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Introduction

East Asia is undergoing the most dramatic population changes in the modern world, and those changes are occurring in a very short period of time. China, Japan, South Korea, and Taiwan are all entering an era of population decline, and in the process, rapid aging and a population loss of millions will occur. According to projections by the United Nations Population Division, China and Taiwan are projected to decline by about 8%, South Korea by 12%, and Japan by as much as 18%. This shows that population decline is expected to become a major demographic trend across East Asia between 2020 and 2050. This is not a hypothetical trend of the distant future, but it is already changing the labor market, pension system, and long-term growth outlook of this region.

Figure 1: Fertility rate in East Asia

This issue is particularly important because population aging in East Asia is progressing at an unprecedented scale and speed. East Asia, right now, is aging faster than any other area in recorded history. The elderly population already constitutes a significant portion of the global senior population. Countries like Japan and South Korea are at the forefront of this trend and have the highest median age in the world. More importantly, it is expected that the aging population will accelerate even further. By 2060, about one-third of East Asia's population is expected to be 65 or older, making it one of the fastest-aging regions in the world.

The economic impact caused by population decline is already being observed throughout East Asia. As the working-age population declines, many countries are expected to face labor shortages and slowed economic growth. These demographic changes are placing an increasingly heavy burden on public finances as well. Pension spending in this region is expected to rise to 8–10% of GDP by 2070, and healthcare costs for the elderly could reach nearly $20 trillion across Asia by 2030. As the World Bank warns, many East Asian economies are at risk of "declining before becoming rich." For this reason, developing policies that can sustain economic growth and social stability despite population decline and aging has become one of the region's most urgent policy challenges.

Background

East Asia's demographic story began with success, not with crisis. Over the following several decades, the region's economy industrialized rapidly, and these changes are often cited as a major cause that later triggered a decline in birth rates. Japan was the first to experience this change. By the mid-1970s, its birth rate had fallen below the replacement level of its population. Also, Between 1960 and 1990, South Korea recorded its fastest-ever decline in total fertility, plunging from 6.0 to 1.8. East Asian societies compressed into a few decades what Western countries had experienced over roughly a century, and this is closely linked to the region's rapid export-driven growth, known as the "East Asian Miracle."

Figure 2: One-Child policy advertisement poster in China

China's path diverged on one important point. Because government policy has accelerated a trend that was already underway. Beijing introduced a one-child policy in 1979. Since, China's birth rate has continued to decline, reaching a replacement level around the 1990s. This policy was eventually relaxed, allowing two children in 2016 and three children in 2021, but the birth rate continued to decline. This suggests that the fundamental social and economic causes of the declining birth rate have already taken root independently of policy. Until the one-child policy was officially abolished in 2015, fertility rates remained low, showing that reversing decades of population growth would be far more difficult than the original policy of birth restriction.

By the early 2000s, declining fertility rates had become a distinct demographic trend across East Asia. Both Japan and South Korea are showing fertility rates far below the 2.1 children per woman needed for stable population maintenance. South Korea recorded an all-time low of 0.81 in 2021. Japan also recorded its lowest birth rate in decades. Due to decades of a low birth rate, East Asia is facing two major problems: rapid aging and population decline. Policymakers must now address the economic and social problems caused by this demographic change.

Problems Raised

Labor Shortages and Economic Slowdown

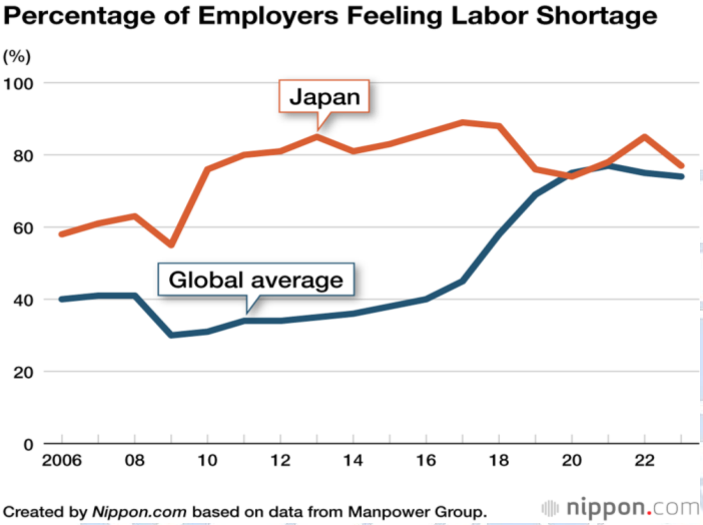

Figure 3: Percentage of Employers Feeling Labor Shortage

One of the most immediate economic consequences of population decline in East Asia is a reduction in the working-age population. As the fertility rate remains at or below replacement level and more people reach the retirement age, the population entering the labor market newly becomes insufficient to replace the population leaving. As a result, a structural labor shortage arises that cannot be easily resolved by short-term hiring or wage adjustments. Industries that heavily depend on a stable labor supply, such as manufacturing, construction, healthcare, and elder care, are particularly vulnerable. This issue is further exacerbated by the fact that many East Asian countries have historically relied on large domestic labor to sustain growth centered on production and exports. As labor supply declines, companies may face rising hiring costs and increased pressure to retain employees, which could reduce their ability to expand their business.

A decline in labor supply also has broader effects on economic growth and productivity. Since economic output is partly dependent on the amount of labor available, a persistent decline in the labor force underutilization can lower the economy's potential growth rate. At the same time, as the proportion of people retiring increases, the number of workers with experience may decline, placing greater pressure on younger employees. Without sufficient productivity gains, investment in technology, or expanded participation of marginalized groups, the economy may struggle to compensate for the loss of the labor force. As a result, East Asia found itself in an especially difficult situation. The government must maintain economic growth and competitiveness, because the population base that supported the region's previous growth is gradually weakening. Therefore, the World Bank identified workforce decline as one of the major economic consequences of rapid population aging in East Asia and the Pacific region.

Rising Financial Burdens and Intergenerational Pressure

Population aging is increasing the financial burden on governments and households. As the elderly population grows, spending on pensions, healthcare, and long-term care is also increasing. As the working-age population declines, managing it becomes more difficult. The number of workers who can pay income tax and social insurance premiums is decreasing. At the same time, more people come to rely on these systems. As a result, the imbalance between those receiving public support and those receiving financial support for it is growing. The World Bank expects pension expenditures in East Asia and the Pacific region to rise substantially as the population continues to age. As medical expenses and long-term care costs rise, the government budget will face additional strain.

This financial pressure may also cause tension between generations. Young workers may bear higher taxes and social insurance contributions in order to maintain existing pension and welfare systems. You may also receive less public resources for education and other services. However, reducing support for the elderly could deepen elderly poverty and limit access to essential healthcare services. Therefore, the government faces a difficult balance. They must protect the elderly while keeping public finances sustainable for the younger generations. Without structural reform, rising age-related spending could reduce the resources available for education, infrastructure, and innovation. Therefore, population aging is not merely an issue for the elderly. It is also a long-term task concerning the economic stability of future generations.

International Actions

UN Decade of Healthy Ageing (2021–2030)

The UN Decade of Healthy Ageing 10 (2021–2030) is a global initiative led by the World Health Organization (WHO) to address the social and economic challenges arising from population ageing. This initiative developed from the WHO Global Strategy and Action Plan on Ageing and Health for 2016 to 2020. The action plan was approved at the 73rd World Health Assembly on August 3, 2020. Later, on December 14, 2020, the United Nations General Assembly officially proclaimed this through Resolution 75/131. The process involved 89 UN member states, the European Union, 19 UN bodies and international organizations, and about 300 non-state actors. Rather than a legally binding treaty, this 10-year plan provides a framework for governments and other stakeholders to coordinate policies for healthy aging.

This initiative focuses on four major areas. This includes changing perceptions of aging, building communities that support older adults, improving integrated healthcare and primary care, and expanding long-term care services. The WHO has also established a monitoring and reporting system to measure progress over a 10-year period. The government, UN agencies, civil society, academia, and the private sector are encouraged to implement these priority tasks at the national and regional levels. Therefore, this initiative seeks to shift its response away from merely managing the elderly population and toward maintaining their health, independence, and social participation. The first global standards report was published in 2021, and subsequent progress reports aim to track changes over the next ten years.

ASEAN Comprehensive Framework on Care Economy (2021)

The ASEAN Comprehensive Care Economy Framework was developed at the ASEAN Chair States Meeting chaired by Darussalam, Brunei, in 2021. This period was no coincidence. It was the result of two factors acting simultaneously: changes in regional population structure and the disruption of the COVID-19 pandemic, and both revealed just how much the economy depends on care work and how its importance is often overlooked. Rather than functioning as a binding treaty, this framework serves as a regional policy guideline, encouraging member states to harmonize approaches across childcare, aged care, health care, social security, and both paid and unpaid care work. The core of this theory lies in the perspective from which it views the issue: it sees care not merely as a social obligation, but as a genuine economic input directly linked to the labor market and long-term development.

The actual implementation of the framework was carried out centered on ASEAN's existing institutional framework. Implementation is carried out through the organization's three community pillars and related sectoral bodies, with the Senior Officials Committee on ASEAN Socio-Cultural Community (SOCCA) working with the ASEAN Secretariat to coordinate and monitor progress. This framework set a period of implementation and monitoring from 2021 to 2025, calling for inter-sectoral cooperation, participation from development partners and the private sector, and regular reporting by member states on progress. Within the secretariat, a care economy platform was also proposed to study the local care system and identify shortcomings in existing policies.

This is exactly why this framework is directly related to population decline. By strengthening care infrastructure, it addresses a practical issue that hinders entry into the labor market, where women, in particular, bear greater unpaid care responsibilities. A stronger and more systematic care system not only directly supports the elderly population, but also helps East Asia and Southeast Asia secure the workforce at a time when they are most vulnerable to bearing labor loss.

Key Players

China

China's scale alone makes it central to this issue. This is because the world's still second-largest population and the rapidly declining birth rate have a major impact on the regional labor supply and growth. The government, which has restricted childbirth for decades under the one-child policy, is now rapidly reversing in the exact opposite direction and is now trying to actively support childbirth in response to the aging population that can no longer be avoided. In 2024, Beijing introduced a policy framework aimed at reducing the costs associated with childbirth, childcare, and education, and expanding childcare services nationwide. At the same time, China has begun gradually raising the statutory retirement age, as a measure to encourage more people to work longer and to stabilize the pension system, which is under increasing pressure. Taken as a whole, China's approach reflects a dual strategy. Rather than simply trying to increase the birth rate, we are reorganizing the economy and social safety nets to fit the reality of an already shrinking and aging population, and we hope for stronger family support, higher labor participation, and better elderly care that can be managed simultaneously rather than addressed one by one.

Japan

As Japan has long experienced a low birth rate and an aging population more than any other economy in this region, it serves as an example that shows in advance the direction neighboring countries should take. This proactive response gives special significance to Japan’s response as a case study showing how population decline manifests in the long term, affecting the labor market, social security, and overall growth. Japan is focusing its policy on adaptation rather than relying too heavily on reversing this trend. Examples include encouraging older adults to remain economically active and expanding employment opportunities well beyond the retirement age. The government focuses on enabling older workers to continue working according to their abilities and preferences, and it does not try to push them out of the labor market unconditionally. As a result, Japan came to be established not as a country trying to solve population decline, but as a country learning the laws that operate within it — That experience demonstrates long-term work and sustained productivity, and when population decline becomes the default condition rather than an exception, a strengthened social security system will become the true lever for economic resilience.

United Nations Population Fund (UNFPA)

UNFPA plays a different role in this matter than a single country. UNFPA provides the research, policy guidance, and technical support that local governments, facing the challenges of low birth rates and population aging, rely on. The core of this report is a warning of the belief that population decline cannot be reversed by a single policy tool alone. Instead, the UNFPA urges governments to adopt a rights-based, life-cycle approach. This is a way of addressing all factors together, rather than targeting the fertility rate alone, by addressing childcare costs, gender equality, reproductive choice, employment conditions, healthy aging, and so on. This organization also works directly with governments and researchers in the Asia-Pacific region to conduct direct research on the economic and social impacts caused by population change. What unites their positions is a clear standard. The government should not treat the fertility rate as a number that should be artificially manipulated to achieve a specific target population. The better approach presented by UNFPA is to create social and economic conditions that allow people to freely choose when and whether to have children, and to trust the outcomes rather than align them with predetermined results regardless of the consequences.

Possible Solutions

Accelerate Automation and Productivity Growth

As the working-age population declines, a persistent labor shortage is emerging across East Asia, and this is causing real economic impacts. As fewer workers enter the labor market, companies are finding it increasingly difficult to maintain output with the remaining workforce, which tends to lead to higher labor costs and an overall slowdown in growth. Automation and productivity-enhancing technologies offer one way to address this bottleneck. It means enabling existing workers to produce the same or more output instead of bringing in more workers. The Asian Development Bank specifically identifies automation, artificial intelligence, and other labor-saving technologies as key tools for aging economies, viewing population decline not merely as a burden but as an opportunity to transform it into a potential “silver dividend.”

Figure 4: Automation in Korean school kitchens

Delivering that potential into action requires deliberate government support. Incentives that encourage companies to invest in automation and digital infrastructure will help reduce the burden of initial costs, and expanding skills training and lifelong learning programs will equip workers with the capacity to adapt alongside technology rather than be replaced by it. Industries hit hardest by labor shortages can achieve the greatest productivity gains through automation by prioritizing the adoption of robots and AI in repetitive or physically demanding tasks. If this combination is successfully realized, it could greatly reduce the economic burden caused by workforce reductions.

However, automation is not a solution that operates on its own. In particular, small and medium-sized enterprises are more likely to face a wider gap between those capable of automation and those that cannot, because they struggle to bear the initial investment costs. Therefore, workers whose roles are changing will need not only the skills themselves but also substantial support for retraining. For this reason, the automation policy is most effective when implemented alongside education and workforce programs, and it should be addressed not as a standalone solution to the problem of population decline, but as part of a more comprehensive response.

Reform Pension and Healthcare Systems

Population aging is placing simultaneous pressure on pension and healthcare systems in two directions. When the working-age population declines, the population needed to support the growing number of retirees decreases, whereas the same older population usually requires much more spending on healthcare and long-term care. If this problem is left unaddressed, government budgets will shrink, and the fiscal capacity to spend on education, infrastructure, and other long-term investments will disappear. The World Bank directly pointed out this issue and warned that pension expenditures could rise substantially as the East Asian and Pacific regions continue to age.

The government has several means to ease that pressure before a crisis hits. Pension systems cannot remain anchored to assumptions from decades ago; they can be progressively readjusted to reflect longer life expectancy and changing labor market patterns. Expanding pension benefits for informal workers, who are often completely excluded from contribution-based systems, and broadly strengthening the financial sustainability of those systems is a much broader way to extend the safety net than merely supplementing it. In healthcare, focusing on primary care and preventive services rather than treating a disease after it has worsened is more cost-effective, and tools such as digital healthcare and community-based long-term care can reduce the burden on both hospitals and families.

There is a certain degree of compromise to all of this. Raising the retirement age or cutting welfare benefits can be a major blow, especially to vulnerable workers who do physically demanding jobs or have little time to adjust their savings. Therefore, pension reform should not be merely a matter of fiscal management, but must balance substantial protection for the people the system serves with long-term sustainability, ensuring that no single goal disregards the others.

Key Terms

Total Fertility Rate (TFR)

The average number of children a woman is expected to have over her lifetime. A TFR of approximately 2.1 is generally considered the replacement level in countries with low mortality.

Working-Age Population

The segment of the population that is generally considered capable of participating in the labor market. It is commonly defined as people between 15 and 64 years old. A decline in this population can reduce the available labor supply and place pressure on economic growth.

Old-Age Dependency Ratio

The ratio of older people to the working-age population. It is commonly measured as the number of people aged 65 and over for every 100 people aged 15–64. A higher ratio indicates that fewer working-age people are available to support a relatively larger elderly population.

Silver Economy

The economic activity generated by the needs, consumption, and participation of older adults. It includes sectors such as healthcare, elderly care, accessible housing, financial services, and technologies designed for aging populations. The concept views population aging not only as an economic burden but also as a potential source of economic activity and employment.

Financial Burden

The economic costs and obligations placed on governments or individuals as a result of rising expenses such as pensions, healthcare, and long-term care.

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