

## Ageing and Employment Policies in Korea – the challenge of an ageing population

Korea's population is ageing rapidly. Currently, it has one of the youngest populations out of all OECD countries but by the middle of this century it will have one of the oldest, just behind Japan, Italy and Greece. In 2050, more than one-third of the population will be over the age of 65 and around half of all workers will be aged 50 and over.

Population ageing will lead to a slowdown in labour force growth and within 20 to 30 years the labour force may even begin to contract. The timing and size of this fall and its impact on economic growth will depend crucially on future trends in the participation rates of older workers.

It is vital that appropriate reforms are taken now to improve labour market prospects of older workers, according to a new OECD report, **Ageing and Employment Policies in Korea**. In particular, consolidation of the pension system should go hand-in-hand with maintaining work incentives and improving job quality for older workers.

Older workers in Korea currently face a long but rocky road to retirement. The National Pension System (NPS) has not yet reached maturity and so many older people have little alternative but to continue working as a source of income. In Korea, older workers effectively retire on average at around 68 years of age from men and 67 years of age for women, which are much older ages than in many other OECD countries. Yet, employers appear reluctant to retain older workers beyond a certain age, often as low as 55. It is common practice among firms in Korea to set a mandatory age of retirement well below the age of 60, which is the norm recommended under the Aged Employment Promotion Act.

The OECD stresses the importance of high standards of occupational health and safety to help workers remain productive for longer. Over the past decades, the frequency of work accidents in Korea in the manufacturing sector has declined substantially. However, the severity of work accidents rose over the 1990s, reflecting a rise in the incidence of fatal injury in manufacturing that is substantially higher than in a number of other OECD countries (see Figure 1 below).

While the OECD recognizes that Korea has already taken several important steps to improve labour market outcomes for older people, it calls for further measures to be taken.

First, it argues that fundamental reform of Korea's pension system is required not only to make it financially sustainable but also to improve coverage and to increase work incentives for older people.

Second, to encourage employers hire and retain older workers, the OECD recommends that Korea should:

- Restrict the use of mandatory retirement.
- Reform the seniority-wage system.
- Loosen strict employment protection rules.
- Rationalise further the system of wage subsidies for older workers.
- Introduce measures to combat age discrimination.

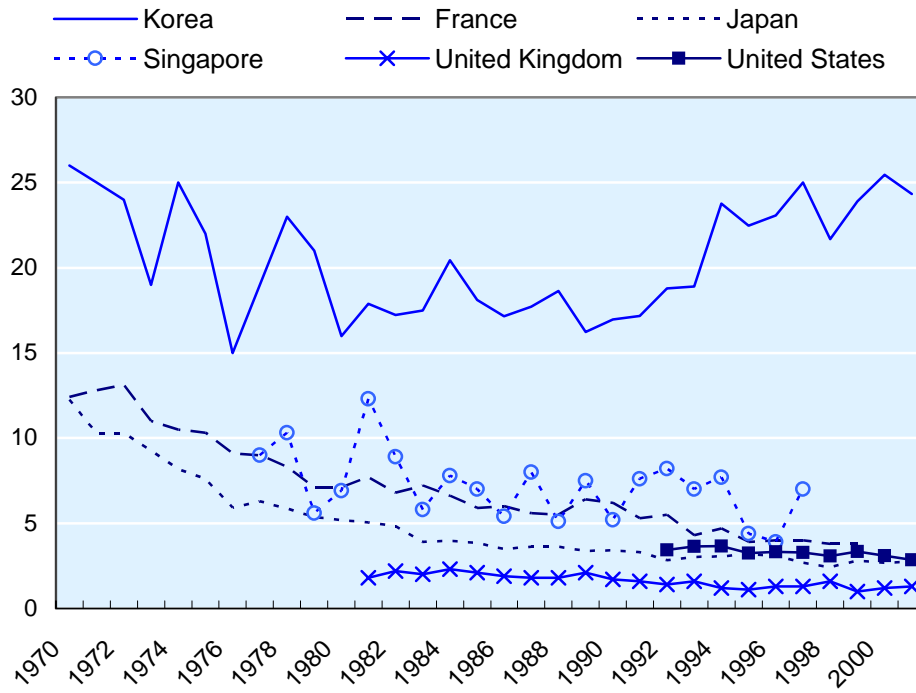
Third, to improve the employability of older workers, the OECD recommends that Korea should:

- Strengthen and expand training opportunities for mid-career and older workers.
- Lower long working hours.
- Improve working conditions and work safety.

This report is one of a series of 21 country reports that are being published by the OECD on ageing and employment policies in OECD countries.

For further information, journalists are invited to contact the OECD's Media Relations Division (tel: + 33 1 45 24 97 00) or the author of the report, [Mark Keese](#) (tel: + 33 1 45 24 87 94).

**Figure 1. Fatal injuries in manufacturing in selected OECD countries, 1970-2001<sup>a</sup>**  
 Number of fatalities per 100 000 workers



a) The data are derived from different sources and so are not strictly comparable.  
 Source: OECD.