



ILO-EU-Korea policy dialogue on the future of work

Ageing workforce and policy issues in Korea

February, 2022

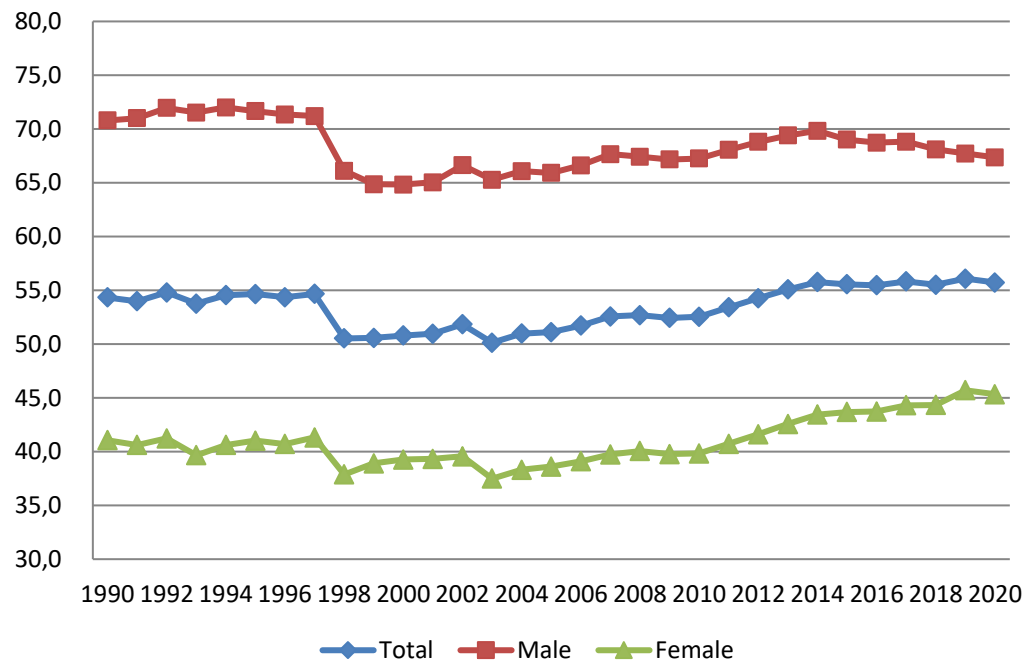
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1. The current situation and evolution of the labour market for older workers

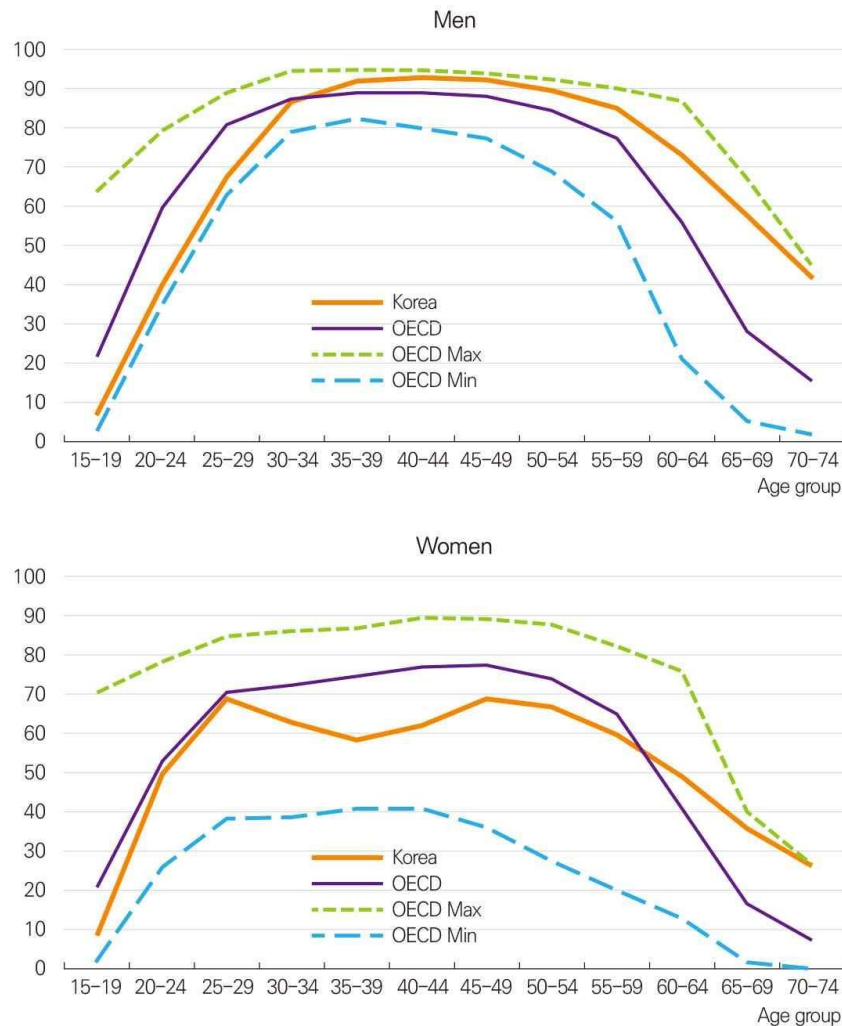
■ Changes in the employment rate (%) of the elderly (50+)



Source : KOSTAT, Economically Active Population Survey (EAPS)

- The elderly employment rate in Korea is significantly high and is estimated to further rise
 - Provisional decline during the financial crisis(1997-98) and constant rise since 2000
 - Recovered to the pre-financial crisis in 2013. 56.1% in 2019 and 55.7% in 2020
- Changes in employment rate by gender
 - Mostly similar changes until 2014
 - After 2014, male employment rate has stagnated or declined while female employment rate has continued to rise

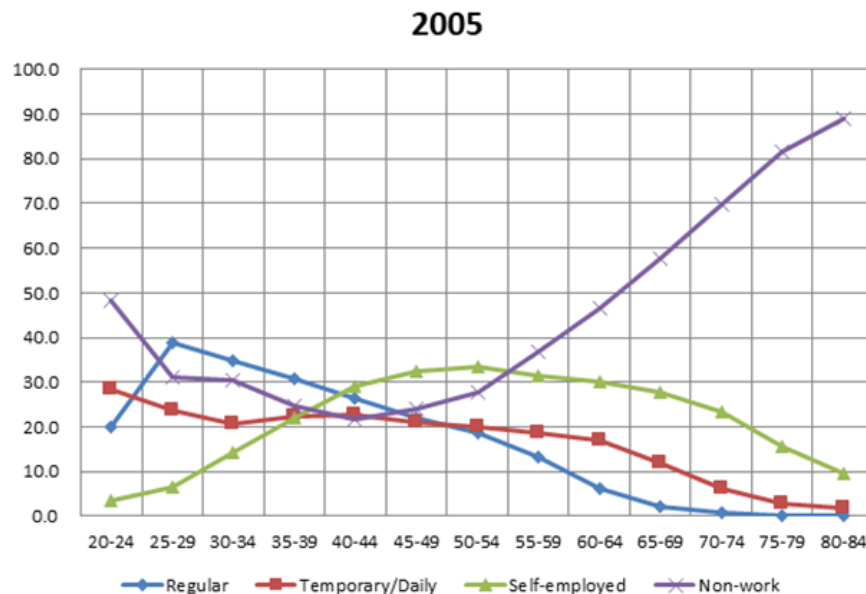
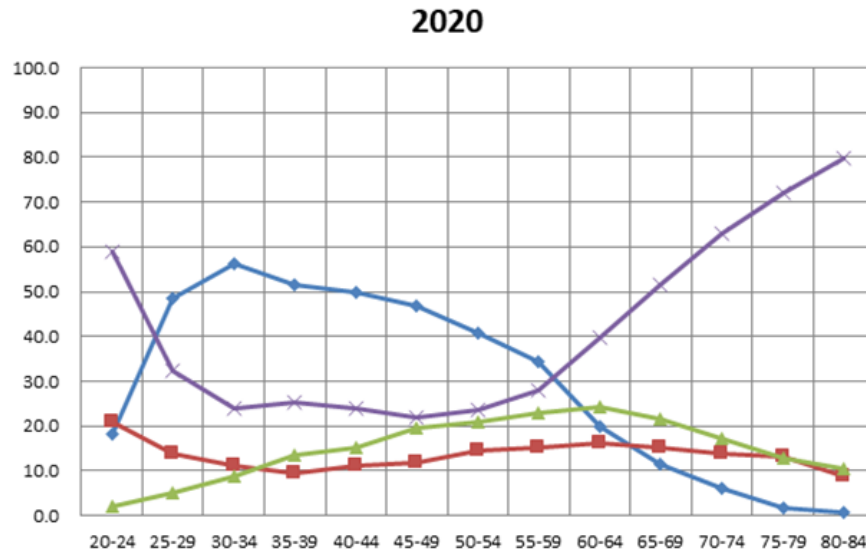
■ Difference in employment rate by life cycle (%)



Source: OECD(2020 : 68)

- The elderly in Korea work longer than the OECD elderly
- The OECD average shows that the labour market exit starts for those in their late 50s and that most of the older workers retire in their 60s
- Older workers in Korea also start to leave the labour market from their 50s. However, its employment rate declines gradually and the employment rate in their 70s is the highest in the OECD
- Gender difference in employment rate by life cycle
- Although the OECD average shows that the employment rate of men is rather higher than that of women, there is no significant difference in the change trend by life cycle
- In Korea, changes in employment rate between men and women are different. The employment rate by life cycle is an inverted U-shape for men and an M-shape for women

■ Changes in the employment status of elderly workers (%)

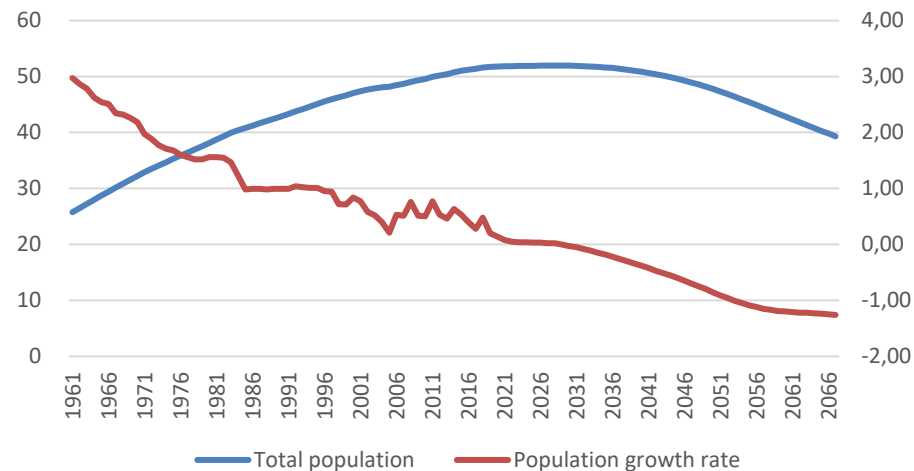


- Differences in employment status by life cycle
 - In the working age group, the proportion of regular workers is much higher, but it sharply declines from the age of 50, and the share of self-employed workers rises from the age of 60
 - This shows that the main cause of the decline in the elderly employment rate is the retirement of regular workers
- Changes in employment status by period
 - In 2005, the share of self-employed worker was the highest among those in their 50s and the share of regular workers was lower than that of temporary daily workers. But in 2020, the share of regular workers rised significantly
 - Compared to the past, it has become difficult for the elderly to decide when to retire, and the impact of the labour market system including legal minimum retirement system has increased

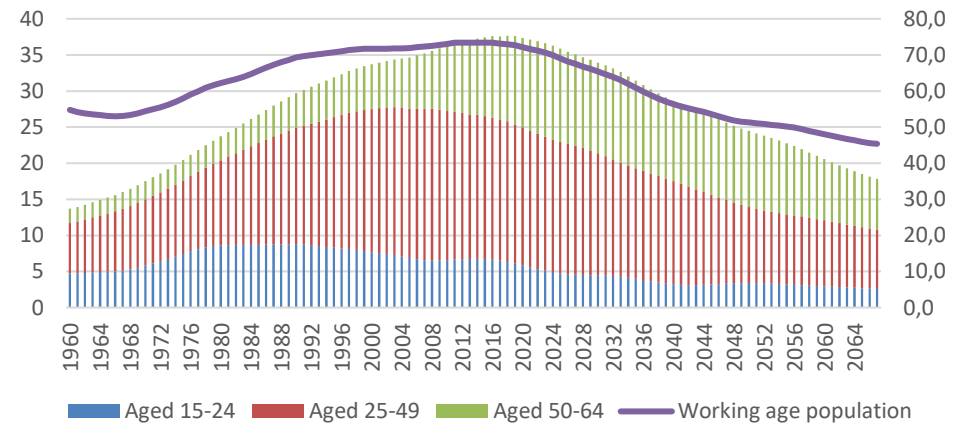
Source: KOSTAT, EAPS

■ Change in population size and composition (million, %)

<Changes in total population and population growth rate>



<Changes in the composition and share of the working age population>



Source : KOSTAT, Future Population Special Estimation

○ Rapid population ageing

- Scale of the working age population : 37.65 million (2018) → 17.84 million (2067). Concerns raised over labour shortage in the long run
- Share of the working age population : 73.4% (2016) → 45.4% (2067), which is an increase in the population size that a worker must support
- In the short-term, the supply and demand imbalance issue is more urgent than labour shortage (Chulhee Lee & Jieun Lee, 2017)
 - Considering the difference of employment rate by gender and age, the decrease in the number of the employed by 2035 is approx. 2.1%
 - Improving the employment rate of women and the elderly → The point when the number of the employed declines may be further delayed
 - Difference in human capital by age group → Labour force imbalance in some industries and regions

■ Changes in the characteristics of the ageing population

○ Changes in the population size (aged 50-69) and education level distribution (million, %)

- Population size has doubled for the last 2 decades with babyboomers (born from 1955 to 1964) entering the old age
- Significant rise in the size and share of high school graduates and above:

22.1+9.1% (2000) → 43.9+27.5% (2020)

- Decline in the share of middle school graduates or below (68.8% → 28.6%) but at a relatively low decline rate

○ Change in the health status

- Based on the age group of 56 to 61, increase in the share of the above average

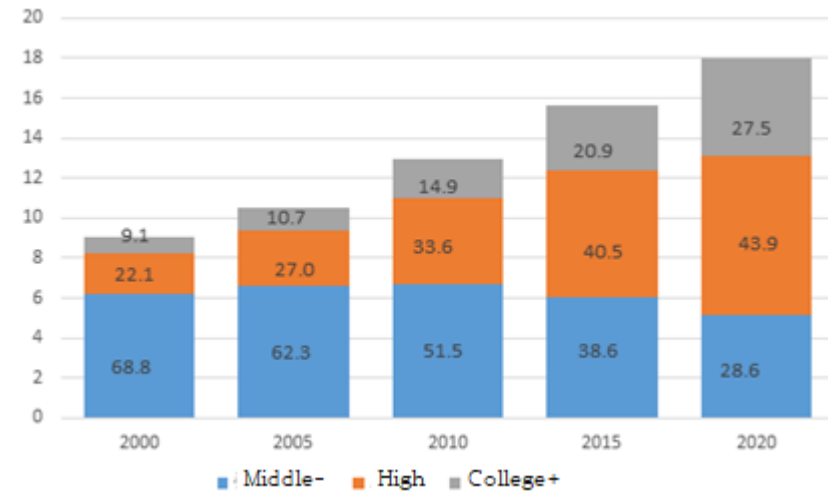
78.8%(2008) → 84.2%(2012) → 90.6%(2016)

※ Sue-Lynn Kim et al. (2019: 24-29)

○ Change in family structure

- Rise in single or married households : 68.1%(2011) → 78.2%(2020) and decline in the number of the elderly living with children

○ Improvement of productivity and job motivation of the elderly + rise in heterogeneity within groups + increase in population size



Source: KOSTAT, EAPS (as cited in Seung-Yeol Yee et al., 2021)

■ Changes in the demand for elderly workforce in the labour market (%)

○ Industrial structure change

- Since the 1980s, the industrial structural change had an impact on reducing the market demand for ageing workforce
- This is due to the relative decline of industries (ex: agriculture) where a large number of the elderly is employed
- From 2008 to 2018, the industrial structural changes also led to the decrease in the demand for older workforce by 2.03%
- In terms of age group, those in their 60s, and in terms of gender, the elderly female saw a greater decrease in the demand of workforce

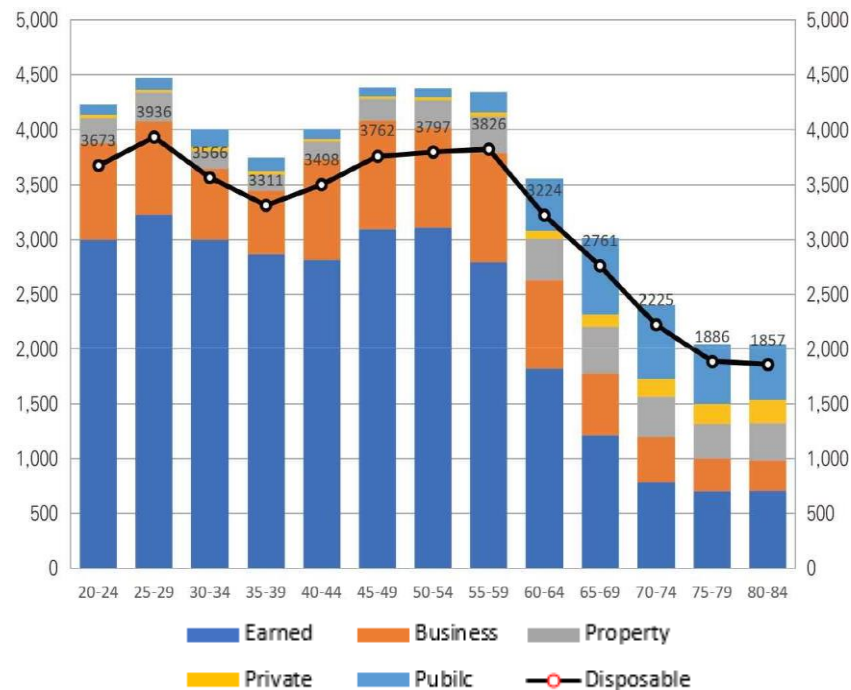
period	Aged 25-44	Aged 50-59	Aged 60-69	Aged 70+	Aged 50+
A. Total					
2008-2013	0.0085	-0.0030	-0.0029	-0.0018	-0.0077
2013-2018	0.0067	-0.0032	-0.0056	-0.0047	-0.0136
2008-2018	0.0144	-0.0062	-0.0084	-0.0057	-0.0203
B. Male					
2008-2013	0.0052	-0.0034	-0.0030	-0.0017	-0.0082
2013-2018	0.0041	-0.0008	-0.0017	-0.0022	-0.0046
2008-2018	0.0093	-0.0035	-0.0048	-0.0040	-0.0123
C. Female					
2008-2013	0.0127	-0.0048	-0.0044	-0.0028	-0.0120
2013-2018	0.0178	-0.0055	-0.0100	-0.0068	-0.0224
2008-2018	0.0292	-0.0107	-0.0142	-0.0079	-0.0327

Source: KOSTAT, Employment By Region Survey (as cited in Sue-Lynn Kim et al., 2019:18)

- Difficult to expect that sufficient jobs will be created in the market for the elderly
 - Expansion of education and training to support the reemployment of older job seekers
 - Subsidies to increase the demand for the elderly workforce and active job creation projects
- Decline in jobs where the elderly can be employed + increase in the number of the elderly who want to be recruited
 - This can be the cause of declining wages and job quality of older workers

■ Differences in income and poverty by life cycle

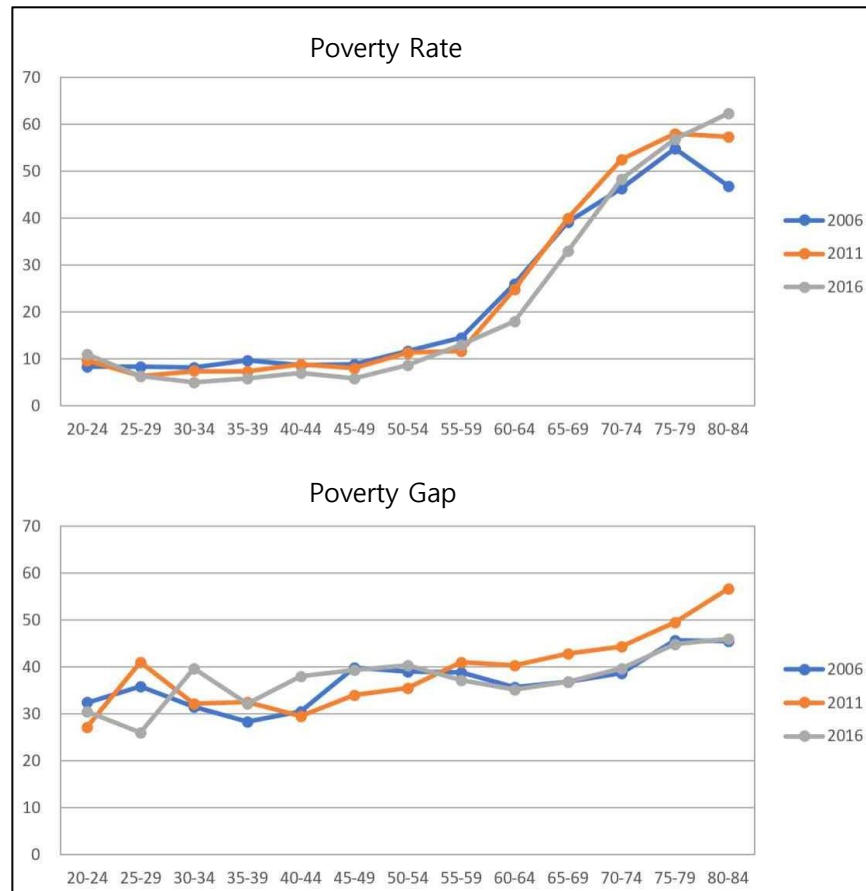
1. Household income difference by life cycle (10,000 won/year)



Source : KOSTAT, Household Financial Welfare Survey,
(as cited in Seungho Lee et al., 2020:28)

- Ageing is a period during which the main income source to maintain livelihood becomes transformed
 - For those in their 50s, earned income and business income start to decrease. But no decline witnessed in disposable income
 - Starting from the age of 60, disposable income starts to sharply decrease with the decline of earned income and business income
 - Rise in property income and public/private transfer income, which is, however, not sufficient to offset the income decline in the labor market
 - Given that this concerns the average income and considering the system in which wages increase with age, more significant income decline is expected in some groups

2. Differences in poverty index gap by life cycle (%, based on 50% of median income)



Source: KOSTAT, Household Trend Survey (as cited in Seungho Lee et al., 2020:26)

○ Serious level of elderly poverty rate

- Poverty rate of those aged 65 and above:
45%(2006) → 49%(2011) → 47%(2016)
- Poverty rate starts to rise for those in their late 50s. 33% in their late 60s and 62% in their early 80s (2016)
- Estimated that there is a close correlation between the retirement process from the labour market and the change in poverty

○ Compared to the poverty rate, the difference in poverty gap is relatively small

- In general, poverty gap gradually rises after the age of 60
- Among the elderly, income of the older age group is relatively low
- For the age group of 50 and above, the poverty gap decreased in 2016 compared to that in 2011

2. Changes in the elderly labour market-related system

■ Enforcement of the law obligating the retirement age to be operated at 60+ (1000 business, %)

		2012	2013	2014	2015	2016	2017	2018	2019	2020
Total business		1,107	1,209	1,256	1,323	1,424	1,478	1,518	1,565	1,598
Business with retirement age system		194	221	225	248	283	299	346	354	345
Implementation ratio (%)		17.5	18.3	17.9	18.7	19.9	20.3	22.8	22.6	21.6
Business size (%)	1-4	10.8	11.8	10.7	10.7	11.8	12.6	14.8	13.9	12.4
	5-9	18.7	20.6	20.6	21.5	23.1	24.5	27.0	28.2	27.7
	10-29	36.6	37.0	40.7	43.1	45.1	42.1	47.2	49.7	49.7
	30-99	64.5	61.3	64.3	72.4	74.9	69.6	73.6	77.5	77.0
	100-299	82.2	82.5	83.9	89.0	88.3	88.2	91.4	91.4	89.8
	300 +	91.0	90.4	92.3	93.9	94.1	90.7	91.3	93.0	92.8
	1000+						95.7	94.7	94.6	93.5

Source: Ministry of Employment & Labor, Additional Survey on Business Workforce Inquiry

- Retirement Mandatory Act implemented in 2016 for businesses with 300 or more employees, and in 2017 for those with less than 300
 - Expanding to mainly large-scale businesses : 17.5%(2012) → 21.6%(2020)
- Controversy over the effect of extending the mandatory retirement age
 - Increase in tenure for elderly workers vs. Increase in early retirement, decline in youth employment, etc
 - Effects of limiting to regular workers in large businesses

■ Spread and stagnation of the wage peak system (1000 businesses, %)

		2012	2013	2014	2015	2016	2017	2018	2019	2020
Business with retirement age system		194	221	225	248	283	299	346	354	345
Business with wage peak system		19	18	22	30	49	66	74	77	77
Implementation ratio (%)		9.6	8.3	9.9	12.1	17.5	22.2	21.5	21.7	22.4
Business size (%)	1-4	6.5	3.7	5.3	7.8	13.5	17.7	16.5	17.2	17.1
	5-9	9.1	8.0	10.0	10.8	18.4	23.5	24.6	22.9	26.5
	10-29	13.0	13.4	14.2	16.4	20.8	25.7	24.3	24.5	24.4
	30-99	12.1	13.0	14.7	16.1	18.6	24.3	24.8	25.5	22.9
	100-299	15.9	16.6	15.2	19.3	27.8	35.3	36.7	38.5	36.9
	300+	17.8	18.5	23.2	27.2	46.8	53.0	54.8	54.1	51.7
	1000+						63.3	64.8	63.0	61.4

Source: Ministry of Employment & Labor, Additional Survey on Business Workforce Inquiry

○ Many businesses operating the retirement age system adopted the wage peak system at a similar period

- A system that reduces wages when workers exceed a certain age
- Implementation ratio of the wage peak system among businesses operating the retirement age system : 9.6%(2012) → 22.4%(2020)

○ Discussion on wage system reform

- Criticism over the difficulty of extending the employment period for elderly workers due to seniority-based wage system
- Discussion over working conditions when extending employment period of older workers after retirement age: wages, working hours, tasks, etc

■ Evolution of the income security system

○ Maturity of the national pension system

- Increase in the number of the old-age pension recipients : 180,000(1999) → 4,47M(2020). Beneficiary rate still at 54.9%
- Increase in the average wage level of the old-age pension : 219,000 won/month(1999) → 541,000 won/month(2020)
- Size of the elderly that do not benefit from the pension is large, and even if they do, the amount is not sufficient to sustain their livelihood

○ Expanding the institutional crevasse between the legal minimum retirement age and the point of receiving the old-age pension

- Raise the age of beginning to receive the old-age pension: 60 years old(~2012) → raise 1 year every 5 years → 65 years old (2033~)
- Extend the income cut-off period : Currently 2 years (age 60~62) → planned to extend to 5 years by 2033

○ Expanding the basic pension benefits

- Public assistance that provides a certain amount aid to the bottom 70% elderly in terms of income/wealth
- Adoption of the Basic Old-Age Pension in 2008 (88000 won/month per person) → Transformed into the Basic Pension in 2014 (200,000 won/month per person) → Gradual rise of salary by 2021 (300,000 won/month per person)

○ Expanding the senior employment promotion projects

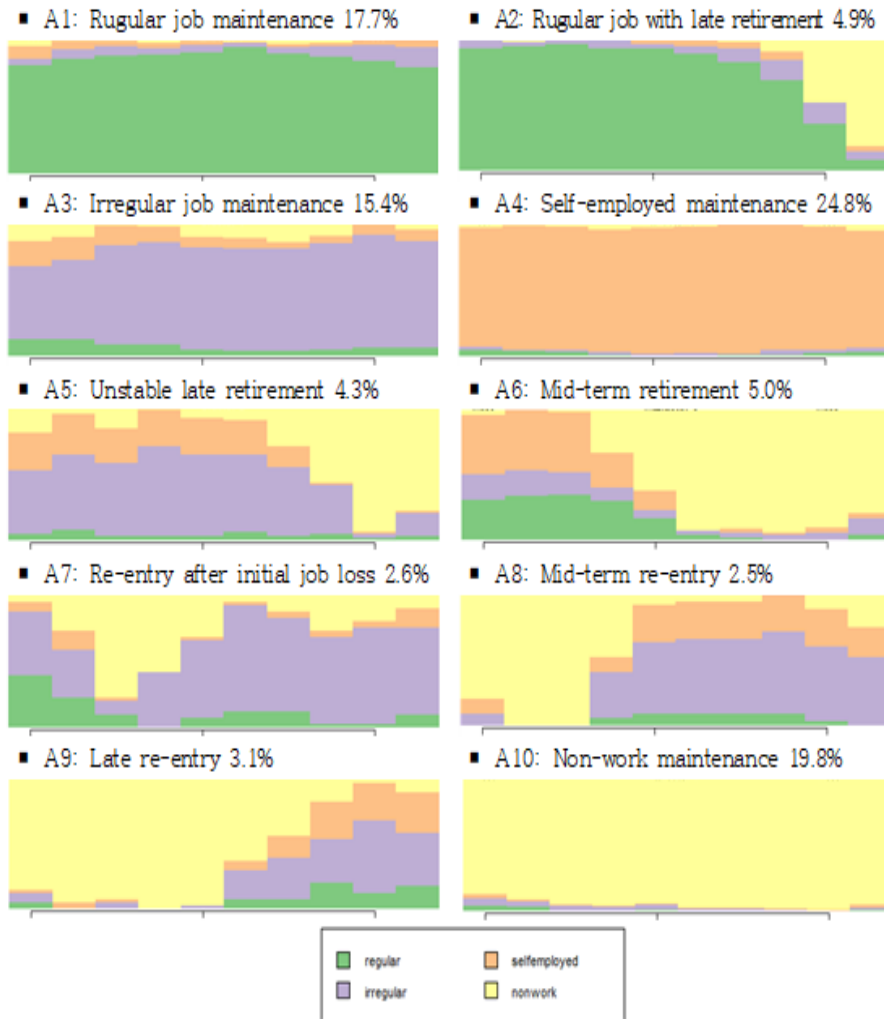
- Government-led income support system by creating jobs (or social activities) for the low-income elderly
- Expanding the scope : 35000 jobs (2004) → 740,000 (2020)/ salary increase (public type) : 200,000 won/month (2016) → 270,000 won/month (2018)

3. Old-age labour trajectory type and characteristics

■ Analysis data and method

- Analysis data
 - Using data from 4th (2001) to 22nd (2019) of the Korea Labor and Income Panel Study (KLIPS)
 - Age-based panel data with cases in which both age groups in their 50s and 60s responded
 - Analysis of 1,419 people in their 50s (response of 50-59 years old) and 1,117 people in their 60s (response of 60-69 years old)
- Analysis method
 - Sequence analysis + Cluster analysis
 - Individual sequence dividing labor market status into four categories: regular worker/irregular worker/self-employed/unemployed
 - Based on the degree of similarity between sequences, distance between sequences measured through optimal matching
 - Individual clusters formed by grouping close sequences
- Categorization results : 10 types for those in their 50s, and 8 types for those in their 60s

■ Categorization results of the labour trajectory for those in their 50s



Source: KLI, KLIPS, Seungho Lee et al.(2020 :56)

○ Most maintain the employment status of the age of 50

- Proportion of those who safely maintain their regular job is limited. $A1(17.7\%) + A2(4.9\%) = 22.6\%$

- Compared to regular workers, working hours of the non-wage maintenance type (A4, 24.8%) are longer and labour income lower

- Compared to the regular worker, the irregular job maintenance type (A3, 15.4%) has shorter working hours but lower labour income

○ Labour income cut-off observed for the unstable labour trajectory type

- Income cut-off due to retirement (A5, A6): 9.3%

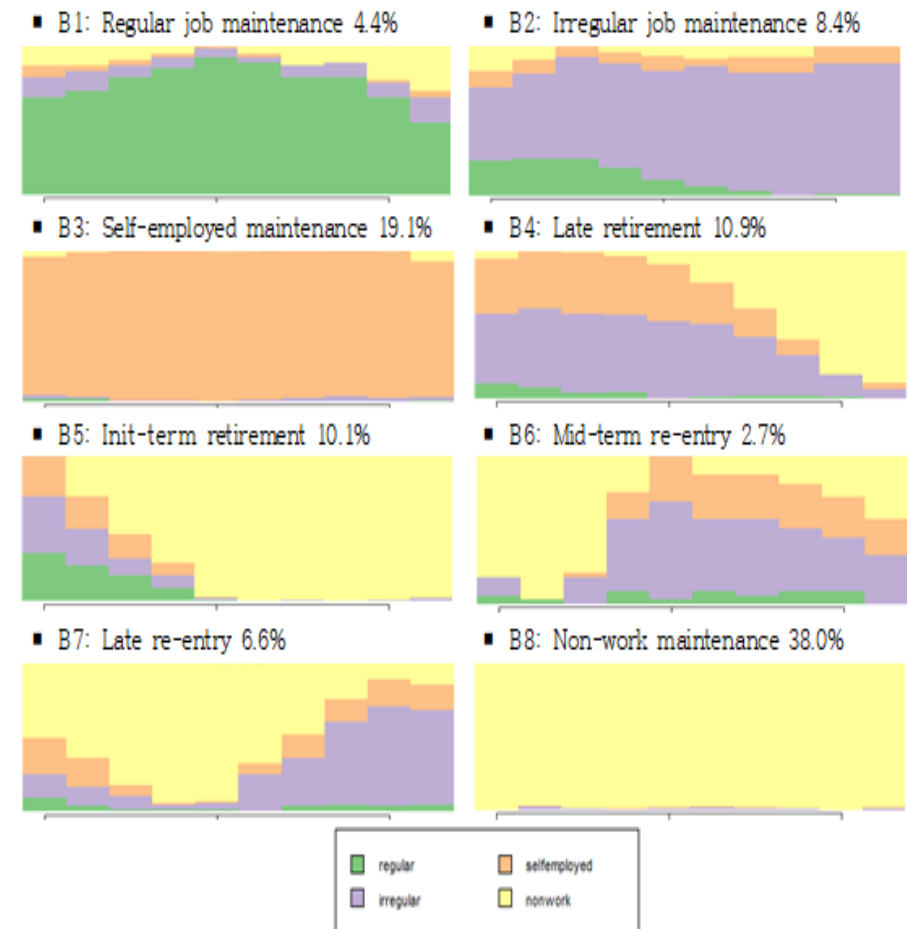
- Re-entry into labour market after income cut-off (A7, A8, A9): 8.2%

- Labour income is also rather low during the employment period for the unstable labor trajectory type

※ If the irregular job maintenance type is included, 32.9% of those in their 50s has experienced labor market instability

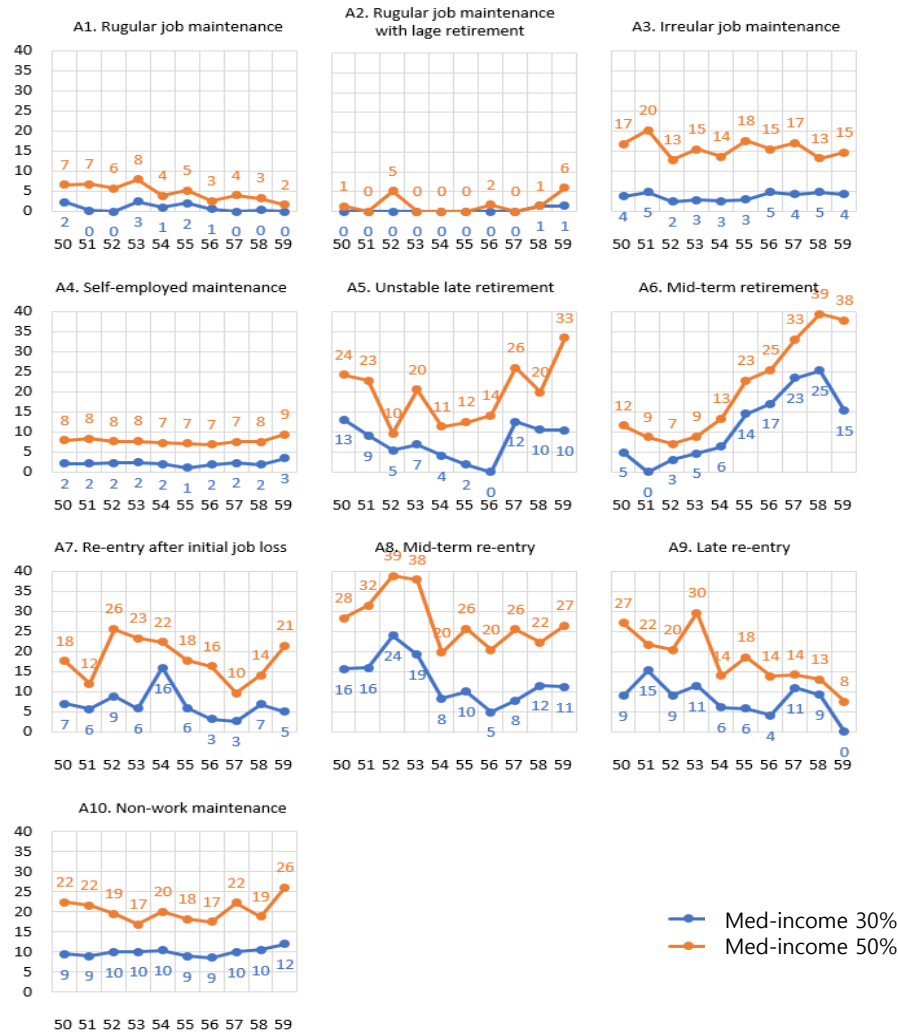
■ Categorization results of the labour trajectory for those in their 60s

- The proportion of labour market participation for those until their late 60s is high
 - Although the ratio is low compared to those in their 50s, when regular(B1), irregular(B2), non-wage(B3) are combined, 31.9% of those in their 60s participate in the labour market throughout their 60s
 - All three groups had lower earned income than those in their 50s with similar labour trajectory types (A1, A3, A4)
- Identifying various retirement paths
 - Increase in the share of the unemployment maintenance type is due to the fact that early retirees and full-time retirees have been included
 - Retirement in their early/mid 60s (B5, B4) can be related to receiving old-age pension and basic pension
 - Re-entry into the labour marker after 60 (B6, B7) is estimated to be an inevitable choice to ease poverty in the old age



Source: KLI, KLIPS, Seungho Lee et al.(2020:60)

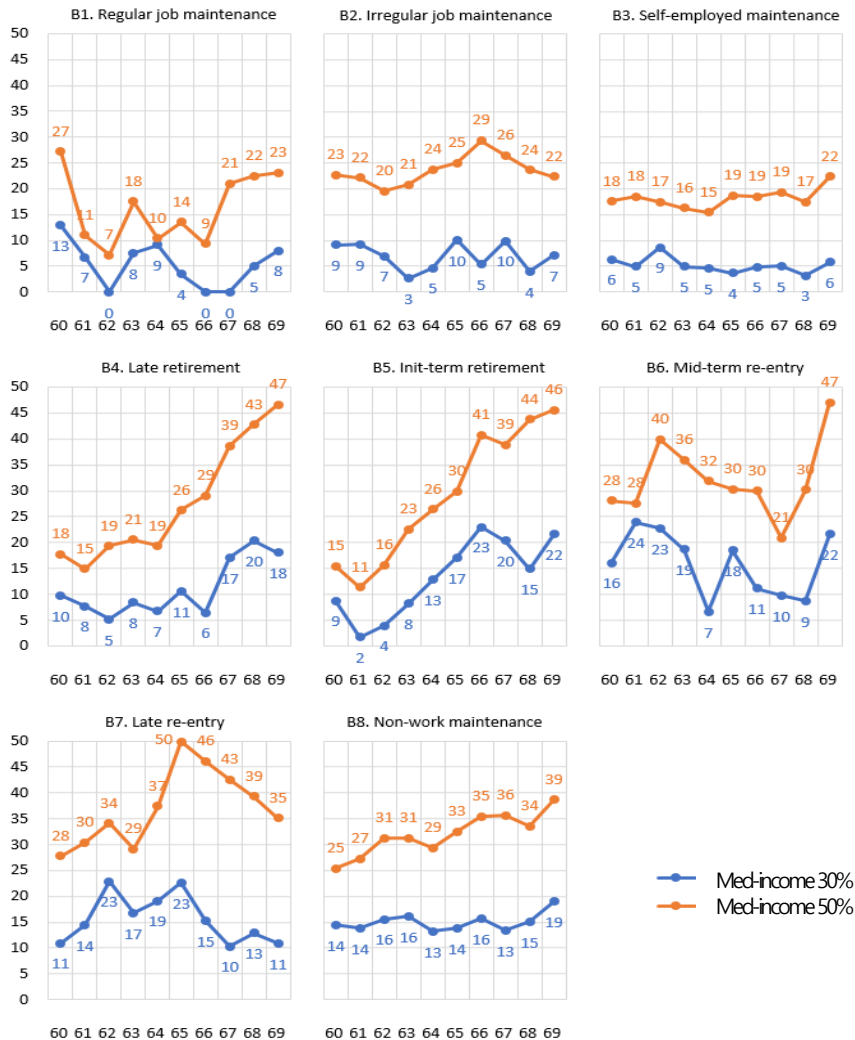
Change in poverty for those in their 50s by labour trajectory type



- The more stable the labour market status, the lower the poverty rate
 - Poverty rate was the lowest when maintaining a regular job (A1, A2) and the low poverty rate was stably maintained in the non-wage maintenance type (A4)
 - The irregular job maintenance type (A3) also had a rather lower poverty rate than the average
- Changes in the poverty rate were observed in groups with unstable labour trajectories
 - For those who retired in their 50s (A5, A6), the poverty rate sharply increased at the time of their retirement in general
 - For the labour market re-entry type (A7, A8, A9), the poverty rate tends to decline at the time of reemployment

Source: KLI, KLIPS, Seungho Lee et al.(2020:109)

■ Change in poverty for those in their 60s by labour trajectory type



- The extension of the employment period plays an important role in reducing poverty
 - For those who maintained their jobs until their late 60s (B1, B2, B3), the poverty rate at the age of 69 was low compared to other types

- Retirement is the major factor in increasing poverty for the old age

- For those who experienced retirement in their 60s (B4, B5), the poverty rate sharply increased before and after retirement

- Re-entry into the labour market has the effect of reducing poverty

- For those who re-entered the labour market in their 60s (B6, B7), the poverty rate tends to decline at the time of reemployment

Source: KLI, KLIPS, Seungho Lee et al.(2020:110)

4. Major policy issues related to promoting elderly employment

■ Extension of the employment period in main jobs

- Extending the employment period in main jobs can reduce income decline and delay the entry into poverty for the elderly
 - In particular, extending the employment period after the age of 60 helps curb poverty growth in the old age
- Raising the legal minimum retirement age vs. Extending the employment period for older workers
 - From 2016 to 2017, although regulations of mandatory retirement at 60 or above were implemented, it is difficult to say that the system has been safely established. And controversial issues have been raised over the effectiveness of the retirement extension
 - Though it is not an easy task to further extend retirement in the short term, the income cut-off period after retirement is expected to be extended to 5 years maximum by 2033
 - Alternative measures have been suggested to gradually extend employment mostly through reemployment and to make it mandatory, specific plans have yet to be discussed
- Employment period extension and wage system reform
 - Social consensus is required concerning the extension of the employment period and adjustment of wage levels for older workers

■ **Supporting reemployment and strengthening vocational training for the elderly**

- Separate measures required for the older workers in unstable jobs
 - Expanding services to support the reemployment of the elderly who have left their main jobs
 - Strengthening employment services to allow the elderly to receive vocational training, if desired
- Enhancing the participation rate and effectiveness of education and vocational training for older workers
 - Although reemployment support services for involuntary turnover for large businesses have become mandatory, the participation rate and effectiveness are still low
 - It is necessary to provide reemployment services to both employers and workers, and boost incentives to make use of such services
- Expanding daily education and training systems
 - Enhancing productivity and changing industries are difficult to achieve in the short run. Currently, education and training are provided before and after the turnover in a short period of time
 - Daily education and training systems are needed to allow workers to receive vocational training corresponding to their needs during their employment period and to prepare for retirement

■ Expanding social protection for unstable jobs

- Most of the elderly re-entering the labor market are engaged in low-income unstable jobs
 - With the decline in private support and insufficient public transfer income, the number of the elderly not able to leave the labor market or re-entering the labor market to maintain their livelihood is on the rise
 - Apart from expanding a long-term income security system for the old-age, an appropriate level of social protection for older workers participating in the labor market should be provided
- Expanding support for job search before and after job loss
 - Although irregular jobs have lower income than regular, self-employed jobs, on the other side of the coin, they prevent income decline and alleviate poverty in the old age
 - In conditions where other sources to replace labor income are insufficient, older job seekers have a hard time searching suitable jobs, thereby becoming the cause of reduced job quality for reemployment
 - In the short term, it is necessary to review expanding the use of reduced working hours before retirement in main jobs and applying unemployment benefits for job seekers after the age of 65
 - In the long term, it is necessary to review expanding social protection for small-scale workplaces where many older workers are engaged or for ultra short-time workers

Thank you.

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