

Issues & Challenges of the Aging Society in South Korea

By Insill Yi



Author Insill Yi

The Fastest-Aging Country

South Korea will enter a super-aged society (20% of the population aged 65 and over) in 2025, just seven years after becoming an aged society. Japan became a super-aged society in 10 years, Germany in 36 years, and France in 39 years. The median age in South Korea has increased by 13.7 years this century, from 31.8 years in 2000 to 45.5 years in 2023. This is in stark contrast to the increase in the median age in Japan (8.2 years), the United States (3.7 years), and the average for OECD countries (3.7 years) during the same period. Currently, the proportion of elderly people in South Korea is close to the OECD average (19.1%), but is expected to surpass Japan and become the world's largest by 2045.¹

What Are the Causes of Accelerated Aging?

First, South Korea has the fastest-growing life expectancy among OECD countries, having increased by 7.5 years from 76 years in 2000 to 83.5 years in 2023. This compares to Japan's 3.5 years, the US's 2.5 years, and the OECD average of 3.8 years during the same period. By 2040, life expectancy in South Korea is expected to reach 87.2 years, the highest in the world.

Second, the baby boom period is long and quantitatively large. The first baby boomers (born 1955-1963) of 7.05 million (13.7% of the total population) and the second baby boomers (born 1964-1974) of 9.54 million (18.6% of the total population) make up nearly one-third of the total population when combined. Starting in 2020, South Korea's baby boomers began to enter the elderly age group. The elderly population proportion is expected to increase by an annual average of 0.93 percentage points until 2040, doubling the rate of aging compared to the previous trend.

The last but not least reason is that the ultra-low birth rate has been rapidly worsening since 2015. The total fertility rate plummeted from 1.24 in 2015 to 0.72 in 2023.

Aging Threatening Economy & Society

The consequences of South Korea's rapid aging population pose a risk of stalling economic growth. As the working-age population is shrinking faster than the total population, the contribution to the growth of labor input is expected to turn negative after 2030. Several economic research institutes are predicting that the real economic

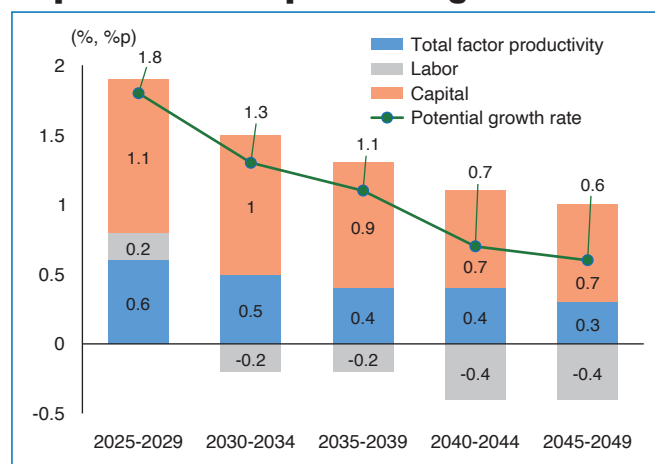
growth rate will drop to the 0% level around 2040. The Bank of Korea (BOK) is also warning of negative growth after 2050 if the ultra-low birth rate continues (*Chart 1*).²

There are growing concerns that South Korea's social welfare system may collapse. The ratio of national debt and public social welfare expenditure to GDP is expected to increase rapidly from 43.6% and 12.5% in 2020 to 144.8% and 27.6% in 2060, respectively (KDI, 2023).³ Without reform of the national pension system, it will fall into a deficit in 2041 and the fund balance will be completely depleted in 2056. The so-called four major pensions (National Pension, Civil Service Pension, Teachers' Pension, Military Pension) are expected to fall into a deficit in 2040. The increase in pension and insurance benefit expenditures due to a one-year increase in life expectancy in the future is expected to reach 111.6 trillion won annually.

Although structural reform is inevitable for the social welfare system to be sustainable, most countries are finding that implementing reforms is by no means easy. Pension reform in South Korea is becoming more urgent as the population rapidly ages. Structural reform is difficult without a social agreement that resolves not only intergenerational conflicts but also conflicts among income classes within the generations. Ultimately, as the elderly dependency

CHART 1

BOK forecast of contribution by factor of production & potential growth rate



Source: Bank of Korea (2024), BOK Issue Note 2024-33.²

ratio (the number of elderly per 100 people of the working age population) rapidly increases, social welfare expenditures increase, and pension financial status and government financial status deteriorate. It is raising concerns among the public, especially among the younger generation, that the social welfare system may collapse.

Even within the elderly population, the proportion aged 75 and over, who have relatively high demands for care, medical care, and nursing care, has begun to rise rapidly, increasing 3.4 times over the past 25 years. This is a rate more than four times that of the OECD average, and by 2050 one in four South Koreans is expected to be aged 75 or over. In particular, the shortage of care service personnel, for whom explosive demand growth is expected, will become more severe. The number of elderly people living alone is already expected to reach 2.19 million in 2024, and it is expected to more than double to 4.93 million in 2050. The number of elderly people with dementia is even more serious, with the estimated 980,000 in 2023 rising to 3.15 million in 2050.

The rapid decline in the working-age population, which has already begun, will lead to a serious shortage of workers across many major industries. The industries with the highest labor shortages are mainly service industries such as health and welfare, food and lodging businesses, information and communication, public administration and national defense.

Deepening of Imbalance & Inequality

The aging trend is expected to worsen inequality and imbalance throughout South Korean society. Since the Korean War in 1950, the South has experienced an economic society with relatively low inequality. However, aging is expected to inevitably deepen inequality and imbalance. Even within the elderly, the older the elder, the less prepared they are for their retirement. The income gap is also large, leading to medical accessibility and health gaps, which are factors that deepen imbalance.

Although the demand for care is expected to increase rapidly, the number of care workers by occupation and facilities by region has not been expanded properly. While the metropolitan area including Seoul has a shortage of nursing facilities due to high real estate prices, there is a regional gap in which nursing facilities are surplus in local areas. The vicious cycle of widening gaps in regional living standards and local government finances continues due to large differences in the pace of aging among local governments and regions. In regions with a high proportion of elderly people, local tax revenues decrease and social welfare spending increases, worsening local finances and further accelerating the extinction of local regions. The elderly population ratio in Uiseong-gun, Gyeongsangbuk-do, which is the highest among basic local governments, is already at 47%, in contrast to the lowest in Sejong city, which is at 11.5%.

Vulnerable Living Conditions of the Elderly

One shocking phenomenon shows that South Korea has the highest elderly poverty rate among OECD countries. As of 2022, it is 39.7%, compared to the OECD average of 14.8% as of 2020. This is largely due to the fact that individuals did not have the capacity to prepare for old age, and public pensions were created late, so their level could not help but be low. The poor elderly have no choice but to work in low-paying jobs to make a living. The elderly employment rate has been on a steady rise since 2015, reaching 37.3% in 2023 (*Chart 2*).⁴

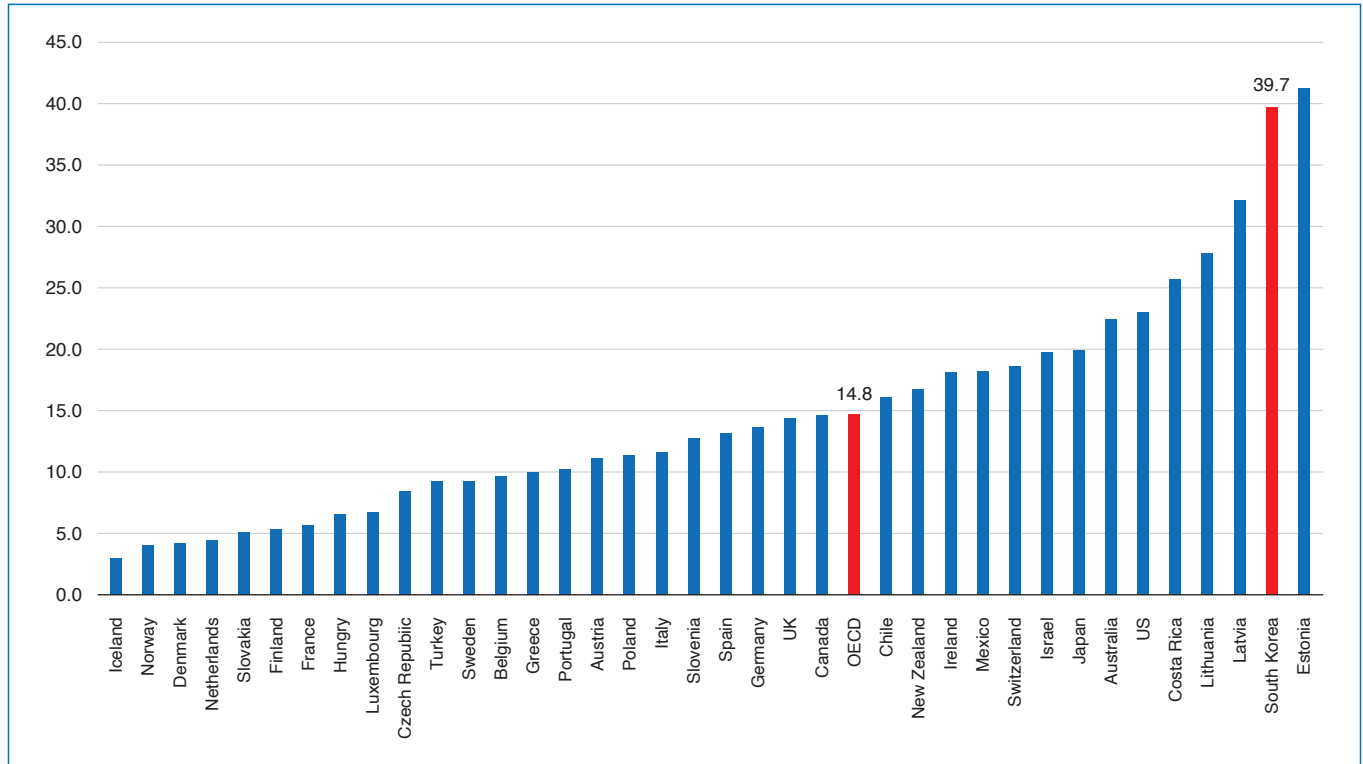
Comparing 2012 and 2022, life expectancy increased by 1.8 years, but healthy life expectancy has stagnated over the past 10 years. As a result, the duration of illnesses increased by 1.7 years from 15.2 years to 16.9 years. This limits individual activity and independence and acts as a burden on family members and society. In contrast, the perception that the elderly must be cared for at home is quickly disappearing. As the number of elderly people living alone increases and the sense of isolation among the elderly increases, the rate of deaths from loneliness and suicide among the elderly is very high. The suicide rate among people aged 65 and older was 42.2 per 10,000 people in 2022 in South Korea, which is extremely high compared to Japan's 17.3 and the OECD average of 16.5. The risk of suicide tends to increase with age.

Preparing for a Vulnerable Aging Population

Despite the gravity and urgency of the hyper-aging problem, public awareness is still weak. Like the “frog in boiling water” syndrome, the general public, especially the younger generation, is preoccupied with current pressing issues and perceives it as a problem that is too far in the future. Despite the expected negative impact of demographic structural changes, preemptive and fundamental policy response efforts have been lacking. The government has prepared and implemented “Basic Plans for a Low Birth and Aging Society” four times, every five years since 2006, but they have focused more on the low birth rate than on the aging society.⁵ Due to a lack of understanding of the pace of aging, social discussion and agreement on age-friendly welfare systems and labor market reforms in response to changes in demographic structure have not been properly achieved.

Although responding to the aging population issue requires an integrated approach across various areas, including healthcare, welfare, employment, housing, education, and industry, similar or overlapping projects have been carried out separately by each government ministry without organic linkage. For example, since the enactment of the Elderly Welfare Act in 1981, the issue of free subway rides by seniors over 65 has become a social issue, but there has not even been a full-fledged discussion yet. Based on individual laws, each ministry has established and implemented countermeasures for the aging population. The Ministry of

CHART 2

Elderly (65-plus) poverty rate

Source: OECD, *Social and Welfare Statistics*⁴

Employment and Labor has established and is implementing the “Basic Plan for Promoting Senior Citizens”. On the other hand, the Ministry of Health and Welfare has established and is implementing the “Comprehensive Plan for Supporting Senior Citizens’ Employment and Social Activities”.

Policy Blind Spots Still Remaining

Public spending to address the aging population is rapidly increasing, but there are still blind spots in policies that are not receiving benefits. South Korea’s public social welfare and social security expenditures are still low compared to major countries that have experienced aging. The public transfer ratio to elderly income is 30.0% as of 2023, which is far below the OECD average of 57.3%. However, the average growth rate of public social welfare expenditures in South Korea over the past 10 years is 9.3%, more than twice the OECD average of 4.1%. Considering the speed of aging, the GDP share of public social welfare expenditures is expected to increase from 15.7% in 2024 to 24.0% in 2050 even under the current level of social welfare coverage. So far, the government’s support for the elderly has been mostly cash support centered on the vulnerable low-income class. Despite the expansion of basic elderly pension support to the bottom 70% of income, the

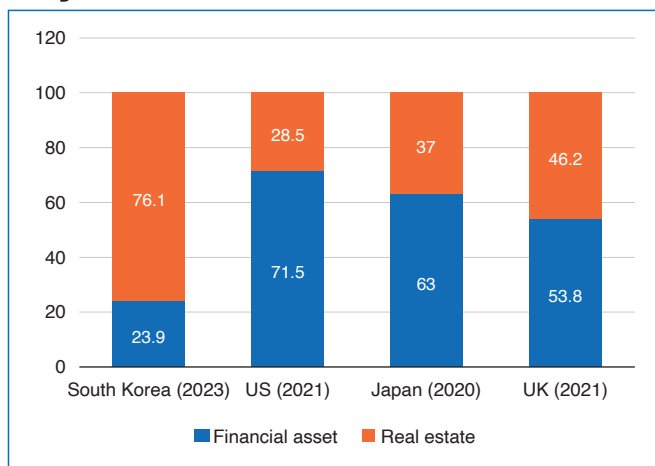
poverty rate among the elderly is still the highest. This means that efforts to establish an employment support system for the economic independence of the elderly are not enough.

Since the elderly have been only recognized as vulnerable and dependents, blind spots in government policies are emerging. As the baby boomers’ education and income levels have increased significantly compared to the past, current employment does not match their level. In their main jobs, they retire at 52.8 years old, but their desired working age is 73.3 years old, a gap of more than 20 years. Furthermore, most of them are far from utilizing the human capital they have accumulated throughout their lives, and they end up working in low-paying, short-term jobs. Some 34.6% of elderly workers are simple laborers, 23.3% are engaged in agriculture, forestry, and fisheries, and only 5.8% are managers and experts. The income of the elderly is only half that of workers in their 40s. Meanwhile, the proportion of real estate among assets they own is very high. As of 2023, real estate assets account for 76.1% of household assets in South Korea, while financial assets account for only 23.9%. This is in comparison to Japan, where real estate assets account for only 37% as of 2020. The Korean elderly are relatively wealthy in real estate, but do not have much cash to spend their wealth (Chart 3).^{6, 7, 8, 9}

Housing facilities for the elderly are polarized into public rental

CHART 3

Composition of household assets in major countries



Source: Statistics Korea (2024b),⁶ US Census Bureau (2024),⁷ Statistics of Japan (2020),⁸ Office for National Statistics (2025).⁹

housing for the low-income class and silver towns for the high-income class. There is no housing support service for middle-class elderly people. Efforts to create a safe and convenient elderly-friendly infrastructure within local communities are also lacking. The proportion of elderly deaths from pedestrian accidents is increasing. Policy considerations and support are needed to qualitatively improve the employment environment for the elderly and increase their asset liquidity.

Reality Facing South Korea

Thanks to the introduction of long-term care (LTC) insurance in 2008, public care for the elderly is increasing. However, the proportion of family care is still at an absolute high at 81.4% (MOHW and KIHASA, 2023).¹⁰ In 2022, the proportion of elderly people in need of LTC in South Korea was only 3.0% (26th out of 29 OECD countries), but it is expected to increase rapidly to 7.4% in 2050, ranking first among OECD countries. The increase during this period will also be the largest, at 4.4 percentage points compared to the OECD average of 1.2 percentage points and Japan's 1.6 percentage points, from 5.4% to 7.0% (OECD, 2024).¹¹ The number of beds in nursing hospitals is 32.2 per 1,000 people, which is excessively high compared to the OECD average of 3.5. It is estimated that 30% of nursing hospital patients are LTC patients who do not need hospitalization. The number of patients with mild symptoms admitted to nursing facilities is increasing, and the high-cost system centered on nursing facilities and hospitals for the elderly is becoming entrenched.

South Korea is not ready to accept this abnormal situation, not only in terms of social atmosphere but also financially. The number of LTC insurance beneficiaries, which was only 214,000 when the

system was introduced in 2008, has increased by about five times to 1,165,000 by the end of 2024. It is expected to increase to about 3.34 million by 2050. The OECD predicts that the total LTC-related spending of member countries will increase by 2.5 times from the current level by 2050, and South Korea's growth rate is expected to be steeper than the OECD average. This means that the related financial burden will increase accordingly (Chart 4).

Improvement Tasks & Concluding Remarks

If the elderly maintain their health, 87.2% of them want to continue living in their current home, while even if their health deteriorates 48.9% of them want to continue living there. South Korea's policy measures to prepare for the elderly are focused only on medical care and nursing. There is a lack of systematic legal and institutional devices for community-based prevention, care, and support for the elderly as they age. The elderly are isolated from the community due to deteriorating health or are managed by the health insurance system instead of nursing care.

An Aging-in-Place (AIP)-friendly environment must be established so that the elderly can live in their own way in their community until the last moment of their lives. Residential services that guarantee a healthier and safer life for the elderly must be provided. To this end, it is necessary to secure technologies for housing for the elderly and establish an institutional foundation for activating the related ecosystem. Through systematic creation and management of space and services, the elderly should be supported to be able to participate in the community safely and healthily. In addition, a sustainable ecosystem should be established based on active participation of the private sector.

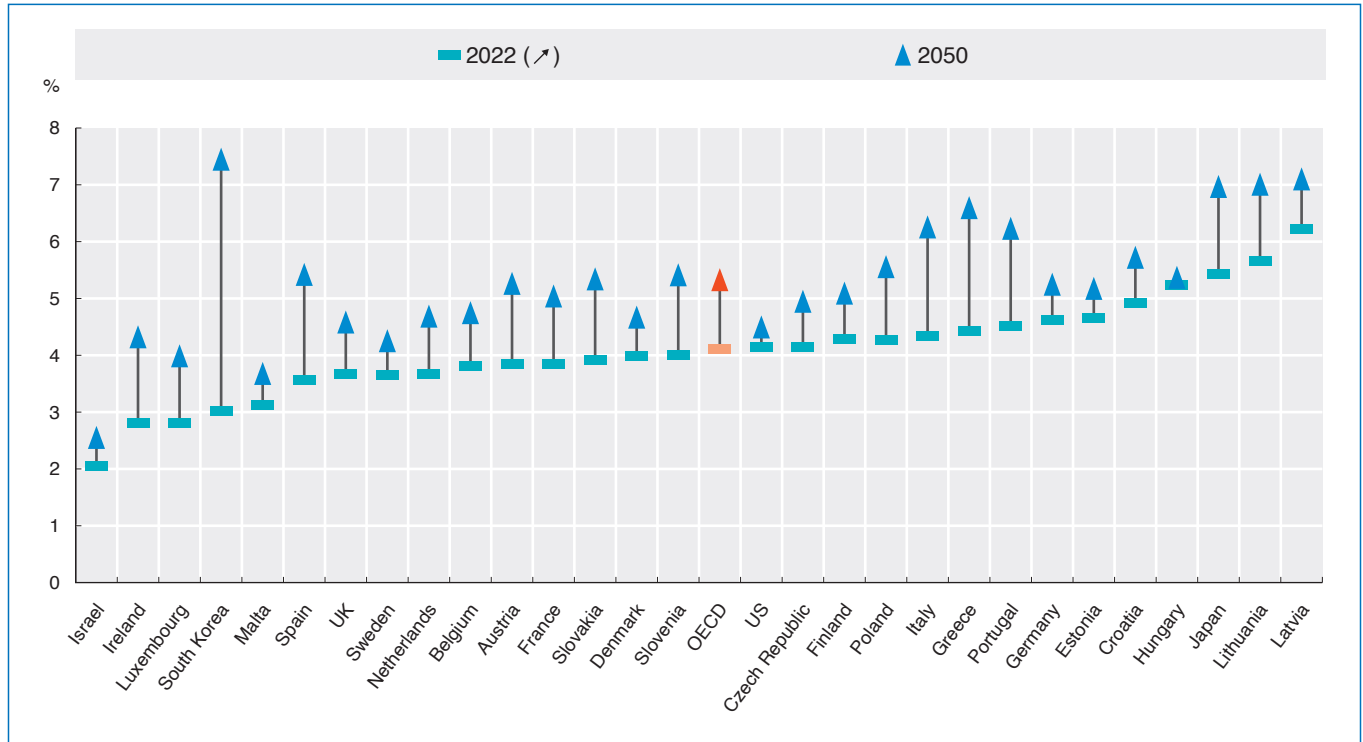
There are growing calls for strategically fostering the industry associated with age-technology (Age-Tech), which can become a new growth engine. To this end, it is necessary to improve related strict regulations and increase institutional support to attract private suppliers in various fields such as digital healthcare, wellness, and living support.

Entering a super-aged society is the most important challenge facing South Korean society. Although it is a predicted change, there has been insufficient public interest and understanding of the importance and urgency of the demographic change problem. Even if the low birth rate trend reverses in the near future, the cumulative impact of demographic structural changes is expected to continue for some time. The second baby boomers will begin to enter the legal retirement age of 60 over the next 10 years. The first baby boomers will enter the prevalence population group (75 years over) in five years. If the reformative structural improvements fail, the ripple effect of aging will be amplified and the social costs and conflicts to resolve it will reach a level that is difficult to handle. The next 10 years will be the last golden time.

The demographic change is a problem that determines the sustainability of the country and requires a fundamental

CHART 4

Projected shares of older people with needs in the total population



Source: OECD (2024), "Is Care Affordable for Older People?", OECD Health Policy Studies, Figure 2.9 A. p.40.¹¹

transformation and innovation of the economic, social, and welfare systems. From a future-oriented perspective, South Korea must find a reasonable balance between welfare demand and ability to pay, and innovate the high-cost, low-efficiency medical care system. It is no longer necessary to delay expanding the economically active population by extending the retirement age for the elderly.

It needs to improve productivity through elderly-friendly innovation and to pursue a sustainable social model and new growth strategy suitable for a super-aged society. In the process, the government, businesses, and all citizens must work together to increase the practicality and social acceptability of policy responses, to elicit national understanding and support, to accept the changes in the super-aged society, and to practice change with awareness.

References

1. **Statistics Korea** (2024a), Future Population Projection 2022-2052.
2. **Lee, Eun-Kyeong et.al.** (2024), "Potential growth rate and future prospects of our economy", BOK Issue Note 2024-2033.
3. **Lee, Kang-Koo et al.** (2023), "Research on Structural Reforms to Enhance Sustainability of the Public Pension System", KDI Research Monograph 2023-06.
4. **OECD** (2023), Social and Welfare Statistics.

5. **Presidential Committee on Aging Society and Population Policy**, "1st-4th Basic Plan for Low Birth Rate and Aging Society", 2006, 2011, 2016, 2021.

6. **Statistics Korea** (2024b), 2024 Household Financial Welfare Survey.

7. **US Census Bureau** (2024), "The Wealth of Households: 2022," Current Population Reports, P70BR-202.

8. **Statistics of Japan** (2020), "National Survey of Family Income, Consumption and Wealth".

9. **Office for National Statistics** (2025), January 2025, ONS website, statistical bulletin, "Household total wealth in Great Britain: April 2020 to March 2022.

10. **Ministry of Health and Welfare (MOHW) and Korea Institute for Health and Social Affairs (KIHASA)** (2023), Elderly Status Survey.

11. **OECD** (2024), "Is Care Affordable for Older People?", OECD Health Policy Studies, OECD Publishing, Paris.

JS

Dr. Insill Yi is president of the Korean Peninsula Population Institute for the Future. She is a former professor of Sogang University, and has served as 12th Commissioner of Statistics Korea under the Ministry of Economy and Finance. She is also honorary president of the Korean Economic Association.