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South Korea Steps up Efforts to Halt the Falling Birthrate

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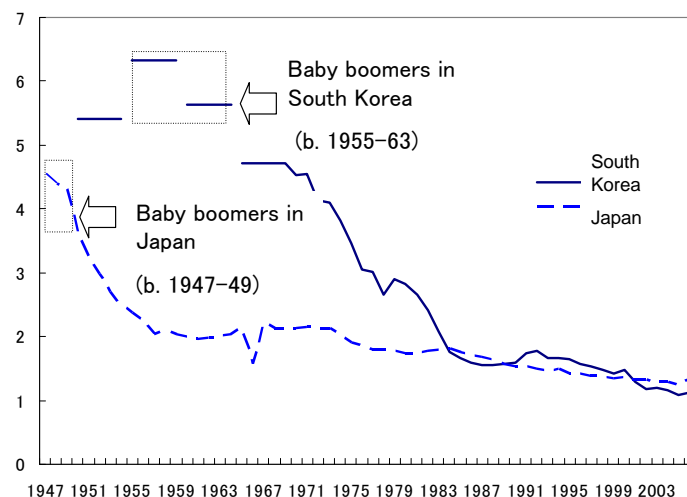
The birthrate in South Korea is falling even faster than in Japan. In 2006 the total fertility rate in the country was 1.13, lower than Japan's 1.32.

Due to the Korean War, the baby boom in South Korea came later—between 1955 and 1963—than in Japan (Figure). The fertility rate rose more than 6.0 in the late 1950s but suddenly declined after the government implemented a birth-control policy, falling to 2.08 in 1983. Since then, the rate has never climbed back above 2.10, which is considered as the replacement level needed to maintain a stable population.

In light of the larger than expected drop in the fertility rate, the South Korean government has reversed its population policy and halted its efforts to hold down the number of births. Nevertheless, the fertility rate has continued to fall. What factors are behind this trend?

The first factor is instability in the labor market, which has affected the wages and job security mostly of younger workers. While the overall unemployment rate in December 2007 was 3.1%, the same for the 20–29 age group was 7.1%, more than twice the national average. Moreover, the share of people employed in nonstandard employment—a high percentage of whom are women and younger workers—has risen from 26.8% in 2001 to 35.9% in 2007.

Figure
Total Fertility Rates in Japan and South Korea



Note: UN averages for five-year spans covering 1955–59, 1960–64, and 1965–69 were used because South Korean figures for fiscal 1955–69 are not available.

Source: United Nations, *World Population Prospects, 2006*; Korea National Statistical Office, *Population Projections for Korea*, various years; Ministry of Health, Labor, and Welfare, *Vital Statistics of Japan*.

The second factor is the rising cost of child rearing and education. Because of the strong enthusiasm for high scholastic achievement in South Korea, nearly 100% of schoolchildren today go on to high school, and over 80% of high school graduates advance to higher education (Table).

Table Advancement to Higher-Level Schools in South Korea (%)

	Elementary →Middle		Middle →High		High→College	
	Total	Female	Total	Female	Total	Female
1970	66.1	56.5	70.1	68.8	26.9	28.6
1975	77.2	69.7	74.7	72.3	25.8	24.9
1980	95.8	94.1	84.5	80.8	27.2	24.9
1985	99.2	99.1	90.7	88.2	36.4	34.1
1990	99.8	99.8	95.7	95.0	33.2	32.4
1995	99.9	99.9	98.5	98.4	51.4	49.8
2000	99.9	99.9	99.6	99.6	68.0	65.4
2005	99.9	99.9	99.7	99.8	82.1	80.8

Source: Ministry of Education and Human Resources Development and Korea Research Institute for Vocational Education and Training, *National Human Resources Development White Paper*, 2006.

This zeal for education can be seen through statistics. School education expenses in South Korea accounted for 7.5% of gross domestic product (GDP) in 2003, the second highest percentage after Iceland's 8% among the member countries of the Organization for Economic Cooperation and Development. Moreover, the country ranked highest, in education-related spending on cram schools and various private lessons, which accounted for 2.9% of GDP (followed by the United States at 2.1%). The shares for Japan were 4.8% and 1.2%, respectively.

Vouchers for After-School Programs

The government in Seoul has taken note of the falling birthrate and launched a number of initiatives. The policies it has outlined demonstrate its seriousness about dealing with this problem.

First of all, it enacted a basic law on population in September 2005 containing provisions to address the falling birthrate and the rapid graying of society, and it also established a population council reporting directly to the president.

In the field of education, it introduced a program to alleviate the financial burden of sending children to after-school classes, enabling students from low-income families to receive supplemental instruction. This program has been implemented on an experimental basis by a number of local governments since 2006.

Some of these after-school classes are organized by public schools and nonprofit organizations at a cost that is more affordable than those offered by private institutions. Low-income households are also provided with vouchers—worth about 30,000 won (about 3,300yen) in average per month—to facilitate attendance at such classes.

The courses offered range from subjects normally taught at school (English, math,

Korean, etc.) to other forms of personal improvement (such as piano and computer lessons). Low-income households may be entitled to additional financial assistance—from the school, local government, or private-sector donations—for specialized courses requiring high tuition fees. In the city of Busan, which is particularly enthusiastic about after-school education, 294,091 of the 522,804 students, or 56.3% of the total, took advantage of the available stipends.

Exemption from Pension Payments for Large Families

In the area of child rearing, in 2007, the government announced a program of assistance for households with young children, including bigger tax breaks for large families. Families with two children had been entitled to a deduction of 500,000 won, but those with three or more are now able to claim an additional 1 million won per child. Public child-care services are being upgraded as well with plans calling for approximately 150 new nurseries to be built by the central and local governments, and the provision of additional assistance to cover the wages of child-care staff for extended services.

Another initiative, which is currently not available in Japan, is a credit system for the national pension scheme, under which families with two or more children are fully exempt from paying their pension contribution dues for a prescribed period while still being entitled to full future benefits. In addition, a new system of child-support allowances is currently being finalized for introduction by 2009.

Another aspect of Seoul's population policy is to encourage adoptions within the country. In the wake of the Korean War, foreign surrogate parents were actively sought to save many war orphans. But such a system has come to be viewed as abetting a population drain, and efforts are now being made to keep orphans at home. Potential measures include reimbursing the full amount of child-care services and part of education expenses for couples that adopt a child.

The share of women in the labor force is still quite low compared to Western industrial nations, partly because the social infrastructure that enables them to balance gainful employment with child-rearing responsibilities is not yet adequate—a situation not unlike that found in Japan. Seoul, though, has moved ahead of Tokyo in launching a number of bold initiatives. These measures demonstrate South Korea's determination to reverse the declining birthrate, and they may prove instructive for policymakers in Japan as well.

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