

Working Paper 25-01

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Exploring the Structural Reform of Youth Policies to Promote Fertility

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January 2025



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Exploring the Structural Reform of Youth Policies to Promote Fertility

Wonshik Kim¹

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Abstract

This study aims to establish policy directions for raising the world's lowest total fertility rate of Korea. Kleven et al. (2023) found that South Korea has the highest child penalty among 135 countries in the world. "Child penalty" is the economic disadvantage that women face when having children. This is seen as an objective reason why South Korea has the lowest fertility rate. In addition, I analyzed the socioeconomic difficulties that young people, the main actors in childbirth, face when deciding to get married and have children. Despite numerous budgets, policies, and organizations for raising the fertility rate in South Korea, these efforts have not been effective. This study presents the direction of youth policy from both micro and macro perspectives. Micro-level policies should focus on creating jobs with family-supporting income, implementing labor policies centered on services and incentives, improving the quality of childbirth and child-rearing environments, securing housing space for raising children, and providing housing for young people through the downsizing of elderly households. Macro-level policies should aim to strengthen the linkages between income, housing, and education to enable stable childbirth and child-rearing, promote harmony and deregulation of youth-related service provision and policies for addressing low birth rates, and encourage the older generation to consider relinquishing vested interests. These youth policies are crucial for improving the quality of life for the young generation and social development and require collaborative efforts from the government, business, and civil society. Korea is one of the countries that spend a lot of money to raise birthrate, but in vain. The Korean experience of fertility policy would be a good reference to the countries of low birthrate.

Keywords: fertility rate, child penalty, youth policy, family policy, aging, social reform

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I. Introduction: Fertility Rate is an Indicator of Youth Policy

As of 2023, the number of newborn babies in the country is 249,000, with a total fertility rate of 0.78. Compared to the previous year, it was a decrease by 0.03. This trend has persisted since the 1980s, so it is unlikely that it will rebound. The fertility rate is an indicator that evaluates the level of youth welfare and the performance of youth policies. This is because if young people's social satisfaction decreases, it will naturally be difficult for them to form a family, which will inevitably lead to a decline in the birth rate. Childbirth is an optional social contribution based on the social satisfaction of young people. In addition, childbirth is a social reproduction activity unique to young people in modern society. Therefore, if they do not recognize the value of reproduction and increase the birth rate, there are few social means to respond to lower fertility rate.

The reasons for the decline in the birth rate in our country are summarized as follows. First, there are fewer reasons to choose children for one's own aging period. The traditional expectation of children supporting their aging parents is diminishing. Young people often perceive caring for elderly parents as economically and psychologically burdensome. Second, in the process of raising children, excessive educational fever has greatly increased the cost of education. This is because young parents' dissatisfaction with the quality of educational infrastructure has led to a mismatch between the demand for better educational opportunities and the limited supply of such resources. They know all too well that the limited income of young people is not enough to pay for their children's education. Third, the joy in raising children is decreasing for the young people, but now the selfish desire to enjoy various kinds of entertainment for the satisfaction of one's life has increased. These factors have increased the personal burden on young people rather than the enjoyment and reward of childbirth and parenting, and consequently they have avoided the formation of families and childbirth, effectively disrupting the family system of our society.

The family is the most socially efficient organization of value production and resource management. From the economic perspective, it is the best autonomous organization in which a couple can maintain economic efficiency through cooperation. In particular, there is no system as efficient in raising children as the family. In addition, the family is the most effective agent in resolving social loneliness by allowing individuals to understand and communicate with each other. Therefore, the

'disappearance of the family' due to the decline in births will inevitably cause serious social costs and affect economic growth, causing various problems such as economic inefficiency, loneliness, and anger towards society. Government attempts to mitigate the social consequences of family decline through piecemeal monetary measures are likely to be ineffective, costly, and increase the tax burden. Korea is already facing a sharp decline in population due to its low birth rate. This poses a significant threat to social and economic stability, making it increasingly difficult to generate tax revenue. Reversing these trends will require substantial and innovative policies.

In this regard, it is the most effective way to build a stable social and economic system in which young people can start families and raise more children. On the other hand, "raising the birth rate" through effective youth policies will increase the number of people who care for the elderly, which is also the key to "overcoming the aging problem" that we are currently experiencing. Youth policies that lead to higher fertility rates by increasing youth satisfaction or happiness will help them develop social and economic policies throughout their lives. It means policies that allow us to expect economic stability. Stable employment, marriage, housing, childcare, and education are to be consistently connected through quality enhancement. It should contribute to social development by creating a social structure in which young people can achieve a sense of personal fulfillment. To achieve this, we need to improve the necessary environment and actively support, protect, and present a vision for the future.

The structure of this paper is as follows: Chapter 2 examines the causes of the declining birthrate from the perspective of the economic environment with recent literature. Chapter 3 discusses the current situation of young people from various perspectives. Chapter 4 analyzes the problems of youth policy from a micro perspective and proposes policies. Chapter 5 advocates for a comprehensive approach to youth policy and outlines its direction. Finally, the conclusion compares youth and elderly policies and highlights the importance of youth policy.

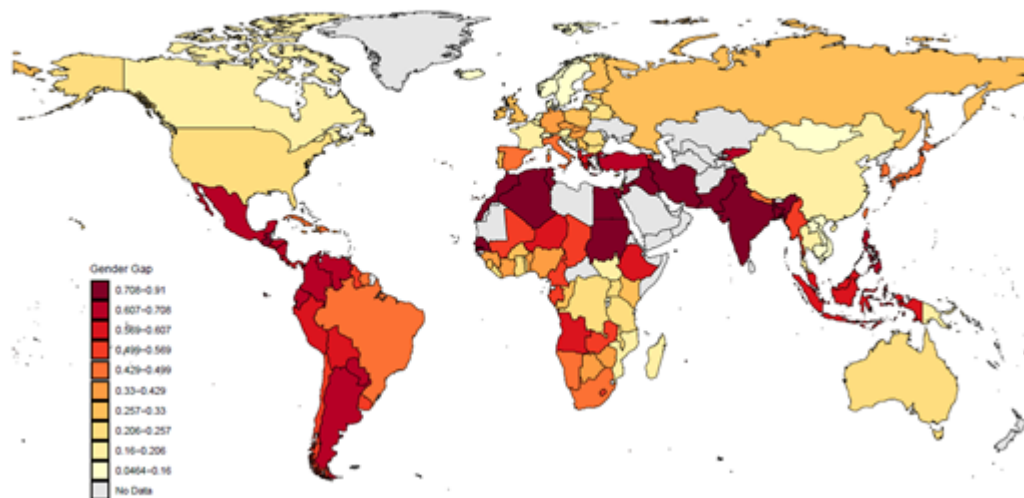
II. Causes of the declining birthrate in the literature

Although there are many micro-studies related to the declining birthrate and youth policy, only a few papers link the issue of youth policy related to the declining birthrate, and discuss policies related to it. This paper summarizes a recent study that explores how specific youth policies can lead to a lower birthrate.

Kleven et al. (2023) analyzed wage data from 134 countries to quantify the penalties women face for having children, marrying, or starting a family. They defined

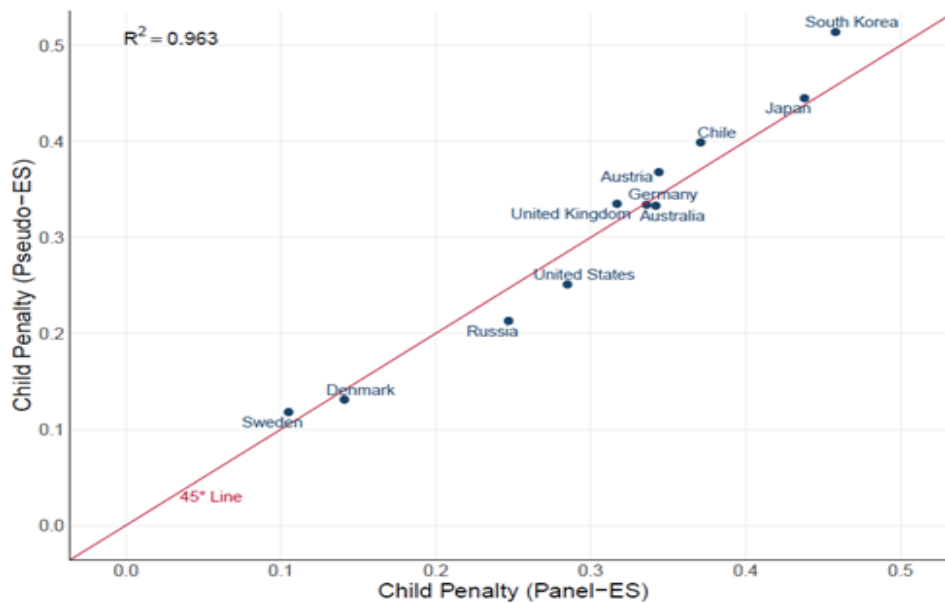
the 'child penalty' as the difficulty women experience in finding or advancing in employment compared to childless women. They also calculated the 'marriage penalty' and 'family penalty' faced by women. <Figure 1> and <Figure 2> are illustrate the child, marriage, and family penalties for women in various countries. Korea shows one of the highest child penalties globally, which may contribute to its exceptionally low birthrate. In contrast, Sweden, a Nordic country with a high birthrate, has the lowest child penalty.

<Figure 1> International Comparison of Gender Gaps in Employment



Source: Kleven, Henrik, Camille Landais, Gabriel Leite-Mariante (2023), “The Child Penalty Atlas”, NBER Working Paper No. 31649. p.

<Figure 2> International Comparison of Child Penalties: Pseudo-Event Study Approach

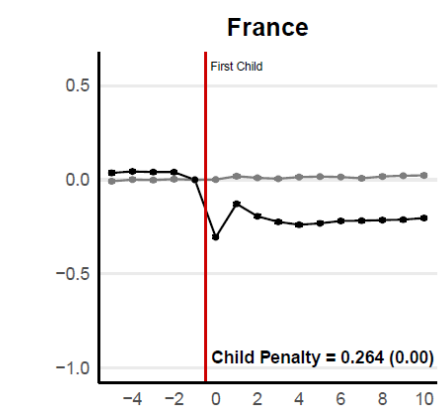
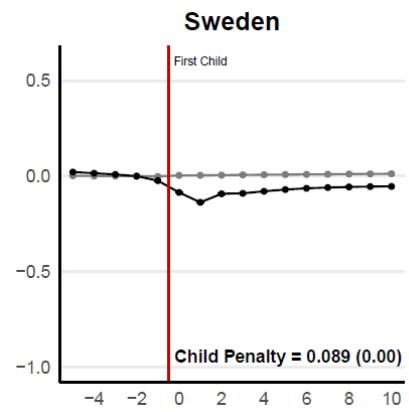
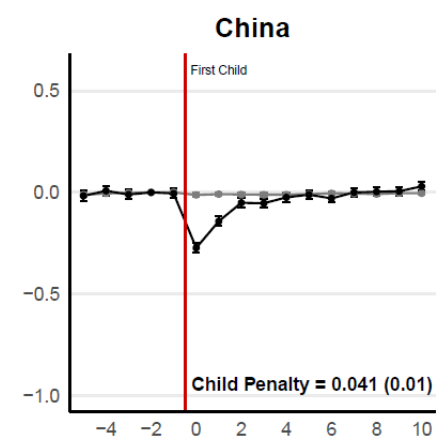
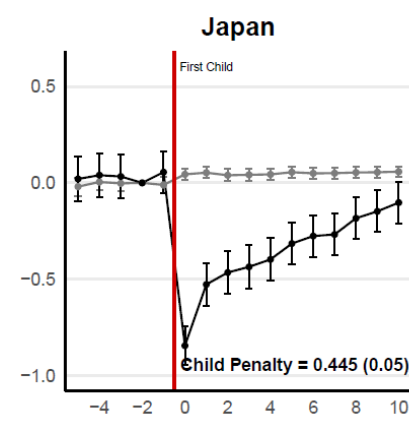
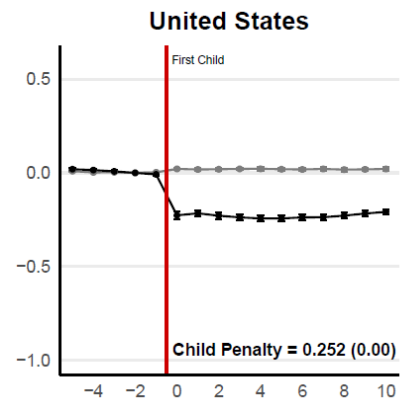
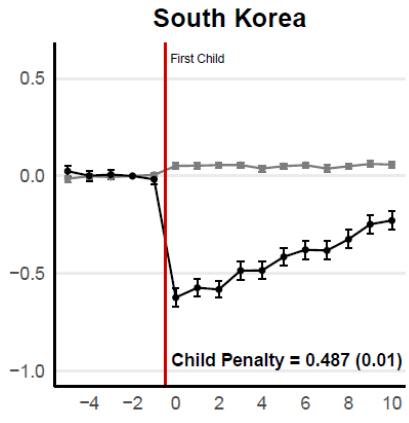


Source: Kleven, Henrik, Camille Landais, Gabriel Leite-Mariante(2023), “The Child Penalty Atlas”, NBER Working Paper No. 31649. p.

The analysis by Kleven et al. (2023) on childbearing is summarized as follows: In less developed countries, women faced little or no economic penalty for having children. However, as incomes have increased with economic growth and the labor market has shifted from subsistence agriculture to paid labor in industry and services, women faced increasing childbearing penalties. Korea, along with Japan, is reported to be a country with a very high penalty for marriage and childbirth. Although it varies from country to country, child penalties have declined as the importance of agriculture has declined, the share of industrial and wage labor has increased, and urbanization has progressed.

In addition, Kleven et al. (2023) tracked how child penalties change over time. According to the study, unlike other countries, the child penalty has not been easily returned in Korea (see <Figure 3>).

<Figure 3> Changes in Child Penalties in Different Countries by Event-Study



In the early stages of economic development, the economy is close to the level of self-sufficiency, most of the population is self-employed, engaged in agriculture and living in rural areas. The gender gap is large, but it is determined by factors that occur before childbirth (marriage, education, social norms, etc.). However, as economies develop, the structure of the labor market shifts from subsistence agriculture to wage

labor in industry and services, leading to a transition from an agricultural to an industrial economy. This shift separates home from workplace and results in the specialization of childcare and labor markets. Historically, this specialization has been driven by women's comparative advantage in childbearing and caregiving, as well as cultural norms. Consequently, it has increased the child penalty and fostered the role of stay-at-home mothers. Even in later stages of this process, when women have narrowed both educational and marriage gaps, the child penalty persists. This suggests that eliminating gender inequality in the labor market is synonymous with implementing policies to reduce the child penalty.

Their study showed that women are more likely to be penalized for marrying, assuming they have children after marriage, as in Korea. This phenomenon has intensified with economic development. Based on their research, it can be inferred that women's marriage and child penalties are higher than men's, which is why the birth rate is bound to be lower.

This shows that reducing child penalties by expanding affordable and high-quality childcare, expanding parental leave, introducing flexible work arrangements, and fostering a family-friendly corporate culture are key to raising the birth rate. In other words, it is not just cash support, but changes in the job market and social perception should be prioritized. Their research is significant because it suggests that the labor market penalty faced by women who give birth is not solely due to the fact of giving birth. And it has been shown that a woman's marriage itself is a penalty. In this regard, it was suggested that policies aimed at reducing child penalties should also address the major sources of marriage penalties leading to childbirth.

Claudia Goldin, who won the 2023 Nobel Prize in Economics, has been predicting a decline in the Korea's birth rate long before. Goldin attributed the assumption that women earn less in the global labor market than men. Goldin saw a widening wage gap with men as women chose "flexible jobs" instead of "greedy jobs" that required high incomes and high labor intensity to care for their families. She also suggested that the wage gap should be reduced by making high-income, high-intensity work cultures flexible, but increasing productivity in flexible jobs. Regarding the argument that Korea's birth rate is bound to decline, it can be said that inflexible thinking about the labor market and women's social activities can lead to the phenomenon of economically disadvantaged women avoiding childbirth for fear of a decrease in income depending on the social environment.

Kearney (2023), in his book *Two-Parent Privilege*, argues that declining marriage rates have led to a variety of economic problems, which have divided American society and made vulnerable groups more vulnerable. When two couples marry, they

believe that economic family life can be improved and that many benefits can be provided not only to married adults but also to their children. Children in families that include two married parents function as an economic vehicle to gain an advantage over other children. The compounding effects of marriage and class mobility trends will increasingly exacerbate inequality and limit opportunity. Kearney also believed that children raised by single parents are also inherited. These effects had a significant impact not only on children's behavior and educational outcomes, but also on adult males. Despite all the challenges and flaws, Kearney insisted that marriage was our best path toward a more equal future. Noting that family composition plays an important role in shaping children's lives and futures, he argued that the impact of declining marriage rates on the economy and society should not be overlooked.

The above discussion of marriage and childbirth proves that the declining birth rate in Korea is a problem of "socio-economic structure." In other words, it shows that it cannot be solved simply by aggressive income support policies. Unless the reform of the labor market is accompanied by structural reform of social infrastructure and the reform of consciousness in society, the birth rate will continue to decline. This means that social infrastructure must be coordinated to increase the birth rate.

Researches on Korea's youth policy has been conducted by the Korea Youth Policy Institute (KYPI), which was established in 1989, but their research is far from the issues of birth rate. The purpose of the establishment of the KIPY is stated as follows: "The purpose of KYPI is to contribute to the creation of a new national development engine for the future society through basic research and data accumulation necessary for the development of policies such as cultivating the right character and potential of youth, strengthening the digital and global competencies of youth, improving the social environment for youth human rights and participation, and welfare and support for underprivileged youths."

Recently, the government is planning 'Young Adulthood Policy Research Institute (tentative name)' dedicated to the development of youth policies. It is to promote the 'establishment of a government-funded research institute dedicated to youth policy', which was previously proposed as a national policy task. Although there are already departments dedicated to youth policy in various government departments and existing research institutes, the birth rate has continued to decline despite large budgetary inputs. Therefore, if the current system is maintained, there is a limit to the increase in the birth rate. On the contrary, young couples may become "budget-dependent" and have problems controlling their births. In this regard, I believe that comprehensive research is needed to address the fundamental causes of low birth rates and develop effective policies.

III. The Current Situation: The Serious Reality of Youth

The Korean government's youth policy budget is 25.4 trillion KRW (19.5 million Dollars, 1 Dollar=1300 KRW) for 390 tasks in 2023 alone. It is 3.98% of the government budget. By sector, there are 146 tasks worth 5.8 trillion KRW (4.5 Billion Dollars) in the jobs sector, 30 tasks worth 10.4 trillion KRW (8 Billion Dollars) in the housing sector, 122 tasks worth 7.1 trillion KRW (5.5 Billion Dollars) in the education sector, 47 tasks in the welfare and culture sector worth 2 trillion KRW (1.5 Billion Dollars), and 45 projects in the right to participate sector worth 900 billion KRW (0.7 Billion Dollars). The problem is that these budgets are distributed among the ministries of the central and local governments, and there is a great possibility of duplication in their function. Moreover, since a large part of the support is limited to cash support for education expenses or job-search-related subsidies, the effect is not sustainable, and the effect is lost immediately when the budget is gone.

In addition, in the year of 2024 government budget, 15.4 trillion KRW (11.8 Billion Dollars) is set aside as one of the "five core tasks to respond to the declining birth rate." According to the report, 1.325 trillion KRW (1.0 Billion Dollars), an increase of 23.7% year-on-year, will be allocated for the 'dense and high-quality care and education' sector, second, 2.1531 trillion KRW (1.7 Billion Dollars), an increase of 18.8% for the 'time for working parents' with their children, third, 8.9732 trillion KRW (6.9 Billion Dollars), an increase of 30.3% for 'family-friendly housing services', fourth, 2.8887 trillion KRW (2.2 Billion Dollars), an increase of 78.1%, and fifth, 50.4 billion KRW (4.1 Million Dollars), an increase of 1,700%, for the 'healthy children and happy couples' sector. If the youth policy budget and the declining birthrate budget are combined, the budget will be more than 40 trillion won. This is more than 6 percent of the government's budget of 656.9 trillion KRW (507.4 billion Dollars).

The fundamental reason for the world's lowest birth rate despite such a large expenditure is that it has been randomly allocated to the youth, who are the target of the policies of various government departments. One of the grounds for this presumption is that the targeting of youth policies is extremely "arbitrary and purposely." The Standard Act on Youth (2020) defines youth as those between the ages of 19 and 34, the Special Act on Promotion of Youth Employment (2021) defines them as between the ages of 15 and 29, and the Special Act on Small and Medium Business Manpower Support (2021) defines them as between the ages of 15 and 34. The Enforcement Decree of the Advisory Council for Democratic and Peaceful

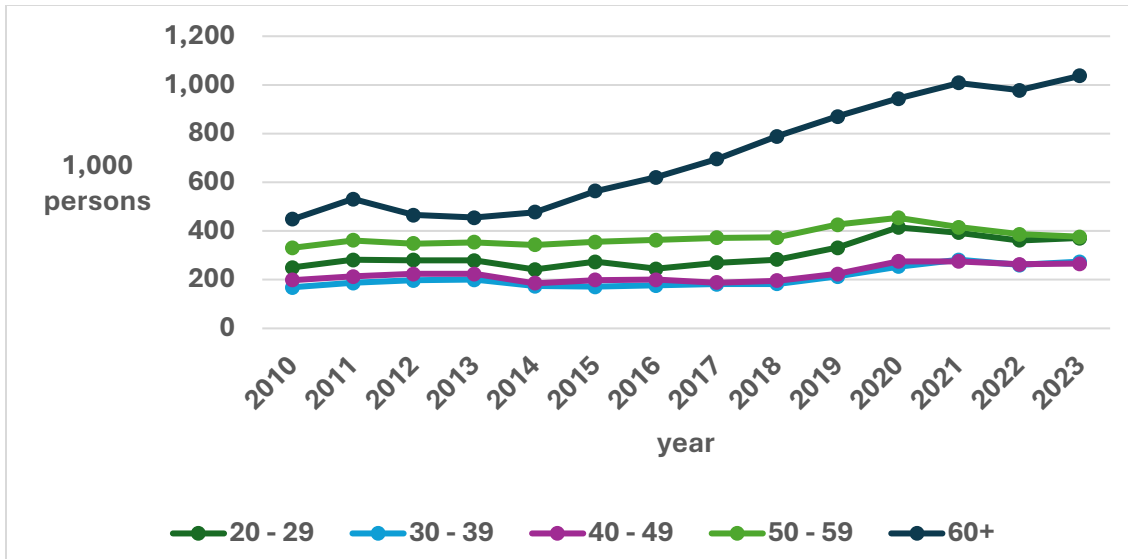
Unification Act defines a person under the age of 45 as a young person. As long as policies for economic and social independence and birth rate of young people are carried out with policies that do not even have a clear target, policy confusion and side effects are bound to be frequently appeared.

Unlike the youth budget, the budget of the Ministry of Health and Welfare was 25.633 trillion won (19.7 billion Dollars) for the aging of the elderly. Of this, excluding the 20.2015 trillion KRW (15.5 billion Dollars) budget for the basic pension, only 5.4315 trillion KRW (4.2 billion Dollars) is estimated to be used for policy. The central government's welfare-related budget is overspent on youth and is very ineffective.

As analyzed above, despite the enormous amount of money spent on youth, the birth rate and other youth-related indicators are at a very serious level.

First, there is an increasing number of young people who are "just taking a break." According to Statistics Korea's 'Employment Trends' survey, the number of people in their 20s is decreasing to 6.155 million as of February 2023, and the number of young people who are not preparing for employment has reached the highest level of 497 thousand. In 2013, the number of people in their 20s increased by 33.0% and those in their 30s by 36.5% (see <Figure 4>). With the rise of the so-called NEET (Not in Education, Employment, or Training), or the Kangaroo (Kangaroo), who are dependent on their parents even into adulthood, young people are stratifying their dependents.

<Figure 4> Trends in the 'rested' population by age group



Source: Statistics Korea, KOSIS.

Second, youth unemployment is more than twice as high as that of other age groups. According to Statistics of ‘Employment Trends’ for March 2023, the youth unemployment rate was 7.1 percent, more than twice the average unemployment rate of 2.9 percent. The perceived youth unemployment rate was 17.3 percent. Employment of the elderly is increasing, but youth employment is not increasing. The main source is the lack of new jobs to employ young people due to the deteriorating business environment. Furthermore, labor reforms including the Non-Regular Worker Protection Act of Roh Moo-hyun Government, Moon Jae-in Government’s push for regularizing non-regular positions, the 52-hour workweek, and minimum wage hikes have primarily benefited entrenched labor unions, deterring businesses from hiring young people and worsening job prospects for the youth.

<Table 1> Trend of Employment Rate and Unemployment Rate by Age Group (Unit: %)"

By age	2011			2014			2017			2020		
	Employment Rate	Unemployment Rate	Number of Employed Persons/Population	Employment Rate	Unemployment Rate	Number of Employed Persons/Population	Employment Rate	Unemployment Rate	Number of Employed Persons/Population	Employment Rate	Unemployment Rate	Number of Employed Persons/Population

Total	92.2	7.8	35.5	93.8	6.3	36.6	94.9	5.1	36.9	94.2	5.8	29.5
20~29	87.0	13.1	43.2	78.0	22.0	34.0	89.3	10.7	46.8	92.9	7.1	36.6
30~39	88.3	11.7	53.5	89.0	11.1	55.2	94.6	5.4	57.3	93.2	6.8	46.1
40~49	92.7	7.3	57.4	92.6	7.4	56.8	96.9	3.1	58.0	94.9	5.1	50.2
50~64	92.8	7.2	45.2	94.5	5.5	49.0	94.3	5.7	51.0	93.7	6.3	41.3
65+	94.0	6.1	16.6	98.6	1.5	20.5	96.1	3.9	21.2	95.1	4.9	17.1

Source: Statistics Korea, KOSIS.

Third, as the number of young people with non-regular jobs increases, employment insecurity is higher than that of other age groups. As of August 2022, the proportion of non-regular workers in their 20s was 39.1 percent, much higher than the 21.9 percent in their 30s and 26.6 percent in their 40s, which are the core working-age groups. Moreover, non-regular workers are paid significantly less than their regular workers, earning only 54.0% of regular workers' wages.

Fourth, the average age of entry into society is further delayed after the age of 30 due to the re-enrollment of young people in college, language training while in college, postponement of graduation to prepare for employment, and re-employment after graduation. As a result, marriage, childbirth, and housing arrangements are being delayed or abandoned.

A survey conducted by Seoul National University and Jongno Institute reveal a significant decline in the percentage of first-year freshmen admitted to Seoul National University through the regular admissions process, from 50.1% in 2013 to 37.1% in 2023. Conversely, the proportion of students who retook the college entrance exam next year has risen from 48.8% to 58.8% over the same period. A similar trend is observed among the major three universities, where first-year freshmen accounted for only 37.0 percent of the student body in 2023, while those who repeated the exam made up 60.7 percent. This indicates that it has become increasingly difficult for current students to gain admission to top-ranking universities based on their academic records alone. Despite the decline in the school-age population, the growing desire to go to top universities can be a serious social problem because it means that the premium on academic qualifications rather than ability is gradually increasing. The decision to repeat a year or more of high school, essentially extending one's secondary education, can impose a substantial financial strain on families who must bear the additional expenses.

Fifth, there is serious instability in the housing environment, which is essential for the social settlement of young people. According to '2022 Housing Situation Survey'

published by the Ministry of Land, Infrastructure, and Transport (MLIT) there was a significant decline in homeownership rates among aged 19 to 34, falling from 21.1% in 2017 to 13.8% in 2022. The cost of buying a home is so much higher than other essential goods that it is impossible to buy it without financing or external assistance. Consequently, homeownership is a distant dream for young people who, due to their age, tend to have lower incomes. Exempting parental housing funds from gift tax is unlikely to significantly boost the birthrate.

‘The 2022 Housing Survey’ found that 81.6 percent of households headed by individuals aged 19 to 34 were renting their homes. This demographic also experienced a higher rate of inadequate housing, with 7.9 percent of young adult households failing to meet minimum housing standards, compared to 4.5 percent of all households.

When surveyed about their housing needs, young adult households most frequently requested support for "jeonse loans" (38.1%), followed by assistance with "purchasing a home" (23.8%) and "monthly rental subsidies" (17.4%). Newlywed couples, of which 43.9% were homeowners, prioritized "home purchase loans" (49.3%) and "jeonse loans" (27.8%) as their top housing support needs. Additionally, 6.4 percent expressed a need for increased supply of "public rental housing with a purchase option."

Sixth, the cost of private education for elementary, middle, and high school students is soaring. The participation rate in private education among all income groups is over 50 percent. It is estimated that all income groups with children contribute about 7% of their income to private education.

According to the ‘2023 Survey of Private Education Expenses for Elementary, Middle and High Schools,’ total spending on private education, excluding costs associated with college re-examinations, surpassed 27 trillion KRW (20.8 billion Dollars) for the first time. This represents a substantial increase, with private education expenses growing at an average annual rate of 6.5% since 2023. The growth rate was particularly pronounced in high schools (see <Table 2>).

This is due to the excessive educational fever, but it is also due to the poor performance of public education, which does not meet the parents' expectations as the children grow up. On the other hand, according to the change in private education expenditures by income group, the ratio of high-income people to low-income groups has been declining in recent years, indicating that the private education expenditure of low-income groups has risen more significantly. In other words, the burden of private education expenses on low-income groups is increasing more significantly. The surge in private education spending borne by low-income families underscores the

intensifying competition in the educational environment. This trend is placing a significant strain on parents, who are facing growing financial and emotional burdens in raising their children.

<Table 2> Trend of Average Monthly Private Education Expenditure per Student
(unit: ten thousand won, billion won)

Year	Average (ten thousand)	Elementary School (ten thousand)	junior high school (ten thousand)	High School (ten thousand)	General High School (ten thousand)	Total private education expenses (ten Mill.)
2013	23.9	23.2	26.7	22.3	26.2	185,960
2014	24.2	23.2	27.0	23.0	26.9	182,297
2015	24.4	23.1	27.5	23.6	27.6	178,346
2016	25.6	24.1	27.5	26.2	30.4	180,606
2017	27.2	25.3	29.1	28.5	33.2	186,703
2018	29.1	26.3	31.2	32.1	37.6	194,852
2019	32.1	29.0	33.8	36.5	42.5	209,970
2020	30.2	23.5	34.2	39.6	45.7	193,532
2021	36.7	32.8	39.2	41.9	48.2	234,158
2022	41.0	37.2	43.8	46.0	52.5	259,538
2023	43.4	39.8	44.9	49.1	55.5	271,144
Annual Average Growth Rate	6.15	5.55	5.34	8.21	7.80	3.84

Source: Statistics Korea, Ministry of Education, "Survey of Private Education Expenses for Elementary, Middle and High Schools"; KOSIS.

<Table 3> Average monthly private education expenses by income group
(unit: million won, double)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Average (ten Thousand)	23.9	24.2	24.4	25.6	27.2	29.1	32.1	30.2	36.7	41.0	43.4
(A) less than 3 mill.	13.2	13.0	12.9	12.7	13.0	13.5	14.6	13.8	15.8	17.8	18.3
3~4 mill.	22.1	21.2	21.2	21.1	21.2	22.2	23.4	20.4	25.3	27.2	27.9
4~5 mill.	28.0	27.2	26.6	26.5	27.4	27.9	30.0	26.9	33.2	35.1	35.3
5~6 mill.	33.0	31.9	31.1	31.0	32.2	32.9	35.4	32.5	38.1	39.9	41.2

6~7 mill.	35.9	36.7	36.1	36.5	36.5	37.3	40.4	37.2	44.4	46.9	48.4
(B)more than 7 mill.	41.5	42.8	42.0	44.3	40.7	42.2	46.4	44.1	48.6	51.8	52.7
- more than 8 mill.	-	-	-	-	48.3	50.5	53.9	52.6	59.3	64.8	67.1
(B)/(A)	3.1	3.3	3.3	3.5	3.1	3.1	3.2	3.2	3.1	2.9	2.9

Source: Statistics Korea, Ministry of Education, "Survey of Elementary and Secondary School Education Expenditures"; KOSIS.

Seventh, The more concerning aspect of the future is the growing burden on a shrinking youth population to support an aging society. According to Statistics Korea's population forecast as of 2022, in 50 years, the proportion of elderly people aged 65 and over will be 46.4%, and the ratio of working-age population to elderly population will be one to one. In particular, the youth are forced to bear the burden of the national pension deficit, the increasing medical expenses for the elderly in the health insurance system, and the rising costs of long-term care insurance for the elderly. The social costs in supporting the elderly group are exploding as the reform of the relevant systems is delayed, and most of them are very likely to be covered by the national debt. The youth and their descendants will be forced to bear the full weight of these burdens. Parents may be discouraged from having children due to the overwhelming financial pressures that their offspring will face.

IV. Problems and Directions of Micro Youth Policy: Childbirth Policy for 'Youth'

As mentioned earlier, youth policies should be implemented with a "long-term, consistent, and harmoniously connected linkage." While introducing short-term, effective policies, we should innovate with a "sequential policy framework" to adapt to social changes.

First, the basis of youth policy is to create sustainable jobs that enable them to start a family and support their children. A wide variety of direct job programs, vocational training, employment services, and start-up support projects have been implemented to create jobs for young people. However, a policy centered on the supply of manpower should not have a mismatch between supply and demand. The jobs provided must be

in line with the needs of the youth, who are the suppliers of the labor. The work environment in Korea is often at odds with the ideas of young people. Obstacles to youth employment include a labor market dominated by entrenched unions, a seniority-based pay structure, rigid corporate cultures, and a generational gap between young people's aspirations and traditional management styles. True labor market flexibility should be a top priority in youth policy.

Second, current cash-based labor policies based on universal welfare or basic income should be realigned to prioritize service provision and incentive structures. The youth policy is not a welfare policy for the poor. Youth allowances in various names and generous unemployment benefits that have been increased under the pretext of protecting young people are higher than their wages before they lost their jobs, which actually encourages youth unemployment. Cash-based youth support actually causes voluntary unemployment and leads to re-employment and relocation to worse jobs. Rather, they should provide incentives to work reliably in one job.

Third, we need to create a better environment for young people to have children and raise families. Simply offering cash incentives for childbirth is not sufficient. Receiving a one-time maternity allowance does not mean that you will have a child that you will have to care for the rest of your life. To encourage childbirth, society must provide adequate support in areas such as creating stable child-rearing environments, covering education costs, addressing health risks, and providing support for children with congenital disabilities. These needs can be better met through tangible services tailored to the specific needs of young people, rather than just monetary incentives.

Fourth, secure housing with adequate space is a prerequisite for child-rearing and should be considered a fundamental component of marriage and family life. It is granted that young people have to go into massive debt to get married. As long as large amounts of housing financing are provided based on the borrower's income, young people will not be able to afford the housing they want. We need to revitalize the mortgage system for young people so that they can buy a house for less money. Loan programs for young people should consider their potential future earnings, and public housing options should be expanded. Additionally, policies should be implemented to allow families to increase their housing size based on the number of children.

Fifth, Intergenerational housing circulation should be activated to vitalize housing supply for young people. The elderly should be encouraged to downsize their homes and move into specialized senior living communities, rather than relying solely on reverse mortgages. These communities should offer high-quality amenities and services to facilitate a smooth transition. Reverse mortgages can place a significant burden on future

generations. The widespread use of reverse mortgages has hindered the transfer of homes between generations, making it more difficult for young people to buy homes and contributing to rising housing prices. To address this issue, we should encourage seniors to sell their existing homes and relocate to senior living communities, thereby freeing up housing for younger generations.

Finally, to promote childbirth, we must establish a system that provides affordable and high-quality childcare services tailored to individual children's needs. This will require a shift away from the current one-size-fits-all approach that prioritizes public convenience. 1) To ensure the success of childcare services, we need active participation and competition from various private sectors. Parents' biggest concern is their children's health. To address this concern, we must establish a comprehensive health guarantee system and build public children's hospitals at the regional level. This will reassure parents that their children's growth and health are in good hands publicly. 2) The creation of a social nurturing atmosphere should be hastened by enterprises. Expanding parental leave, offering flexible work arrangements, and fostering a family-friendly company culture will not only benefit employees but also improve labor relations. 3) regarding women's social status, it is necessary to establish gender equality as a social ideology and proactively prepare a flexible marriage system that allows for child-rearing, pensions, and life partnerships. From a micro perspective, if youth policies do not prioritize strengthening the connection between marriage and family formation, it will eventually turn young people into "social loners without families" and lead to social insecurity.

V. Structural Reform of Macro Youth Policy: Changing the Perception of Youth Policy

In 2020, the government established the Youth Basic Act. The first comprehensive youth policy plan under this Act focuses on five key areas.

First, it guarantees the right of young people to work. This includes providing support for job seekers, extending employment insurance coverage to all young workers, enhancing employment services tailored to the needs of young people, and promoting a fair and youth-friendly work environment.

Second, to reduce the housing burden on young people, the plan focus on providing affordable housing options, easing housing costs for young households, decreasing the

number of young households living in substandard housing, and offering a variety of public housing options tailored to the needs of young people.

Third, to empower young people to build their own futures, the plan is implementing a comprehensive strategy that includes: eliminating tuition fees for low-income students, fostering the development of skills essential for future-oriented industries, creating a flexible and accessible online learning environment, cultivating a digitally-skilled workforce, reducing educational inequalities, and supporting locally-driven initiatives to develop a skilled workforce tailored to regional needs.

Fourth, To improve the lives of young people, the plan focuses on supporting the Hope Savings Account, providing emergency funds for vulnerable youth, promoting cultural activities, supporting the Youth Leap Account, eliminating welfare gaps for isolated and reclusive youth, and empowering young people to participate in decision-making processes. This includes expanding youth representation on government committees, establishing an online and offline youth engagement platform, and designating cities that are youth-friendly and supportive of youth participation.

Youth policies, as they stand, rarely explicitly address childbirth-related issues. A more detailed examination reveals very little specific content related to this topic. Youth policies are often based on the premise of fostering social and economic independence among young people. However, this focus on individual success overlooks the crucial role of family formation and childbirth in ensuring the long-term stability of society. While previous policies have primarily focused on facilitating young people's entry into the workforce, we must now recognize the importance of supporting young people in building families and raising children. By doing so, we can not only ensure the continuity of our society but also enhance social efficiency and improve the lives of young people.

The Committee on a Low Birthrate and Aging Society (CLBAS), tasked with addressing the declining birthrate, has a strong focus on aging issues but seems less concerned with the independence of young people. Established in 2005, the CLBAS has remained a presidential committee with limited authority and has been less proactive in developing and implementing independent policies to address the declining birthrate. Instead, it has primarily focused on justifying increased budgets for various ministries under the guise of addressing the issue. Despite the significant increase in the nominal budget for low birthrate initiatives (reaching 51.7 trillion KRW in 2022), the total birth rate has continued to decline. This suggests that the current budget structure is ineffective in improving the birthrate. On the contrary, it is shown that the increase in the budget for low birthrates is seen as a moral hazard for young people to give birth, that is, a psychology that demands more birth rewards, which

could lead to a further decline in the birth rate.

The declining birthrate and aging population are distinct challenges that require separate policy solutions. However, current policies often conflate these two issues, leading to a lack of clear direction. The proposed four-sector approach—expanding the economically active population, adapting to a shrinking society, preparing for an aging society, and addressing the declining birthrate—provides a general framework but lacks specific and effective measures. Instead of focusing on structural reforms, policies have been dominated by budgetary and expenditure-oriented approaches, often leading to bureaucratic inefficiencies and a focus on benefits. This has exacerbated the declining birthrate and increased the burden of poverty and dependency costs for the elderly. Ultimately, this approach undermines the social fabric and prioritizes individual interests over the common good. A prime example of this is the ongoing delay in reforming the national pension system.

While the aging population highlights the importance of young people saving early, current youth policies paradoxically delay their entry into the workforce and discourage saving. The fundamental approach of lowering the entrance age and encouraging early entry into the workforce to extend working years is being undermined by these policies.

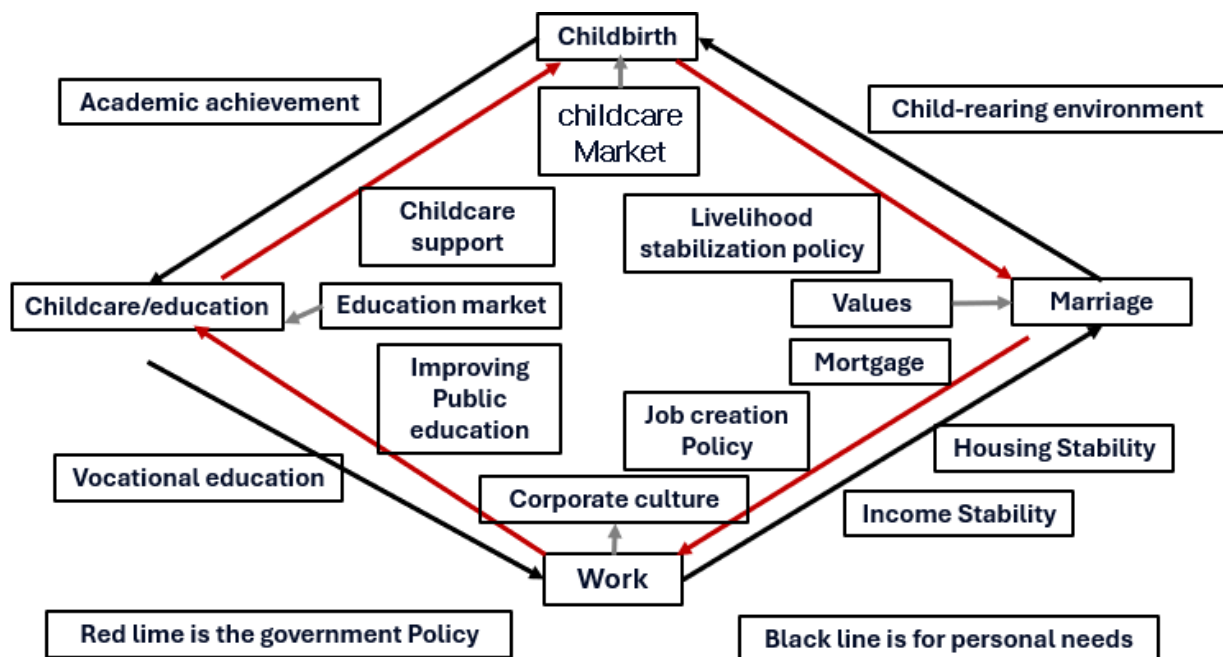
Despite the desperate need to save money for young people due to the extension of longevity, existing youth policies are delaying their entry into society and contributing to a decrease in their savings. Fundamentally, the policy of lowering the school entrance age and increasing the working period by entering society as soon as possible has the opposite result.

It is time for a fundamental shift in our perception of youth policies, which have been largely overlooked throughout our country's development. To prevent socio-economic contraction caused by the declining birthrate, social reform must be driven by youth-focused initiatives.

First, the social policies and corporate environments should be adjusted comprehensively to meet the conditions for stable childbirth and child-rearing. It is necessary to ensure that a stable family, stable income, stable housing, and a stable educational environment are sequentially and directly linked (refer to <Figure 5>). Unlike the elderly, young people are future-oriented and act based on their predictions about the future. This is also true for marriage and childbirth. Their decisions regarding marriage, childbirth, and child-rearing are based on reality. No matter how much childbirth congratulatory money is given, if young people perceive that the quality of education for middle and high school students is detonating and the burden of private education expenses are increasing, they are more likely to give up having children.

In terms of housing issues, if young people anticipate that their housing conditions after marriage and childbirth will be poor due to high housing prices, they are likely to hesitate to have children. Similarly, young people's decisions to have children are based more on long-term considerations about marriage and child-rearing environments rather than immediate incentives. Therefore, to increase the birth rate, it is essential to prioritize meeting macro-level requirements such as improving educational environments and increasing housing supply. Young people have a longer-term perspective than the government, so even if the central government or local governments double or triple childbirth subsidies today, they will not have more children.

<Figure 5> Structural Reform Module of Youth Policy



Note: The outer four lines represent "personal needs" and the inner four lines represent "government policy."

Source: Kim Wonshik, "Why Do We Need 'Youth Studies' for Korean Society?", Seminar to Commemorate the Inaugural of the Youth Studies Forum, Korean Peninsula Foundation for Advancement, June 23, 2016.

In essence, current youth policies are fragmented and disconnected. To get married

after finding a job, it is essential to have a place to live, even if it's a rented one. However, even affluent young people find it difficult to secure housing that meets their desired standards. To have children, parental leave is necessary, but in reality, it leads to career interruptions. Even in terms of child-rearing and education, there is no guarantee of a stable environment. It is unlikely that young people can bear all these risks. If any of these "links" are broken, all policies will be in vain. Therefore, we need to create a "life-course policy module for young people" and establish a social structure that gives young people confidence in these policies.

Second, quality assurance and improvement in youth-related services from both the private and public sectors must be ensured. This requires deregulation of labor market, education, and welfare related services. This would effectively guarantee opportunities for young people, thereby reducing social polarization and conflict. Therefore, policies related to childbirth, child-rearing, education, and employment should be examined from a zero-base, service-centric perspective. Youth policy is not a welfare policy, but rather a "social development policy." Therefore, populism that attempts to solve youth problems with unconditional cash handouts, such as basic income, should no longer exist and is, in fact, ineffective. Cash disbursement policies only foster service providers related to the policy and increase demand, leading to higher service prices.

Third, based on the preceding discussions, the effectiveness of youth policies should be measured by the improvement in birth rates, and policy budgets should be adjusted accordingly. Therefore, a deputy prime minister-level ministry dedicated to low fertility should be established as an executive body capable of directly adjusting low fertility budgets and policies. The current CLBA, which nominally oversees low birthrate policies, is merely a gathering of ministerial officials where the president receives only formal reports, and in reality, it has served as a conduit for ministerial self-interest.

Lastly, there is a need for reflection on the older generation, which is preoccupied with defending their vested interests. The current youth problem is created by vested interests of the older generation. With Generation X, Generation Y, and Generation Z, the characteristics of young people have completely changed, but they have only been evaluated from the perspective of the baby boomers. This includes terms like NEETs, boomerang kids, reteroo (a combination of 'return' and 'kangaroo,' referring to young people who return to their parents' home after marriage due to financial difficulties), honjok (single-person households in Korean), and tangpingjok (lying flat generation in Chinese). This has also led to a widespread negative perception of young people. The phrase 'Youth is painful' is actually a form of belittling young people and is

equivalent to abuse. It is absolutely the responsibility of the older generation that our society has made young people suffer, even though they could have prevented it.

Policies aimed at increasing the birth rate highlight the need for a aggressive reform of government systems. While parental expectations are rising, the quality of services provided has not improved. A public-private mix is absolutely necessary. This includes reforming childcare systems, strengthening educational competitiveness, and reforming the labor market. The problem is that these issues cannot simply be solved with money. They require the abolition of vested interests. Ultimately, benefits are only given to those who provide childcare services, not to the beneficiaries, who instead face additional burdens.

VI. Conclusion: Youth Policy and Elderly Policy in the Age of Aging

The primary goal of elderly policies is to alleviate the economic burden on the elderly. Therefore, they are 'protection-oriented.' The costs are largely borne by the next generation of working-age people. In particular, as average life expectancy rapidly increases, the elderly, who did not anticipate this, inevitably fall into the low-income bracket. For example, if an individual plans their life expecting to live until 70 at the age of 60, but ends up living to 90, they face additional problems beyond living expenses, such as medical and nursing care expenses.

Ultimately, society must take responsibility, and these costs must be covered by national pensions, health insurance, and long-term care insurance for the elderly. This is to ensure a dignified end. However, except for national pensions, these systems are essentially operated on a pay-as-you-go basis, which means that the burden falls disproportionately on the current youth. This burden can lead young people to rebel against society or, in extreme cases, even immigrate. Moreover, the national pension, which must be accumulated in advance, also has an actuarial deficit structure. To reform this system, social consensus is required, but since the elderly are essentially the majority, it is virtually impossible to bring about change. This is because young people are essentially a political minority. For a sustainable aging society, it is imperative that young people become a political majority.

Kreven et al.'s (2023) suggests that the child penalty is a key factor exacerbating gender inequality in the labor market, and that policies to reduce this penalty are urgently needed. Moreover, it is crucial to understand how economic development and structural changes impact the child penalty, so that policymakers can develop effective policies to mitigate it and narrow the gender gap in the labor market.

Lastly, youth policies should be viewed as "modernization policies" rather than merely "welfare policies." Consequently, they should demonstrate qualitative improvements and a clear vision. Therefore, at least the following conditions must be met:

First, it should be a "growth policy." It should maximize human capital utilization and ensure efficient government support while minimizing costs.

Second, it should be an "equal opportunity policy." Fair opportunities to alleviate inequality must be provided. Therefore, a max-min policy that maximizes the welfare of the low-income class should be implemented to foster the middle class.

Third, it should be a "social policy" targeting all population. It should be able to form a sound value system for an advanced society and contribute to global growth and cultural development.

Fourth, it should be a "personalized policy" that is flexible and adaptable to diverse needs. As a member of the world's top seven 5030 Club with a population of 50 million and a per capita income exceeding \$30,000, we should avoid a one-size-fits-all policy. The models of small and medium-sized European countries with populations as small as 300,000 have limitations. With a population of 50 million, Korea cannot use as a model the average of OECD countries with populations ranging from 370,000 (Iceland) to 330 million (US) and vastly different social environments. Through harmonious youth policies between the central government and local governments, young people should be the core resources of regional development under the leadership of the central government.

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