

Korea

Highlights from OECD *Pensions at a Glance 2009*



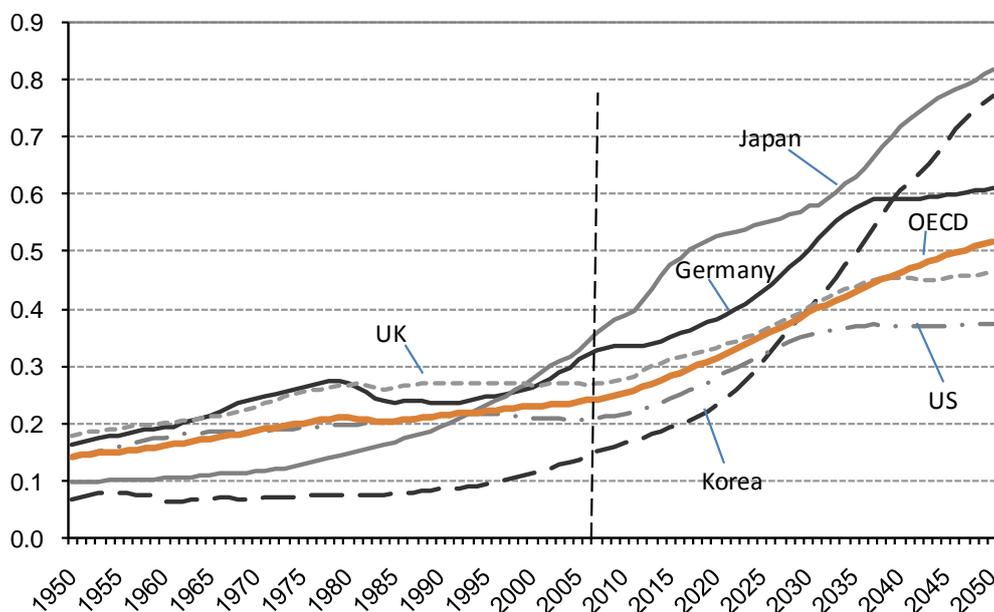
- The old-age dependency ratio in Korea will increase by over 400% in the next 45 years. This is the highest increase among the OECD countries and will leave Korea second only to Japan in 2050.
- More than 45% of Korea's pensioners live in poverty (on international measures). This is the highest old-age poverty rate among the OECD countries and well over three times the OECD average.

Dependency ratios

Ageing populations are causing major concern in the majority of OECD countries as the pressures on pension systems will increase. The impact on Korea is particularly significant.

- Korea currently has one of the youngest populations among OECD countries using the dependency ratio measure (15%). Only Mexico and Turkey with old-age dependency ratios of 10% are in a more favourable position.
- Population ageing however is more dramatic in Korea than in any other OECD country. The old-age dependency ratio in 2050 will be 77%, second only to Japan at 82%. This moves Korea from being the third youngest country in 2007 to the second oldest in just over 40 years.

1 Old-age dependency ratio



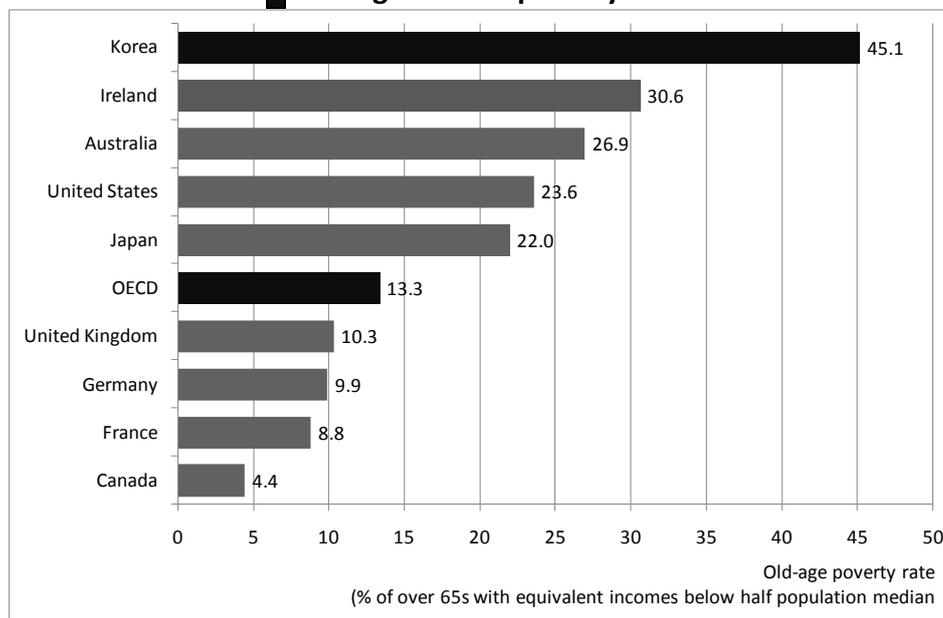
Source: OECD (2009), *Pensions at a Glance: Retirement-Income Systems in OECD Countries*

Old-age poverty

More than 45% of over 65s in Korea had incomes below the OECD poverty threshold (half of median household income) in 2005. This is the highest level among the OECD countries, with Ireland a distant second at 31%. Although these rates give concern at present the introduction of the earnings-related pension scheme in 1988 should help to alleviate the pressures. Current pensioners are only receiving partial pensions from this source, whilst those retiring in future years should reap the full benefit, though notably at a greatly reduced target replacement rate.

The OECD acknowledges that the pension system in Korea will take time to mature and therefore welcomes the actions that are currently being taken by the government. By doubling the basic pension the poorer pensioners clearly benefit by this additional level of assistance provided. However, despite this increase, it is still only equivalent to 10% of average earnings.

2 Old-age income poverty rates



Source: OECD (2009), *Pensions at a Glance: Retirement-Income Systems in OECD Countries*, Figure 2.5

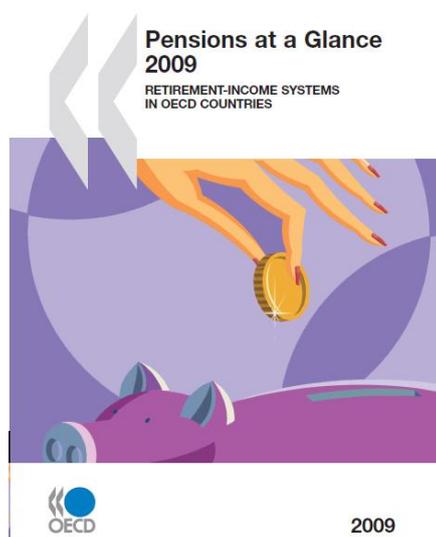
3 Key facts

		Korea	OECD
Pension replacement rate	Average earner (%)	42.1	59.0
	Low earner (%)	64.1	71.9
Public pension spending	% of GDP	1.6	7.2
Life expectancy	at birth	79.1	78.9
	at age 65	83.1	83.4
Population over age 65	% of working age population	14.5	23.8
Average earnings	KRW (million)	30.44	34.08

Note: replacement rate is pension entitlement from all mandatory sources of retirement income relative to individual earnings. Calculations for a full-career worker entering the labour market in 2006. Low earner is assumed to earn 50% of the average.

Source: OECD (2009), *Pensions at a Glance: Retirement-Income Systems in OECD Countries*

Notes to editors



Pensions at a Glance 2009: Retirement Income Systems in OECD Countries

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The report includes 17 indicators of retirement-income systems for the 30 OECD member countries plus four special chapters on (i) pensions and the financial and economic crisis; (ii) incomes and poverty of older people; (iii) recent pension reforms; and (iv) voluntary retirement savings.

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OECD
2 rue André Pascal
Paris 75775 Cedex 16
France

For further information, please contact:

OECD media relations	Spencer Wilson	spencer.wilson@oecd.org	+33 1 45 24 81 18
OECD social policy division	Edward Whitehouse	edward.whitehouse@oecd.org	+33 6 25 89 56 67

www.oecd.org/els/social/pensions

