

## Can the Republic of Korea afford continuing very low fertility?

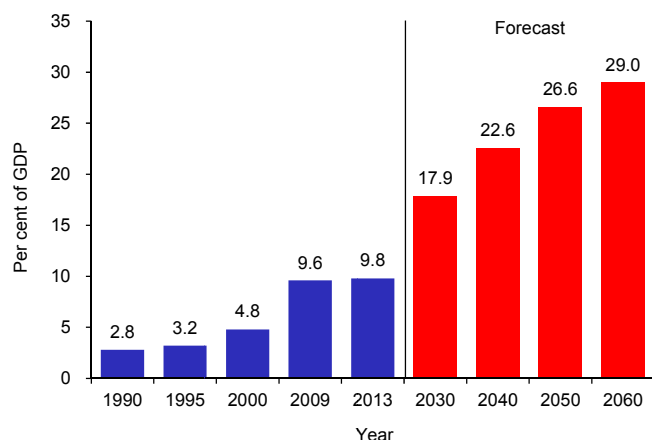
Policy Brief No. 14

Over the past half century, the Republic of Korea has experienced rapid economic growth accompanied by dramatic fertility decline. In 1960, Korean women had an average of 6.0 children each. By 1998, the country's total fertility rate had dropped to less than 1.5 births per woman, and it now fluctuates at around 1.2 births per woman, one of the lowest levels of childbearing in the world.

Given this prolonged period of low fertility, the Republic of Korea's child population and its working-age population has started to shrink. By 2060, if extremely low fertility continues, people aged 65 and above could account for 40 per cent of the total population.

The national pension and medical insurance programmes of the country will come under severe pressure as the number of beneficiaries expands while the number of contributors shrinks. Public social expenditure, which accounted for 9.8 per cent of gross domestic product (GDP) in 2013, is forecasted to rise to 29.0 per cent of GDP in 2060. Such an increase in government expenditures may not be feasible in a period when economic growth is expected to slow down. Indeed, the Government of the Republic of Korea may not be able to afford continuing very low fertility.

**Public social expenditure as percentage of gross domestic product (GDP), Republic of Korea, 1990-2060**



### Can families afford to have more children?

Rapid social and economic development in the country has brought major improvements in living standards, but

development has also made it more expensive to raise and educate children. Other factors contributing to low fertility include rising uncertainty about employment and income, the difficulty of balancing work and family obligations, and changing values within its society.

One major impediment to increasing fertility is the rise in expectations related to education. Today, about 80 per cent of the population enrolls in tertiary education after completing high school. The cost of tertiary education raises the long-run costs that parents anticipate when deciding whether to have a child. Private expenditure on education is highest in the Republic of Korea among all countries in the Organization for Economic Cooperation and Development (OECD). In addition, as young women become more educated, they obtain higher-paying jobs, so the opportunity cost of dropping out of the labour market to raise a child increases.

**Expenditure on education as a percentage of GDP by source of funds in seven OECD member countries, 2010**

	OECD average	Republic of Korea	United States	Canada	Sweden	United Kingdom	France	Japan
Public	5.4	4.8	5.1	5.0	6.3	5.9	5.8	3.6
Private	0.9	2.8	2.2	1.6	0.2	0.6	0.5	1.5
Total	6.3	7.6	7.3	6.6	6.5	6.5	6.3	5.1

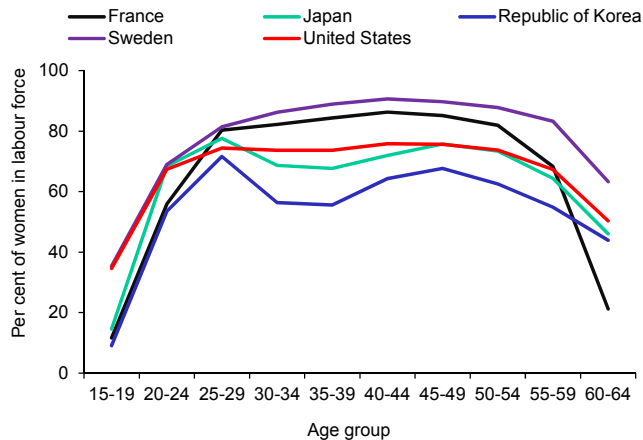
In the Republic of Korea, marriage rate has a strong effect on fertility because only about 2 per cent of all births occur outside of marriage. Yet young people have tended to postpone or even given up the prospect of marriage in recent years. In 1990, 9.5 per cent of men aged 30-39 were unmarried. By 2010, the proportion unmarried had risen to 37.9 per cent. Over the same period, the proportion unmarried among women aged 30-39 increased from 4.1 per cent to 20.4 per cent. In surveys, about 50 per cent of unmarried men reported financial reasons for not marrying. Unmarried women reported concerns about the cost of marriage and the difficulty in balancing work and family obligations.

### Can women have children and career both?

Women in the Republic of Korea who wish to work and raise a family face severe difficulties. There are several reasons for this: (1) traditional gender roles still prevail, with women fully responsible for housework and childcare; (2) most workplaces

are not family-friendly and do not provide flexible work conditions; (3) support from family members such as grandparents and other relatives has been weakened as more couples live in nuclear households; and (4) there is a shortage of centre-based childcare.

### Female labour-force participation rates by age in five OECD member countries, 2010



About 50 per cent of working women quit their jobs when they have their first child, resulting in an M-shaped curve for women’s labour-market participation by age. Women tend to work during their young-adult years, leave employment to stay home and raise children, and then return to work later in life. Yet women who quit their jobs to raise children are severely disadvantaged when they seek to re-enter the work force.

### What can the Government do?

In 1996, the Government of the Republic of Korea abolished its family planning programme and adopted a new policy emphasizing population quality. Two decades later, in an attempt to raise the fertility rate, the Government adopted three strategies: improving support for childbirth and child-rearing; fostering a family-friendly and gender-equal culture and society; and raising a healthy future generation.

To improve support for childbirth and child-rearing, the Government provides either fees for centre-based childcare and kindergarten or an allowance for childcare at home. The

availability of centre-based childcare is still inadequate, however. The Government also supports a free afterschool education programme and provides families with young children with tax exemptions and means-tested loans for purchasing or renting a house.

The Government has also made an effort to help parents balance work and family obligations. Employers are asked to provide 90 days of maternity leave at 100 per cent of salary plus one year of childcare leave at 40 per cent of salary, although both of these benefits are capped. In addition, employers must give male employees whose wives give birth five days of paternity leave, including three days at 100 per cent of salary and two days unpaid. Employers must also keep jobs open for their female employees who take maternity or childcare leave. Despite Government efforts, employers have been slow to introduce leave programmes, however, and employees have been reluctant to take leave. The Government has also attempted to expand workplace daycare centres, shorten work hours and increase the flexibility of working conditions, but with limited success.

After a quarter century of very low fertility, it is inevitable that the Republic of Korea will experience further population ageing. For this reason, the focus of policy also includes many provisions designed to help mitigate the problems associated with an ageing society.

### NOTES

This policy brief was prepared as background material for the United Nations Expert Group Meeting on Policy Responses to Low Fertility. It can be found online at <http://esa.un.org/PopPolicy/publications.aspx>. Queries can be sent to [PopPolicy@un.org](mailto:PopPolicy@un.org).

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