

Executive summary

As in many OECD countries, because of longer life expectancy and low fertility rates, Korea is experiencing population ageing, which is estimated to continue in the long-term. However, demographic change in Korea is so rapid that its population is expected to go from the fourth youngest in the OECD in 2012 to the third oldest by 2050. The elderly dependency ratio is expected to rise from 18% to 120% over the period 2014-2067, the highest growth rate among all OECD countries, with the total population decreasing by 12 million, and the working-age population by 19 million. Population concentration, ageing and decline on such a scale bring significant challenges for Korea, which requires well-designed policy action on several fronts to safeguard the country's economy and ensure social cohesion.

Recent OECD work at the sub-national level in Korea has focused on topics such as rural and regional development (Garcilazo et al., 2019^[1]), rural well-being (OECD, 2020^[2]) and decentralisation and rural-urban linkages (OECD, 2021^[3]). This study follows-up on those studies with a focus on region-specific impacts of demographic change. The report consists of three chapters. The first chapter depicts and benchmarks demographic trends at a regional scale in Korea, against those in other OECD countries. The second chapter examines a range of policies that can address socio-economic challenges of demographic trends in the OECD and describes Korea's current policy approach to manage these in regions and rural places. Finally, the third chapter draws lessons and conclusions for Korea.

Whilst Korea has experienced strong economic growth over the last sixty years, including in rural regions, some areas are lagging behind. Like many other OECD economies, Korea's economy is highly concentrated in urban regions but, almost uniquely, GDP per capita in Korea is higher in rural regions. Korea's population is also highly concentrated and urbanised. Populations in rural regions close to large cities are growing but other rural areas are shrinking. Migration patterns show that predominantly urban regions are net recipients of migrants from other types of regions within Korea. Data also show that young people disproportionately leave regions with access to a small/medium-sized city compared to other age groups.

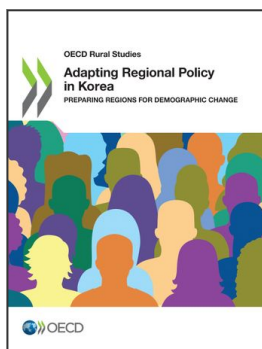
Demographic decline is a crucial question which impacts several important public policy dimensions, three of which are key for regions and rural places:

- *Workforce issues.* With demographic decline, the labour force steadily ages and shrinks.
- *Social issues.* Shrinking local populations also alter social relationships within communities.
- *Governance issues.* With economic decline the local tax base falls and local governments become starved of revenue at a time when the demand for new social services may increase as the local demand shifts in response to an ageing population.

Demographic decline calls for a new approach to regional and rural development. Importantly, demographic decline in rural regions has important implications for urban centres too because rural outmigration to cities remains an important source of urban population growth across OECD countries, bringing both positive and negative effects.

Clearly, the scope and complexity of these changes is more than communities can be expected to manage without significant government support at various levels (local, regional, national). Korea's government has accepted these challenges at the highest level. The "Presidential Committee for Balanced National Development", the "Prime Minister's Committee for Quality of Life", the "Presidential Committee on Ageing Society" and the "Population Policy Task Force" are developing the foundation for new strategies to support rural and regional development. A number of these strategies have already been developed and provide a means for improving the co-ordination of policies and programmes introduced by relevant ministries. They include: the "Strategy for Balanced National Development", "the New Deal Strategy", the "Comprehensive National Territorial Plan".

Korea's balanced growth approach seeks to reduce the share of the population in Seoul by fostering the development of a number of new cities and a broadening of the economy. However, Korea's policy approach, as currently conceived, does not explicitly identify rural development as a contributor to balanced growth. Korea must now decide how its rural policy will support general development objectives in this period of demographic decline. It is probable that some rural places will not survive, because the national population is declining and there will be a significant geographic rebalancing of people. However, the number and geographic distribution of remaining rural communities will hinge on policy choices by the government on where investments in increasing productivity and providing public services will occur. This report identifies eight broad recommendations for rural regions that can help address demographic challenges.



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