lessons from other Asia-Pacific economies' policy prescriptions to respective demographic issues. Especially, Asia-Pacific economies should coordinate each other on needed cross-country migrations of their citizens.