

# **Current Status of Aging in South Korea and Responses in Labor and Social Policy**

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## **1. Current Status of Low Birth Rates, Aging Population, and Elderly Employment Rates**

The number of people aged 65 and over in South Korea surpassed 10 million in July 2024, and South Korea entered a super-aged society with more than 20% of the population being elderly in December 2024. This is faster than the original expectation of the elderly population exceeding 20% by 2025. The proportion of the population aged 65 and over in Korea is projected to increase from 20.3% in 2025 to 30.0% in 2036, and to reach 47.7% in 2072.

Meanwhile, to maintain the current population, the total fertility rate must exceed 2.1, but in 2023, Korea's total fertility rate is 0.721. The total fertility rate was 1.205 in 2014 but has been declining steadily, and in 2022, Korea's total fertility rate was the lowest among OECD countries. The number of births is expected to fall from 250,000 in 2022 to 160,000 in 2072.

As the low fertility rate and the aging of the population intensify, the population is expected to decline, resulting in a shortage of people of working age.

Korea's total population is projected to decline from 51.75 million in 2024 to 51.31 million in 2030, 50.06 million in 2040, and 36.22 million in 2072. The working-age population between ages 15 and 64 is projected to decrease by 9.4 million from 36.57 million in 2023 to 27.17 million in 2044, and reach 16.58 million in 2072. The proportion of the working-age population in Korea was 71.1% in 2022, the highest among OECD countries, but is projected to fall to 45.8% by 2072, the lowest.

The old-age dependency ratio, which measures the number of elderly per 100 people of working-age, is projected to rise from 24.4 in 2022 to over 50 in 2036 and to 104.2 in 2072, an increase of 4.3 times, increasing the burden of supporting the elderly on the working-age population. Korea's old-age dependency ratio was 24.4 in 2022, ranking in the bottom 10 among OECD countries, but is projected to become the highest at 104.2 in 2072.

The employment rate for those aged 65 and over is 38.2%, 30.7% for those aged 70 and over, and 24.8% for those aged 75 and over.

According to a survey, as of 2023, the average retirement age for mainstream jobs Korea w 49.4 years old, whereas the age of full retirement will be 72.3 years old. There is a strong desire to work longer as an alternative to a financially insecure retirement, so there is a strong demand to raise the retirement age.

## **2. Legislation and Policies for the Elderly**

### **(1) Employment-Related Legislation**

Prior to 2013, the Act on Prohibition of Age Discrimination in Employment and Elderly Employment Promotion only stipulated that employers should endeavor to set the retirement age of workers at 60 or above, but it did not mandate a specific retirement age.

This law was amended in 2013 to require that the retirement age of workers be set at 60 or above. In practice, after a grace period, the law mandated a retirement age of 60 from January 1, 2016 for companies with 300 or more employees, and from January 1, 2017 for companies with fewer than 300 employees.

In order to reduce the burden on enterprises under the seniority-based wage structure, the Act stipulated that workplaces that extend the retirement age must take necessary measures such as reorganizing the wage system according to the conditions of the workplace, and as a result, many workplaces have introduced the wage peak system. The wage peak system is a system that reduces wages by a certain percentage based on a certain point in time instead of extending the retirement age.

This law also prohibits age discrimination. It states that employers shall not discriminate against any of their employees or any person seeking to work for an employer, on the grounds of age without reasonable grounds in recruitment and employment, remuneration, provision of money and valuables other than remuneration, or other welfare benefits, education and training, placement, transfer, or promotion, retirement or dismissal.

## (2) Post-Retirement Income Security Legislation

Korea's retirement income security system includes public pensions, corporate pensions, and private pensions.

### 1) Public Pension

South Korea's public pension systems include the National Pension, the Government Employees Pension, the Private School Teachers Pension, and the Military Pension. Each of these pension schemes has different eligibility criteria and is operated separately. The Government Employees Pension is for public officials working for the state and local governments, the Private School Teachers Pension is for private school teachers and employees, and the Military Pension is for military personnel. The National Pension covers the general public aged 18 to under 60, excluding those eligible for the above-mentioned occupational pensions.

In view of the aging population and financial stability, the 1998 reform of the National Pension raised the pensionable age from 60, increasing it by one year every five years for those born in 1953 or later, to 65 for those born after 1969. In order to promote the financial stability of retirees who face difficulties due to early retirement, they can apply for an early retirement pension. This allows them to receive their pension up to 5 years before the standard retirement age. However, the amount of the pension is reduced by 6% for each year it is received early. For recipients aged between 60 and 65, if they have earned income or business income at the time they receive their pension, the pension amount may be partially reduced by up to 50% of the maximum pension amount. However, for those aged 65 and over, the full amount of the pension will be paid out without any reduction, even if they have income.

As of September 2024, the number of National Pension subscribers is 21.85 million. Among the National Pension recipients, 40.9% receive between KRW 200,000(USD 138) and KRW 400,000(USD 276), and 20.5% receive between KRW 400,000 and KRW 60,000(USD 414). The average monthly payment per person is KRW 597,948(USD 413), which is far below the public assistance eligibility threshold of KRW 1,258,451(USD 870) for a two-person household.

In addition, the Basic Pension Act was enacted in 2014 to ensure income security for the elderly. The Basic Pension is funded by taxes rather than contributions, so it is not considered as social insurance. Since the history of the national pension in Korea is relatively short and the average amount received from it is not substantial, the Basic Pension was introduced to supplement the income of the elderly. This law provides a basic pension to 70% of the elderly aged 65 and over with the lowest income. As of 2025, the eligibility criteria are set at KRW 2,280,000(USD 1,576) for single-person households and KRW 3,648,000(USD 2,522) for couple households, with a maximum monthly payment of KRW 342,510(USD 237).

## 2) Corporate Pension

In Korea, the severance pay system and the retirement pension system currently coexist. The severance pay system provides a payment equivalent to at least 30 days' average wages upon retirement for those who have worked continuously for more than one year. The current retirement pension system operates in three types: Defined Benefit (DB), Defined Contribution (DC), and Individual Retirement Pension (IRP).

Of the 12.722 million eligible employees for retirement pensions, 6.748 million are enrolled, resulting in a participation rate of 53.0% in 2023. The composition rate is 53.7% for defined contribution, 43.5% for defined benefit, and 2.0% for the mixed type.

The implementation rate of pension plan varies according to the size of the workplace. For workplaces with less than 5 employees, the rate is 10.4%; for those with 10 to 29 employees, it is 56.8%; for those with 50 to 99 employees, it is 81.3%; and for those with 300 or more employees, the rate is 91.7%. This indicates that the larger the number of the employees, the higher the implementation rate of pension coverage.

## 3) Private Pension

The number of Individual Retirement Pension (IRP) participants increased by 7.0% year-on-year to 3.215 million in 2023. The total accumulated funds also increased by 30.9% year-on-year to KRW 76 trillion.

In addition, there is a reverse mortgage system known as the "Housing Pension," where homeowners can use their homes as collateral to receive monthly pension payments while continuing to live in their homes. These payments are guaranteed by the government. To qualify, at least one of the spouses must be 55 or older and own a home valued at KRW 1.2 billion or less. After both spouses pass away, the home is sold to settle the account. If the total pension payments exceed the value of the home, no claim is made against the heirs, but if the payments are less than the value of the home, the remaining amount is paid to the heirs. As of July 2024, there are 133,364 participants in the housing pension program, with an average monthly payment of 1.22 million KRW. This system takes into account the situation in Korea, where housing accounts for a significant portion of personal assets.

Similar to the Housing Pension, there is also a Farmland Pension system for farmers aged 60 and above they can use their farmland as collateral to receive monthly pension payments for their financial security in retirement.

## 3. Responding to the Aging Workforce

### (1) Discussion on extending the retirement age

Due to the gap between the legal retirement age(60) and the pensionable age(65), insufficient pension amounts, and the decline in the working-age population, the number of employed persons aged 60 and over reached a record high of 6.223 million in 2023, accounting for 21.8% of all employed persons aged 15 and over. In parallel with these phenomena, the low birth rate and the aging of the population issues have intensified, leading to discussions about extending the retirement age.

In 2024, the retirement age for public service workers in the Ministry of the Interior and Safety("MOIS") was extended from 60 to 65 by collective agreement, which, although not applicable to all public officials, indicates the need or social trend to extend the retirement age.

In the current 22nd National Assembly, bills to raise the retirement age are being proposed by the ruling Democratic Party of Korea, which generally proposes to raise the retirement age to 65, but in phases depending on the size of the workplace.

The Presidential Economic, Social and Labor Council(“ESLC”), a tripartite social dialogue body, is conducting discussions on raising the retirement age. The ESLC has established the Committee on Continuing Employment in Response to Demographic Change to organize a tripartite dialogue between the social partners and the government. labor, management and the government.

The Federation of Korean Trade Unions(“FKTU”) argues that the retirement age should be legislated to 65, as the starting age for receiving the national pension will be delayed to 65 from 2033, resulting in an employment cliff and income gap after the retirement age of 60. They also demand the abolition of the wage peak system, and that working conditions, including wages after the age of 60, should be determined autonomously on the basis of an agreement between labor and management.

On the other hand, the business sector, citing the burden of seniority-based wages, insists that the decision on whether to extend the retirement age should be left to the autonomy of labor and management. Regarding the rehiring of workers beyond retirement age, they also propose separate legislation that would ease the requirement for amending labor regulations to restructure the wage system to be based on job duties and performance from requiring the consent of a majority of workers to merely soliciting their opinions, and to select reemployment candidates based on criteria.

## (2) Employment Incentives for Older Workers

At present, the government provides an elderly continuation employment incentive of up to 900,000 won per person per quarter to continuously employed workers over the age of 60, and this incentive has been shown to be effective in hiring older workers, as the rate of increase in employment of elderly workers is higher in workplaces that receive the incentive than in workplaces that do not. However, there are criticism that the subsidy is limited to a maximum of three years within five years of the introduction of the program, which is not enough to produce long-term employment effects.

## 4. Challenges and Prospects

### (1) Transition to a Job and Performance-Based Wage System

There seems to be a growing consensus that it is necessary to shift from the existing seniority-based wage system to a job- and performance-based wage system in order to address the decline in productivity of older workers in Korea. Although it is necessary to extend the retirement age for older workers due to the need for income security for the elderly, the stability of pension finances, and the decline in the working-age population, it is not feasible to impose all the resulting burdens on companies. Therefore, a system should be put in place that allows for co-prosperity between companies and workers, which requires social dialogue and compromise.

Conversely, this change also means that people should not be forced to work in poor conditions just because they are older. It should be forbidden for older people to be discriminated against in relation to their abilities because of social prejudices against them.

### (2) Protecting the Elderly from Industrial Accidents

As of September 2024, workers over the age of 60 and accounted for 23.4% of the total workforce, but they accounted for 38% of all industrial accidents and 52.3% of fatal accidents. Although people's physical abilities relative to their age have improved compared with the past, the elderly are more likely to be involved in industrial accidents, so it is necessary to accurately analyze the reasons for the high incidence of industrial accidents among the elderly and to develop institutional mechanisms to protect the lives and physical safety of the elderly.

### (3) Harmonizing with Youth Employment Issues

As of January 2025, the unemployment rate for young people aged 15 to 30 in South Korea was 6%, and the “felt unemployment rate,” which includes the actual demand for jobs that cannot be filled in the labor market, was 16.4%. Youth unemployment has been recognized as a major social problem in South Korea for the past decade, and the extension of the retirement age is expected to exacerbate youth unemployment and exacerbate intergenerational conflicts. Due to the dual structure and polarization of the Korean labor market, young people want to work in large companies with better wages and working conditions, but the labor unions, which are dominated by workers in large companies, are strongly pushing for an extension of the retirement age, which could lead to conflicts between the older and younger generations for the same jobs. This may be a somewhat unique challenge in the Korean context, and it is important to consider the complex relationship with youth employment when trying to address the issue of raising the retirement age.

With this, I would like to conclude my presentation. Thank you for your attention.