

Preparing for the Future: Policy Responses for South Korea's Aging Population

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Abstract: South Korea has one of the fastest demographic transitions in OECD countries, with fertility rates being low and ageing rapidly, which jeopardizes its long-term economic sustainability and social interactions. This paper aims to evaluate the effectiveness of South Korea's policy responses to population aging and identify the governance challenges to the sustainability of these responses. This paper is based on a qualitative policy analysis framework that is a combination of document analysis, secondary data analysis and comparative assessment with France and the Netherlands and analyzes three areas: pension and fertility reform, labor market participation and migration management. It has been found out that Korea has partially succeeded in widening the scope of welfare, encouraging women and the elderly to work and opening the selective migration policy. Nonetheless, limited effectiveness has been caused by fiscal pressure, gender inequality, inflexible labor institutions, and poor policy coordination. This paper finds that population aging in South Korea is not just a demographic or economic problem but a multi-dimensional governance problem. The experience of Korea is a good lesson to other countries that have experienced the same demographic transition.

Keywords: South Korea, population aging, pension reform, labor market, immigration policy, demographic transition

1. Introduction

The demographic transition in South Korea is at an important period. According to the statistics on the senior population (Yonhap News Agency, 2020)[1], the number of citizens 65 years and older exceeded nine million, which makes up 17.5 percent of the population. This fraction is expected to increase to 40% in 2050 whereas the fertility rate has decreased to the lowest in the world, 0.78 (World Bank, 2023)[2]. Rapid population changes of this sort pose a threat of overturning the population pyramid and compromising the economic viability and social stability. Reduction in labor supply threatens the sustainability of growth, whilst increasing number of the elderly population is straining the pensions, health and long term care systems. Increased dependency ratios will also become a burden on younger generations by increasing taxes and social security expenditures. The institutional trust provided by distributional conflicts between taxpayers and beneficiaries can be undermined, whereas gender inequality, lack of childcare, and inflexible labor criteria keep holding women and seniors back in the workforce (OECD, 2018)[3]. The paper examines the policy responses of South Korea to population aging to uncover the main governance gaps and provide a solution to long-term demographic sustainability.

2. Methodology

First, the research design will use document analysis, comparative policy review, and interpretation of secondary data to offer a complete picture of the national policy responses. The primary sources of data are the official policy documents, government statistics, and the reports published by the OECD and the World Bank, as they provide the insights into demographic trends, welfare spending, and the dynamics of the labor market.

Second, by using examples of France and the Netherlands, which are mature welfare states to deal with the same issues of aging. Such instances put the policy performance of Korea in perspective and demonstrate the flexibility of governance under cross-national view.

Finally, the analytical framework entails the combination of descriptive assessment and interpretative arguments on the examination of policy effectiveness and limitations. The present paper highlights institutional, social, and cultural aspects of demographic governance.

3. South Korea Policy Responses to Population Aging

This section will discuss the ways in which the current policy framework in Korea copes with the problems of low fertility and declining labor supply and increasing welfare demands.

3.1 Reforming the pension system and encouraging childbearing

Pension reform and childbearing incentives are some of the main tools the Korean government has undertaken to combat the two issues of low fertility and aging. By 2025, the government has tried to establish what it regards as a society of sustainable happiness to all; this has seen efforts of ensuring that the quality of life among older adults is enhanced and also alleviating the financial strains of having children.

In order to promote child-bearing, the government has implemented a monthly childcare subsidy of 300,000 won to families with infants in 2022 and has considered increasing the sum to 500,000 won by 2025. There is also a 3+3 Parental Leave that gives each parent up to 3 million won per month three months in case both parents take parental leave towards a child who is below the age of 12 months. These projects are expected to enhance social security, coupled with meeting the short-term socioeconomic impacts of a falling birth rate.

While child subsidies and parental leave schemes may provide short-term relief, high childcare costs and entrenched gender norms may limit their overall impact on fertility behavior. Therefore, unless the culture is shifted in parallel with structural change, the success of such actions might not be as effective.

However, such welfare-oriented programs are not quite clear on long-term sustainability. The aging population is likely to increase pension and healthcare spending at a high rate, which will create the prospects of fiscal imbalances and increase the national debt. Although the latest pension reforms have been introduced, almost 40 percent of the older generation Koreans are living below the relative poverty line, which points to coverage gaps and benefit sufficiency (Kang J Eds, 2022) [4].

3.2 Increasing the labor force participation rate

Increasing labor market participation has emerged to be a significant measure towards mitigating the economic effect of aging, especially among women and older adults. The participation rate of labour force in South Korea is relatively low as compared to other OECD countries partly because of the traditional gender roles and the strict work practices in the country. The report produced by the OECD (2018) states that the Korean society still focuses on the primary earner of the family as being a man, with the person who cares as a woman, which makes the involvement of females in the formal workforce hard.

In order to overcome these limitations, the government has come up with flexible working schedules, employment on a part time basis, and schemes that can enable retirees to resume working. However, these measures have deep-rooted challenges. The workplace culture in Korea still prioritizes long working hours and presenteeism as main hindrances to women who aspire to both work and raise a child, and those who are elderly and may not be able to work due to their physical limitation.

Moreover, the policies to encourage retirees to reemploy can face social opposition in case the perceptions towards aging and retirement do not change in society. Lee (2022)[5] argues that despite the possible trend in the employment rate of the elderly workers, the scale of the demographic reduction will still decrease the total of labor supplied in excess of 10% of the same over the following 20 years. This implies that policy changes should not be limited to the economic incentives alone but they need to focus on the cultural and organizational changes taking place in the environment of the Korean labor market.

3.3 Alternative migration policy

With the constraints in domestic labor and fertility policy, migration has been considered as a possible demographic adjustment mechanism. As an example, the Netherlands has developed the Inburgering program of civic integration, where immigrants are offered language training, vocational education and job placement, among others, as an incentive to facilitate easier integration (Mamadouh, 2012)[6]. Similarly, France has formulated various language and cultural adaptation programmes to help the immigrants enter into the workforce.

However, the policy of migration has not been taken seriously in South Korea yet. The traditional immigration policy in Korea has been based on short-term foreign labor, leaving very few opportunities to the social integration and citizenship of immigrants. According to Rygiel (2011)[7], marginalization and social tensions between the immigrants and the locals may result due to the lack of strong integration programs such as language education and vocational services as well as social support.

The Korean context requires a more balanced and sustainable migration policy. Combined policy mechanisms of specific recruitment of skilled labor with comprehensive community-based integration initiatives would reduce the risks of polarization as well as meet the urgent labor requirements created by demographic aging.

4. Policy challenges and limitations

The policy reactions of the country are marked by a combination of short-term welfare growth and institutional

patchwork. This part illustrates the major issues which are hampering the performance of policies in Korea such as fiscal sustainability, labor market and social integration.

4.1 Fiscal Sustainability and the Welfare Burden

The biggest threat that the demographic governance of Korea is facing is the financial strain posed by their welfare obligations. With the population of individuals aged 65 and older growing at a fast rate, the amount of money spent on pensions and health care by the people is ever-increasing, and the number of working-age citizens is decreasing. Such an imbalance has a risk of undermining the sustainability of the welfare system (Kim, 2013)[8].

The issue of intergenerational equity also comes up with the dependency on redistributive transfers. The young employees who already have slower wage increases and high living standards are being pressured to pay more taxes to support the elderly and the retired workers. In addition, it would undermine social solidarity and support of the expansion of welfare. Thus, Kim, S points out that the lack of a delicate compromise between social protection and fiscal prudence would put Korea in the position of increasing inequality at the expense of weakening the transparency of the welfare state.

More importantly, pension reform needs to be supplemented by more widespread structural changes, including raising retirement age, the proportionality of pension cover, and the connection between benefit rates and life expectancy to be financially sustainable.

4.2 Labor Market Rigidities and Gender Barriers

The second important issue is low female participation and restricted opportunities of the elderly employees have been sustained by the fact that most of the traditional gender roles, long hours of work and hierarchical corporate structures have still not been quenched yet. Policies that facilitate the introduction of flexible working and childcare services have been implemented, but still, deep-rooted social standards that shape women as caregivers persist.

Moreover, the Korean labor market is still characterized by the prevalence of the long-hour system and the elder-based system of seniority that do not encourage the reentry of retired people and the employment of older workers. Workplace flexibility and lack of motivations on the part of employers to hire senior workers restrict the potential of the aging population to make a contribution to the economy.

To solve these issues, introducing flexible hours and promoting workplace diversity in terms of age may help increase the number of people involved in different demographic uses. Moreover, there is a necessity in the campaign of social awareness and corporate stimuli redefining social views on gender equality and senior labor. In the absence of such cultural change, there is a low possibility of the demographic policies of Korea having sustainable outcomes.

4.3 Migration and the Challenge of Social Integration

The system currently in place is mainly based on seasonal foreign workers with no proper social integration and settlement prospects (Rygiel, 2011). Such a short-term, utilitarian strategy is dangerous in creating social disintegration and opposition to immigration by the population.

According to Mamadouh, initiatives like the Inburgering civic integration system in the Netherlands, language training, vocational assistance and cultural education have helped to introduce immigrants into the community, and make the local people accept them. Conversely, the lack of language support and a poor local-level coordination type hinders the participation of the immigrants into the Korean society and increases the risk of exclusion and xenophobia.

These attitudes towards immigrants have been negative due to the cultural homogeneity and a lack of intercultural contact, and usually this is transformed into political opposition to more open migration policies. Even the moderate immigration reforms can face social backlash without the conscious attempt to develop community-level involvement and trust.

5. Policy Implications and Recommendations

Based on the previous discussion, this section has three interconnected policy recommendations: (1) bringing in moderate and regulated immigration policy; (2) reorganizing the labor market to include an increased number of women and older employees; and (3) enhancing the social welfare coverage to guarantee intergenerational equity and financial viability.

5.1 Introducing a Moderate Immigration Policy

The existing demographic trends indicate that the domestic strategies, including the pension reform and the incentives of participation in the work force, cannot compensate the rapid decline of the working-age population. Therefore, it is important to implement the moderate immigration policy that would focus not only on the economic contribution but also on the social integration.

The government of Korea must pay attention to bringing in highly skilled immigrants in the areas where there are high labor shortages, e.g. healthcare, technology, and education. Simultaneously, the policies can not over-depend on unskilled temporary workers as they may contribute to the increase of social inequality and opposition among people.

Based on the European experience, Korea may create local centers where migrants can receive language training, cultural orientation, vocational orientation, and housing assistance. These would not only make the immigrants more adaptive, but also make people accept them better, as they would no longer perceive them as a cultural threat. In the long-run, a migration policy that is socially embedded may enhance labor supply, economic productivity, and intercultural understanding, which will help a country to be resilient during a demographic transition.

5.2 Reforming the Labor Market

First, women can be allowed to deal with work-family pressure by extending flexible work options like telecommuting, part-time employment, and alternative scheduling, which will reduce the gender employment gap. These reforms should be supplemented by enhanced childcare services and incentives by the employer to facilitate parental leave. These actions are imperative to the growth of female labour force and the reduction of economic costs related to female occupational segregation.

Second, Korea needs to restructure the idea of retirement and enhance active aging. The encouragement of older people to continue with or re-enter the labor market not only helps to eliminate labor shortages but also helps to decrease any reliance on governmental pensions. The negative perception can be adjusted with the assistance of public awareness campaigns that will increase the emphasis on the social and economic importance of the older generation working. Moreover, businesses must be given a fiscal or regulatory boost to hire workers who are older by having re-skilling initiatives and policies that accommodate older workers.

In summary, the entire labor market reform involves coordination between the government, the employer and the civil society. It is only after structural and cultural obstacles are overcome that Korea will be able to tap into the underutilized human capital in a fully utilized manner and successfully adapt to the changing demographics in a sustainable way.

5.3 Expanding Social Welfare Coverage and Ensuring Fiscal Sustainability

Due to the change in the population structure, Korea will need to increase the number of people included in welfare coverage so as to secure weak population groups without compromising on fiscal discipline. In that regard, the government must follow a two-tier welfare policy, which would be universal protection and targeted fiscal policies.

To begin with, the extension of universal pension will help decrease old age poverty and guarantee minimal standards of living among retirees (Kim, 2013). This can be done through progressive reduction of eligibility requirements and contributions by the high income earners. At the same time, the implementation of individual pension plans will be able to diversify sources of income and will ease the burden on the state budget. Nonetheless, the state is required to give the right tax incentives, and it should exercise appropriate oversight over the regulations so that these instruments of the private sector do not fuel inequality.

Second, it is necessary to have a fully developed long-term care system to handle the increasing healthcare and geriatric needs, which may become instrumental in terms of increasing the number of care facilities and maintaining the quality of provided services. Additionally, it is possible to enhance efficiency and accessibility and minimize costs with the help of digital health technologies and community-based care models.

To achieve intergenerational equity, the policy makers ought to strive towards a balanced combination of tax changes, spending management, and pension redressing. Open fiscal administration and communication with society are also critical in upholding social trust and political goodwill towards such reforms.

6. Conclusion

The demographic transition in South Korea has advanced to the point where the policy adjustments made can no longer be done in small steps. The rapid aging along with low fertility rates constantly points to the demographic shift, as well as structural and cultural stalemate. This work has examined the policy responses in Korea: the pension reform, labor participation and migration management and discovered that although there has been improvement in welfare expansion and job creation, policy performance has been limited by institutional fragmentation, financial weaknesses and lack of consensus among people.

The Korean case is an example of a paradox of governance: the high level of administrative capacity is associated with low levels of inter-ministerial coordination and political transient interests. Expansion of welfare, despite being socially necessary, leads to a threat of fiscally dependent, without wholesale tax and pension reform, and generally labor policies fail

to address gender hierarchy rooted in deep-down assumptions. This policy stasis shows how the gap between institutional innovation and demographic reality exists.

The use of quantitative instruments like subsidies and tax breaks by Korea in its demographic governance is also too dependent on quantitative aspects of the country, whereas qualitative aspects like social trust and genetic solidarity have not been taken into consideration. It is necessary to move to a more participatory and adaptive mode of governance where the local governments, civil societies and citizens are involved so as to achieve real demographic resiliency. Finally, the issue of population aging is a issue of governance that requires economic efficiency as well as social justice. The changing experience of Korea can be used to impart some valuable lessons to other countries that are seeking to balance demographic transition and sustainable and inclusive development.

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