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Rethinking South Korea's Demographic Challenge: The Economic Case for Temporary Labor Migration

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New economic analysis by Michael Clemens at the Peterson Institute for International Economics (PIIE) challenges the prevailing narrative around South Korea's demographic challenges. Once the fodder of wonky demographers and social scientists, South Korea's population is now world-renowned for its extreme drop in birthrates and aging society, a topic I covered last year for KEI. Clemens' data suggests that, assuming no additional immigration after 2024, the income loss per citizen is expected to decline by 10 percent within 18 years due to the aging population structure.

In the report, Clemens shows how the aging population will reduce the productive capacity of the economy faster than other factors, such as capital accumulation and pronatalist policies, can compensate. This will lead to a projected decline in per capita income compounded not only by the aggregate hollowing out of the labor market but also a greater financial burden placed on the working-age population relative to the increasing dependent population, which includes both the elderly and children.

Challenging the Pronatalist Paradigm

Clemens' analysis presents a data-driven counterpoint to the dominant policy paradigm on South Korea's demographic cliff, which focuses mainly on improving birthrates and incentivizing healthy families. This approach has normalized a pronatalist policy framework aimed at balancing work and family life. In this line of thinking, the main

structural conditions driving down birthrates are not only demanding work conditions and employment market difficulties but also rapidly evolving (and sometimes politicized) family norms and gender roles. Women's roles in family, work, and society are particular policy targets, as there are fears about women "opting out" of dating, marriage, sex, and motherhood. It would be a mistake to blame the 4B Movement, largely comprised of Gen Z women in online spaces, as a causal factor in South Korea's declining birthrates, which dropped below the replacement rate (2.1 children per woman) in the early 1980s—well before today's most ardent advocates of the movement were born.

Returning to the economic analysis of temporary labor migration, Clemens' insights suggest that incentivizing child-rearing is not the only—or even the most effective—policy solution to Korea's aging population crisis. Instead, his calculations show that the national economy could both benefit from and need temporary labor migration. The report provides robust data that shows temporary labor migration is a statistically viable response to demographic decline.

Specifically, Clemens calculates that if South Korea were to follow Malaysia's path over the next 40 years—increasing noncitizen workers from the current 3 percent to about 15 percent of the resident population—temporary labor migration alone would be sufficient to reverse most of the expected economic stagnation caused by the aging population. Importantly, Clemens argues that unlike other potential solutions, such as increasing productivity or employment rates, which are projected to decelerate, temporary labor migration is a direct and feasible policy lever that can respond flexibly to annual labor market demands. He notes that Korea's Employment Permit System (EPS) for temporary low-skill migration is already widely admired as a global model that features worker mobility between employers, language training for the workers, and sophisticated worker-employer matching systems.

However, beyond the report's scope lies a critical policy question: Is this solution desirable? The answer is complex, particularly when considering the long-standing demands of migrants—many of whom work in dirty, difficult, and demeaning jobs—in South Korea for better protections, rights, and pathways to long-term residency.

Balancing Economic Needs with Migrant Rights

The economic necessity for temporary labor migration is clear, but it must be balanced with the political reality that often limits migrant rights and integration in South Korea. Like many countries, South Korea's approach to immigration has been largely driven by economic needs, dividing migrants into categories based on their social or economic roles. Unskilled and low-skilled labor migrants and high-skilled workers constitute the bulk of the migrant population in South Korea. The South Korean government and society typically view these immigrants, regardless of skill level or class, as temporary residents, a perspective that is closely tied to the nation's monocultural norms. The country struggles with diversity and inclusion, as seen in the repeated failure of anti-discrimination legislation in the National Assembly. This legal gap affects not only migrants but also diverse citizens who do not fit the traditional mold of Koreanness, particularly with respect to work and family life.

One notable exception in South Korea's immigration policy relevant to the discussion of demographic structure is the treatment of marriage migrants, a group that exceeds 150,000 individuals. While this migrant category comprises men and women, 80 to 90

percent of the yearly incoming marriage migrants are women, suggesting the policy targets immigrant brides. These migrants, which a cynical observer might label as “mail-order brides,” and their children have become central to South Korea’s demographic and immigration strategies. The government’s multicultural campaign, which has been consistent over the past 20 years, has positioned these individuals as key recipients of social and economic support, reflecting a multi-stakeholder effort to integrate them into the fabric of Korean society.

However, this focus on marriage migrants has also led to an unintended consequence: the governance of diversity in South Korea has become narrowly centered on the nuclear family rather than society at large. As I discussed in a 2023 Pacific Affairs article, this approach overlooks the broader societal implications of diversity and the need for a more inclusive framework that goes beyond the confines of family structures or increasing birthrates to a discussion of what it means to live and work in Korea today.

Moving Forward

Clemens’ analysis contributes to our broader understanding of the complex labor demands of Korea’s continually growing economy in the face of population shortfalls. Importantly, it underscores the potential of temporary labor migration as a solution to South Korea’s demographic challenges. For a temporary approach to labor migration to be successful, it must be coupled with policies that address the social stability, liberal rights, and economic sustainability of migrants. South Korea must reconcile its economic need for immigrants with a political framework that respects migrant rights and fosters a more inclusive society. Only then can the country effectively navigate the complexities of its demographic future.

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