

# Population Alarm Bell

Editorial, Korea Herald 05.01.21

A population crisis is looming. The alarm bell keeps ringing for Korea but the government is turning a deaf ear. On Thursday, the National Statistical Office offered several disturbing projections about the nation's demographic structure.

The NSO forecast that Korea's already fast pace of population aging would accelerate. The office predicted Korea would become an "aged society" (where elderly people aged 65 or over account for more than 14 percent of its total population) by 2018, one year ahead of its previous projection made in 2001. Korea became an "aging society" (where the ratio of the elderly people exceeds 7 percent of the total population) in 2000 and is expected to become a "super-aged society" (where the ratio tops 20 percent) in 2026.

What speeds up the population aging is, needless to say, Korea's low birthrate, one of the lowest in the world. The NSO found that Korea's birthrate averaged 1.19 babies per woman in 2003, slightly higher than 1.17 in 2002 but still much lower than 2.01 in the United States, 1.75 in Australia, 1.40 in Germany, 1.29 in Japan and 1.26 in Italy.

The low birthrate and attendant rapid aging of the population will cause serious problems for the nation. First, labor supply will fall, eroding the growth potential of the economy. Korea was able to attain a high growth rate for almost four decades

since 1960 thanks largely to the steady increase in the working population. But the expected drop in the working population and a resultant increase in the non-working population would cause economic growth to slow down. In a recent report, the Korea Development Institute predicted that the growth rate would plummet to 1.7 percent in 2030.

Population aging is already taking its toll on the economy. In a report released on Thursday, the Korea Chamber of Commerce and Industry said the average age of workers in many industrial sectors keeps rising. For instance, the average worker age is 39.7 in the steelmaking industry, 38.6 in the shipbuilding sector and 36.2 in the automobile industry, up 2.1 to 3.3 years from 10 years ago. The problem with aging workers is that they increase the wage burden of companies while lowering productivity.

The increase of the aged population is also making its effect felt by weakening domestic demand. The elderly tend to save more and spend less as they seek to prepare for lower income in retirement. A recent survey of consumers found that nine out of 10 households were spending less to prepare for retirement.

The serious implications of Korea's low birthrate and rapidly aging population are not being fully recognized by the government.