


Population Aging in East Asia and its Policy Implications



CHOI Bo-Young

Ph.D., Associate Research Fellow East Asia Team
Korea Institute for International Economic Policy 

In 1960, older persons (65+ years) accounted for only 5 percent of the total world population and this number gradually increased, reaching 8.5 percent in 2016.¹ While the overall world population is aging, the speed of aging is especially fast for the three countries of Northeast Asia, China, Japan and Korea. In 2017, Japan became the country with the largest share (33%) of persons aged 60 years or over.² While both China and Korea are not included in the top ten list of 2017, the share is 16% for China and 20% for Korea, with both numbers exceeding the threshold to be considered an aging society. Furthermore, the UN projects that Korea will rank the 4th (41.6%), Taiwan the 6th (41.3%), and Hong Kong the 7th (40.6%) country in their respective share of aged population by 2050. In the case of China, the nation has the largest aged population in

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¹ World Bank. 2017. Population Ages 65 and Above (% of Total). Available at <<https://data.worldbank.org/indicator/SP.POP.65UP.TO.ZS>> (accessed June 27, 2018).

² United Nations. 2017. World Population Ageing 2017 Report.

the world with 150 million older persons, and is one of the few countries in the world whose population has aged before it became rich.³

Population aging is known to have significant social, political, and economic effects. One of the main concerns of population aging is that lower labor force participation and productivity of older workers lead to slower economic growth. Park and Shin (2012), examining the impact of population aging on 12 developing Asian economies, find that advanced population aging will have a sizable adverse impact on economic growth. In addition to slower economic growth, the industrial structure is likely to change as the overall demand will be altered by demographic shifts. Due to higher demands for healthcare and medical services, the share of these sectors will expand while others may fall in proportion.

Facing rapid population aging, several policies or measures are being newly introduced, or existing ones altered, in China, Japan and Korea. China is implementing measures to integrate health and elderly care; the National Health and Family Planning Commission stated that China aims to have over 80 percent of its medical institutions set up green channels for the elderly to enjoy more convenient medical services, while more than 50 percent of the elderly care institutions are expected to provide various medical services for their customers.⁴ One of the noteworthy policy changes in Japan is its creation of a new class of work permits valid for up to five years in the construction, nursing care, agriculture, ship building and accommodation sectors.⁵ The aim of this change is to mitigate the labor shortage problem in these industries.

Employing more liberal immigration policies is pointed out as a solution to labor shortages. While this solution seems like an obvious answer, it must be implemented carefully. Especially in the case of Korea, the youth unemployment rate is high and thus it is recommended for policy makers to target specific industries to allow more foreign workers. As the literature points out, foreign workers could either complement or substitute domestic workers, so a careful examination of the impact of immigration on domestic workers must be conducted in advance. Theory tells us that, despite the overall economic gains, there will be winners and losers when allowing more foreign workers, and thus the government must also consider ways to compensate the losers.

³ Ageing China: Changes and Challenges. *BBC News* (September 20, 2012).

⁴ China to Improve Integration of Health and Elderly Care, The State Council of the People's Republic of China (July 15, 2018).

⁵ How Japan Came Around on Foreign Workers, *Nikkei Asian Review* (June 25, 2018).

In addition to individual governments' attempts to cope with population aging, there are ongoing efforts to promote cooperation between China, Japan and Korea through regular meetings. Since 2010, the Trilateral Policy Dialogue on Aging has been held to share healthy aging policies, experiences, and best practices in China, Japan and Korea. A particularly promising area for cooperation between the three countries would be to develop technologies for the aging society – recent work by Acemoglu and Restrepo (2017) points out that the effect of aging on economic growth can be mitigated by automation. Lastly, facilitating international trade in health care and services between the three countries could promote healthy aging in the three countries. Combined with advanced information and communication technologies, an institutionalized framework of cooperation to provide better healthcare and nursing services to the elderly should be considered as an effective means to cope with aging population in the region. **KIEP**

References

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