Aging in South Korea :
Labor and Social Policy Responses

Oh, Daiyoung
(Jeju National University)

Current Status of Aging Population

South Korea faces rapid aging and low birth rates. The elderly population surpassed 10 million in July 2024.

Korea entered a super-aged society in December 2024, with over 20% of the population being elderly.

Demographic Crisis

0.721

Fertility Rate

Korea's 2023 total fertility rate is the
lowest among OECD countries.

20.3%
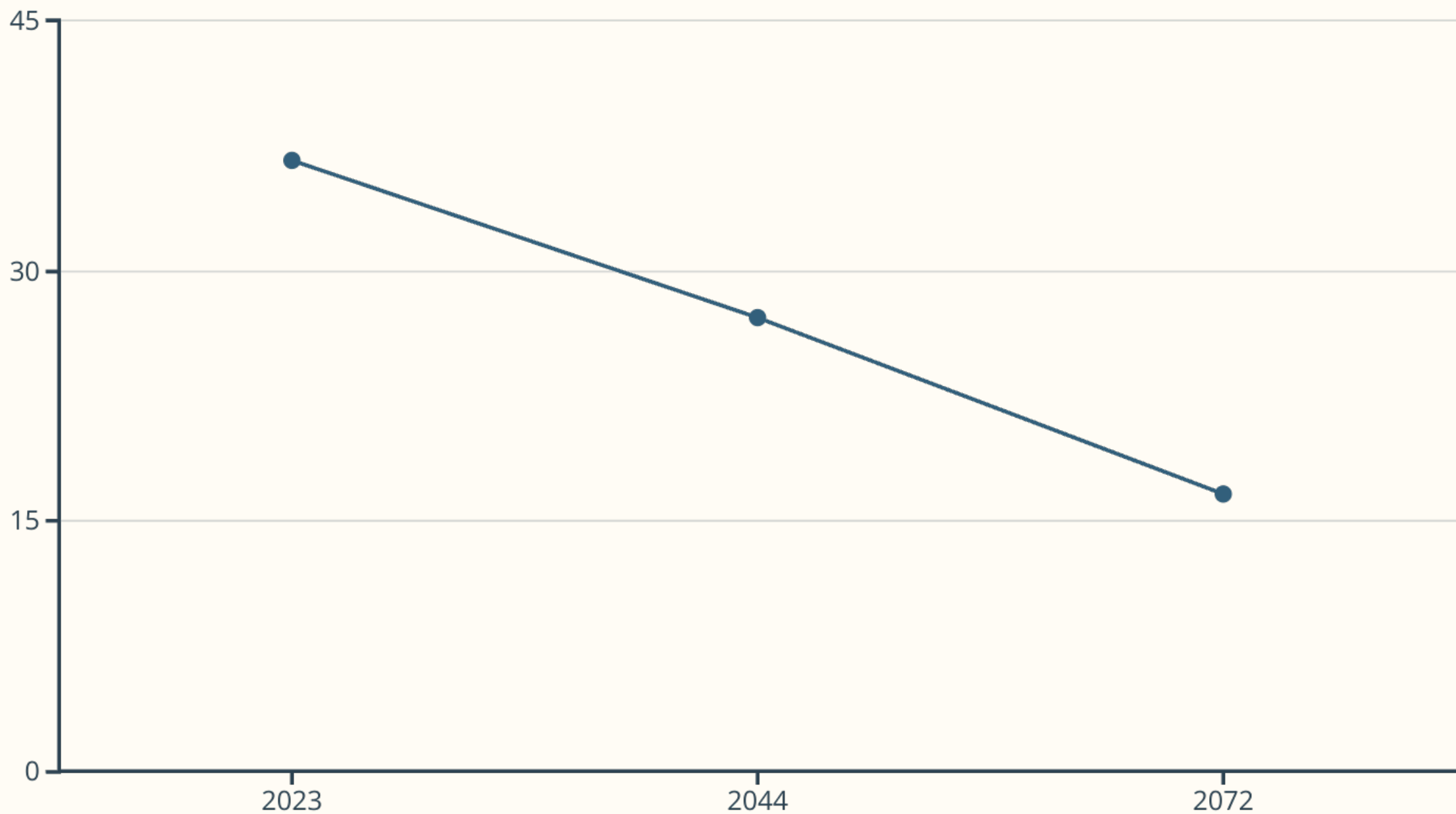
Elderly Population

Projected percentage of population
aged 65+ in 2025

47.7%

Future Projection

Expected elderly population percentage
by 2072

Workforce Challenges

Korea's working-age population will shrink dramatically. The old-age dependency ratio will rise from 24.4 in 2022 to 104.2 in 2072.

Employment Patterns

Current Employment

Employment rate for those aged 65+ is 38.2%, and 24.8% for those aged 75+
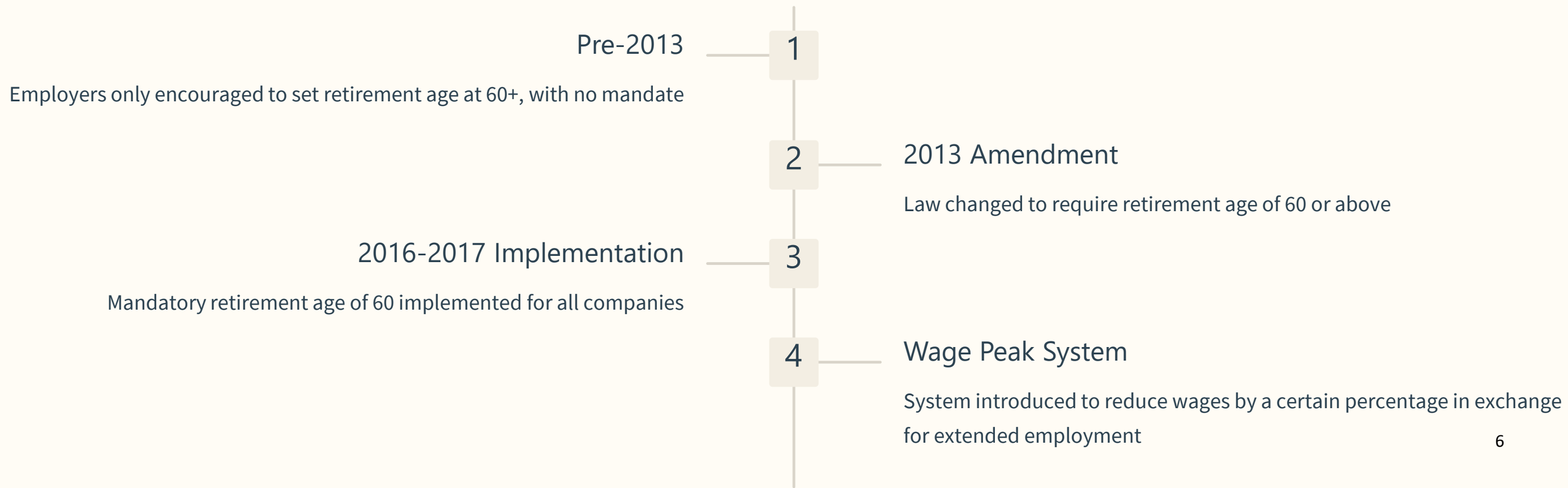
Retirement Gap

Average retirement from mainstream jobs occurs at 49.4 , while full retirement happens at 72.3

Employment Desire

Strong desire to work longer due to financially insecure retirement

Employment Legislation

Pre-2013 — **1**

Employers only encouraged to set retirement age at 60+, with no mandate

2 — 2013 Amendment

Law changed to require retirement age of 60 or above

2016-2017 Implementation — **3**

Mandatory retirement age of 60 implemented for all companies

4 — Wage Peak System

System introduced to reduce wages by a certain percentage in exchange for extended employment
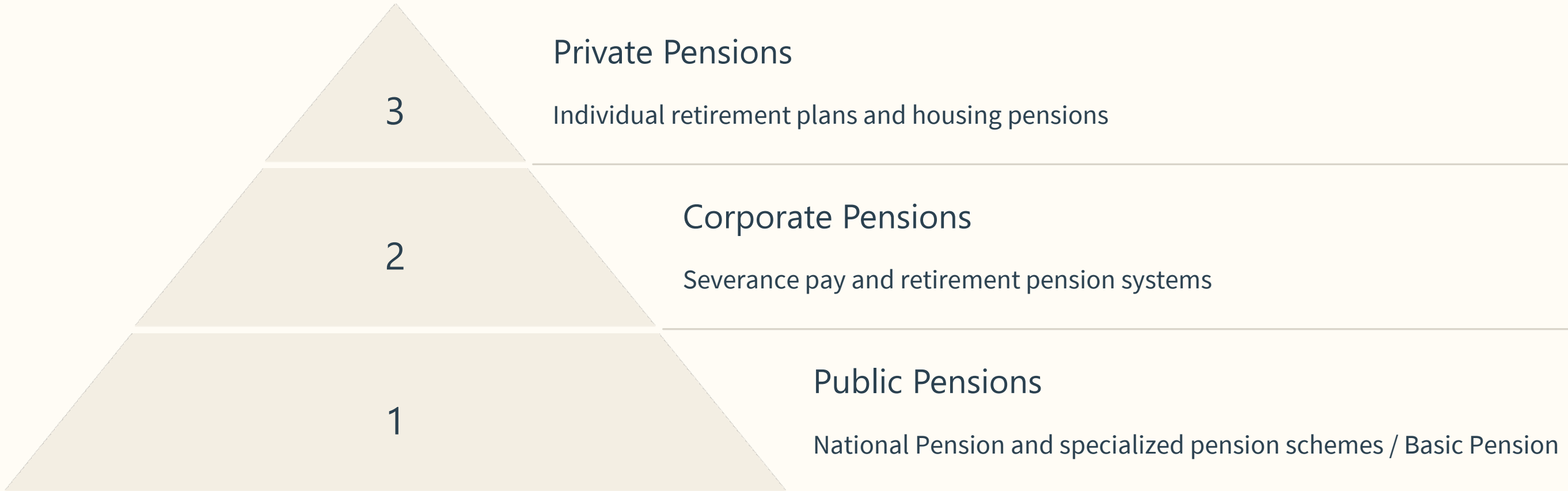
Anti-Age Discrimination Policies

South Korea's employment legislation explicitly prohibits age-based discrimination across all workplace practices.

The law protects workers from discrimination in:

- Recruitment and hiring processes

- Compensation and benefits distribution

- Access to training and career advancement

- Placement, transfers, and promotion opportunities

- Retirement and dismissal decisions

Employers must demonstrate reasonable grounds for any age-based distinctions.

Retirement Income Security

3 — Private Pensions

Individual retirement plans and housing pensions

2 — Corporate Pensions

Severance pay and retirement pension systems

1 — Public Pensions

National Pension and specialized pension schemes / Basic Pension

Korea's retirement income security consists of three tiers. The National Pension average monthly payment is only KRW 597,948 (USD 413).

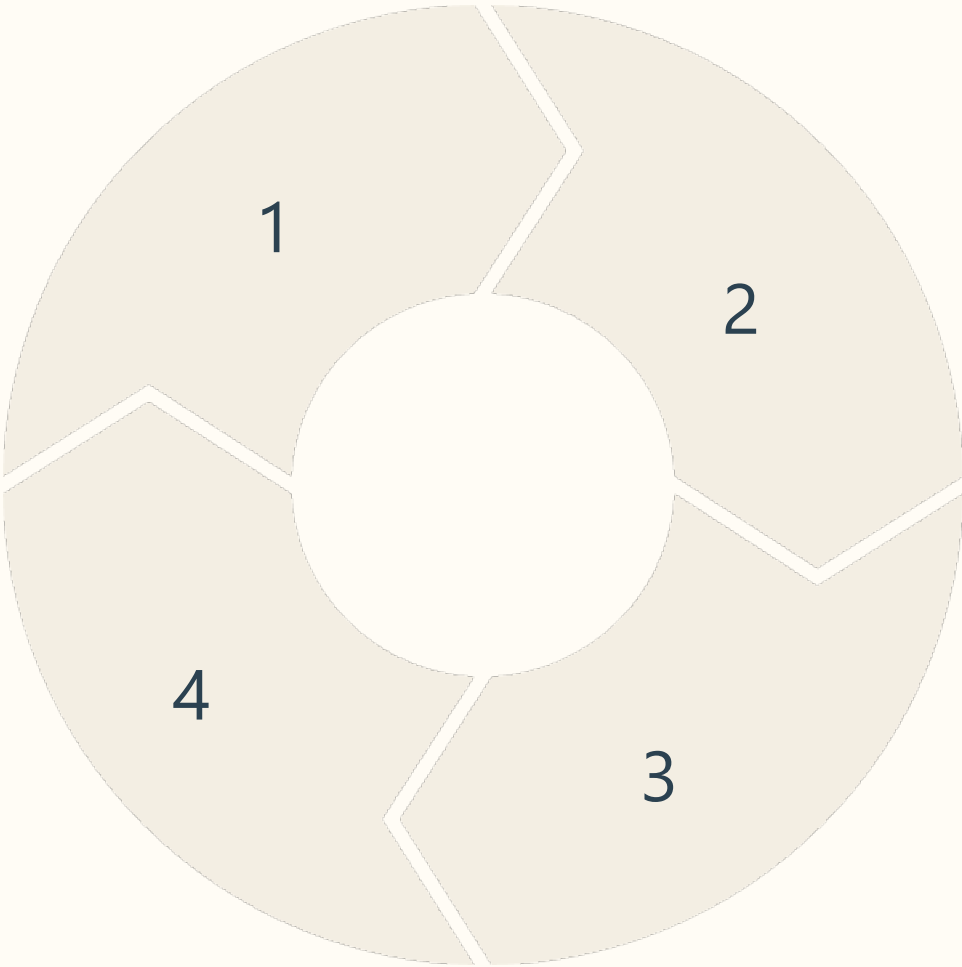# Public Pension System

National Pension

Covers general public aged 18-60

Government Employees Pension

For public officials

Military Pension

For military personnel

Private School Teachers Pension

For private school educators

The pensionable age of National Pension is being gradually raised from 60 to 65 for those born after 1969.

National Pension System Details

21.85M

Subscribers

Total National Pension subscribers as of September 2024.

₩597,948

Average Payment

Monthly pension payment per recipient (USD 413).

₩1.26M

Public Assistance Threshold

Public assistance eligibility threshold for two-person households.

The 1998 reform gradually raises the pensionable age from 60 to 65 for those born after 1969.

Early retirement options allow pension access up to 5 years early, with a 6% reduction per year.

Recipients between 60-65 face partial pension reductions if they have income. Those over 65 receive full payments regardless of income status.

Basic Pension System

Basic Pension Act (2014)

Established to supplement inadequate National Pension payments.
Provides tax-funded support rather than contribution-based benefits.

Eligibility Criteria

Targets 70% of seniors with lowest income. 2025 thresholds: KRW 2,280,000 (USD 1,576) for individuals and KRW 3,648,000(USD 2,522) for couples.

Benefit Amount

Maximum monthly payment of KRW 342,510 (USD 237).
Designed to address income gaps for elderly Koreans.

Corporate Pension System

Korea's corporate pensions provide additional retirement security beyond the public pension system.

1 Severance Pay (Traditional)

Lump-sum payment upon retirement based on final salary and years of service

2 Defined Benefit Plan

Employer guarantees specific payment amount based on salary history and tenure.

3 Defined Contribution Plan

Employee manages investment of contributions made by employer.

4 Individual Retirement Pension

Tax-advantaged personal accounts administered through the workplace

Corporate Pension System

Severance Pay

Provides at least 30 days' average wages up on retirement after one year of continuous e mployment.

Pension Types

- Defined Benefit (DB): 43.5%

- Defined Contribution (DC): 53.7%

- Mixed Type: 2.0%

Implementation by Size

- Under 5 employees: 10.4%

- 10-29 employees: 56.8%

- 50-99 employees: 81.3%

- 300+ employees: 91.7%

Private Pension Systems

1	**Individual Retirement Pension** 3.2 million participants in 2023, up 7.0% YoY
2	**Housing Pension** 133,364 participants receiving avg. KRW 1.22M monthly
3	**Farmland Pension** Supports farmers aged 60+ using land as collateral

Korea's private pension systems leverage personal assets. The Housing Pension allows homeowners 55+ to use properties valued under KRW 1.2B as collateral while continuing residency.

These government-guaranteed systems protect both pensioners and heirs. Housing pensions are particularly relevant as real estate represents a significant portion of Korean household wealth.

Extending the Retirement Age

1

Current Gap

Gap between legal retirement age (60) and pensionable age (65) creates financial insecurity.

2

Government Action

Ministry of Interior and Safety extended retirement age to 65 for some workers in 2024.

3

Proposed Legislation

Bills in National Assembly propose raising retirement age to 65 in phases

4

Tripartite Dialogue

Ongoing discussions between labor, management, and government

Employment Incentives for Older Workers

₩900K(USD618)

Quarterly Incentive

Maximum government subsidy per an older worker

60+

Target Age

Workers eligible for continuation employment support

3

Year Limit

Maximum subsidy period within a 5-year window

Government incentives have shown positive results in elderly employment rates. Workplaces receiving subsidies demonstrate higher hiring rates for workers over 60.

Critics argue the three-year limitation prevents long-term employment effects. A more sustainable approach may be needed as Korea faces demographic pressures.

Key Challenges

Wage System Reform

Need to shift from seniority-based to job- and performance-based wage systems

Industrial Safety

Workers over 60 account for 38% of industrial accidents and 52.3% of fatal accidents.

Intergenerational Conflict

Youth unemployment at 6% (felt rate 16.4%) may worsen with extended retirement age.

Future Prospects

Social Dialogue

Compromise between businesses and workers through ongoing dialogue

Age Discrimination Prevention

Ensuring older workers aren't forced into poor conditions due to age prejudice

Balanced Approach

Addressing both elderly income security and youth employment opportunities

Korea must find solutions that balance demographic challenges with economic realities.

Thank You
for Listening