

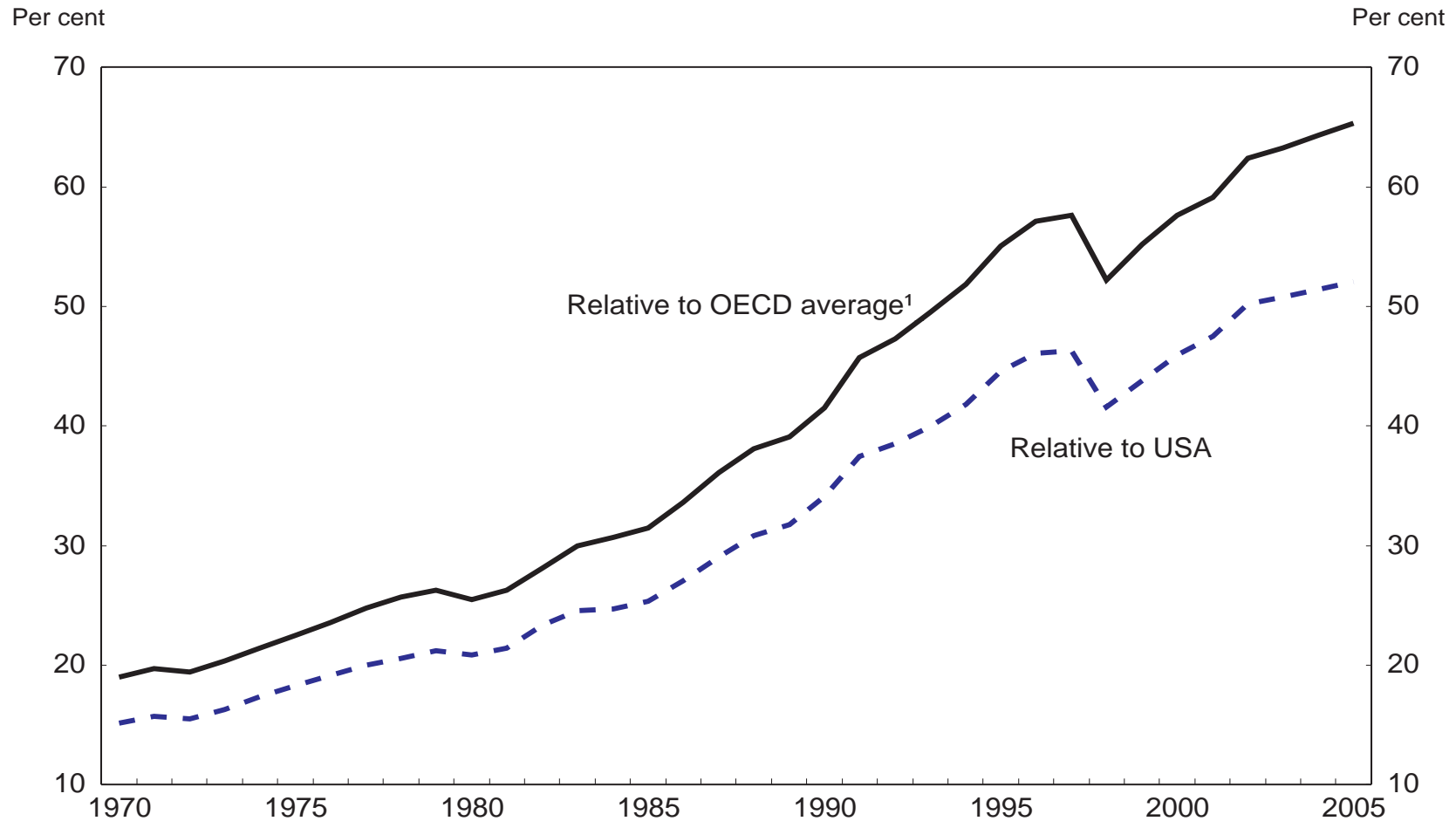
The Aging of Korea: Challenges and Choices for Tomorrow

*Leveraging Korea's Untapped Human Capital:
Strategies to Encourage Longer Work Lives and
Help Woman Balance jobs and Family*

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OECD**

Korea's per capita income is converging to the OECD average

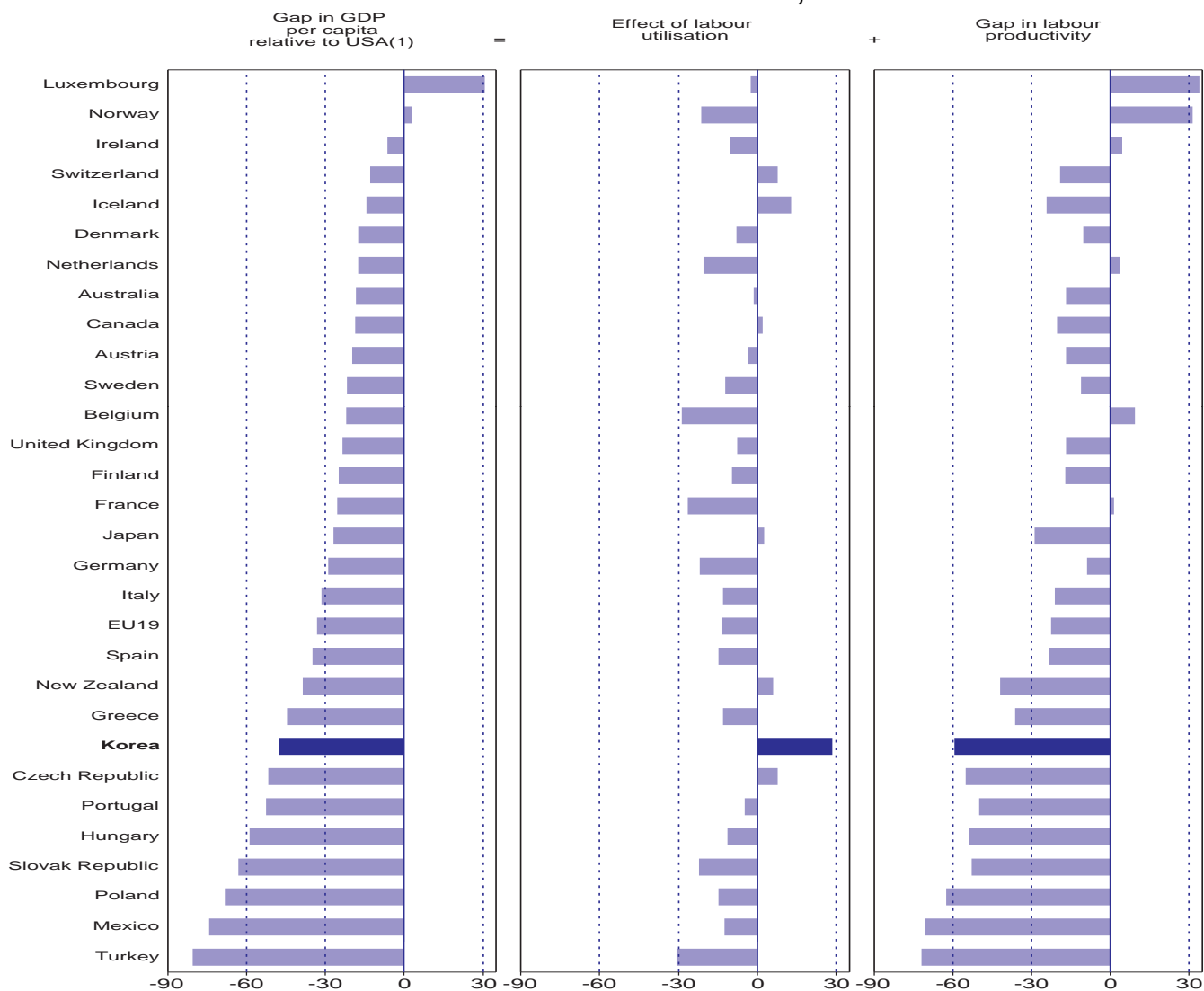
Gross domestic product per capita
2005 purchasing power parity exchange rates



1. The OECD average is based on 26 countries (except Slovak Republic, Poland, Czech Republic and Hungary) from 1970 to 1990, 29 countries (except Slovak Republic) from 1991 to 1992 and all 30 countries are included from 1993 to 2005.
Source: OECD, Economic Outlook Database.

Explaining differences in income

Percentage point differences in GDP per person in USD(PPPs)
relative to the United States, 2005



1. The gap in GDP per capita is equal to the sum of the two components shown. The effect of labour utilisation is based on total hours worked per capita. Productivity is measured on a per-hour basis.

Source: OECD (2007), Economic Policy Reforms: Going for Growth, OECD, Paris.

Population indicators and projections for Korea¹

	Population (in millions)	Growth rate (Per cent) ²	Fertility rate ³	Life expectancy	Median age	Share of elderly ⁴
1960	25.0	2.3	6.0	55.3	19.9	2.9
1970	31.5	1.8	4.5	63.2	19.0	3.1
1980	37.4	1.5	2.7	65.8	22.2	3.8
1990	43.4	0.6	1.6	71.3	27.0	5.1
2000	46.1	0.6	1.5	75.9	31.8	7.3
2010	49.2	0.1	1.2	79.1	37.9	10.9
2020	50.0	-0.1	1.2	81.0	43.7	15.7
2030	49.3	-0.5	1.3	81.9	49.0	24.1
2040	46.7	-1.0	1.3	82.6	53.1	32.0
2050	42.3	..	1.3	83.3	56.2	37.3

1. Projections by the National Statistical Office for the period 2005 to 2050.

2. The annual average growth rate for the decade. The figure in 1960, for example, shows the rate for the decade 1960 to 1970.

3. The average number of children that a woman can expect to bear during her lifetime.

4. The number of persons over the age of 65 as a percentage of the total population.

Source: Korea National Statistical Office.

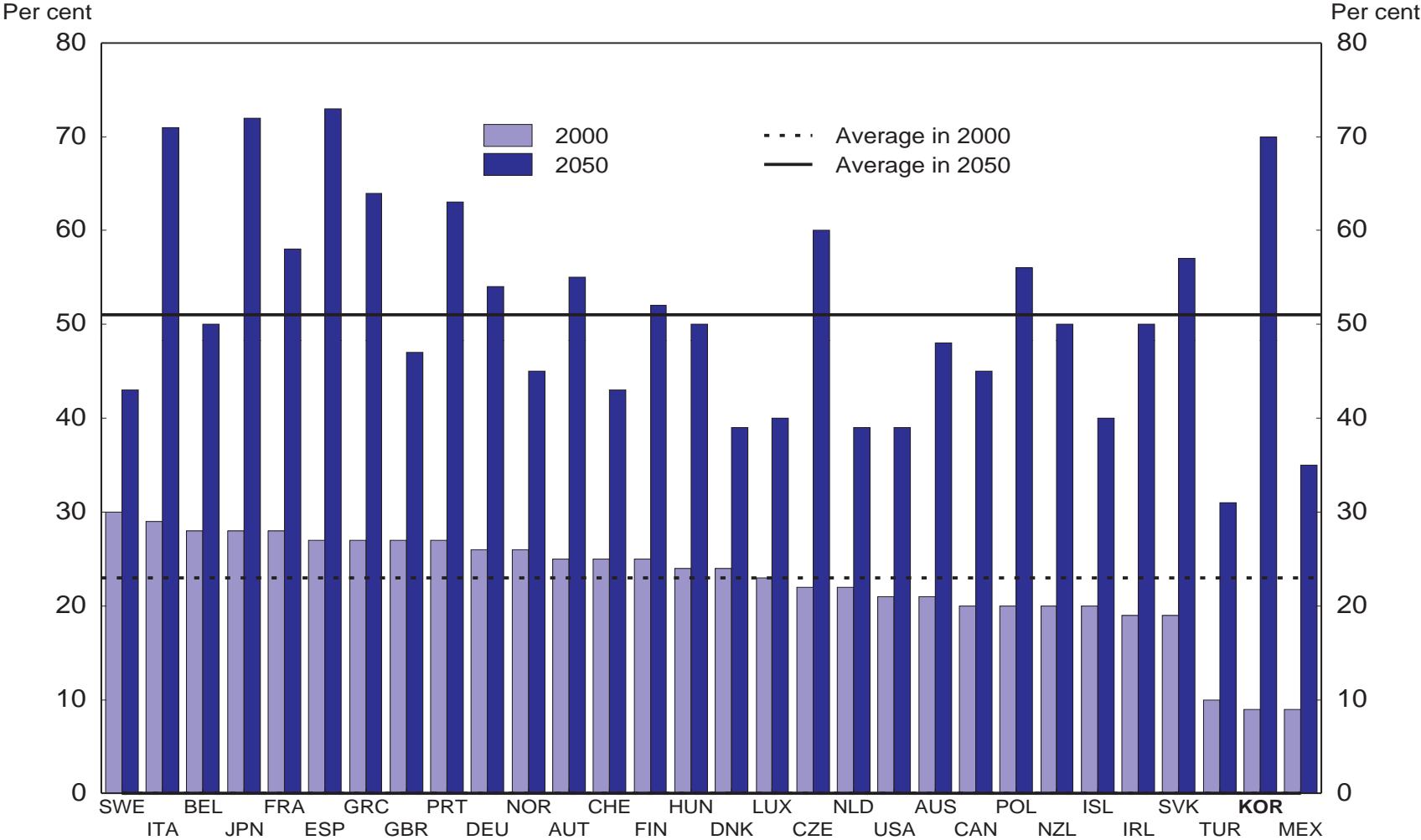
Speed of ageing in Korea is exceptionally rapid

Country	Year when share of elderly (over age 65) make up:			Years elapsed	
	7% of population	14% of population	20% of population	7 to 14%	14 to 20%
Korea	2000	2018	2026	18	8
Japan	1970	1994	2006	24	12
Germany	1932	1972	2012	40	40
United Kingdom	1929	1976	2021	47	45
Italy	1927	1988	2007	61	19
United States	1942	2013	2028	71	15
Sweden	1887	1972	2012	85	40
France	1864	1979	2020	115	41

Source: United Nations.

Korea will have one of the oldest populations in the OECD by 2050

Population aged 65 and over, relative to the population aged 20-64

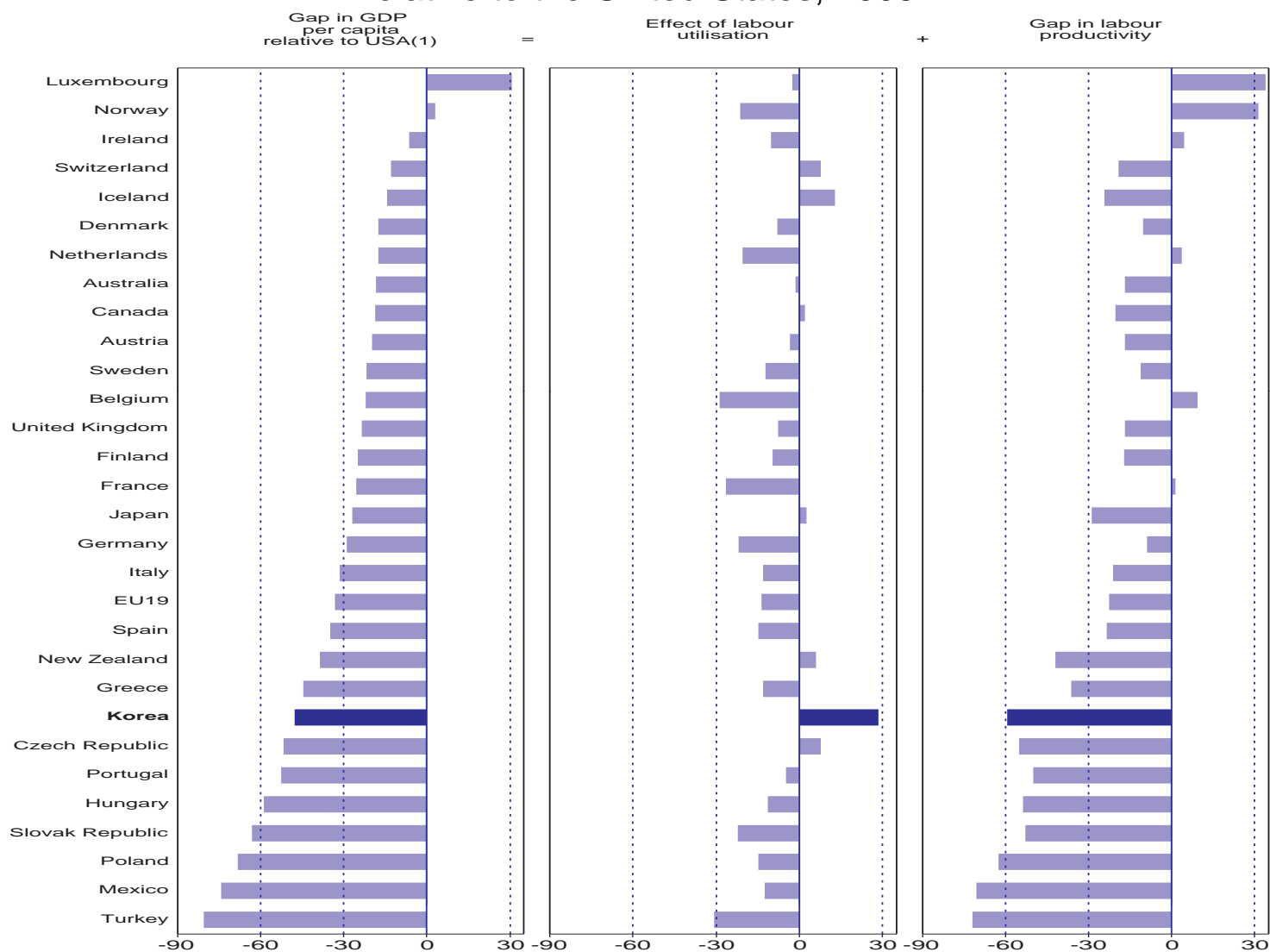


Source: OECD (2006), *Society at a Glance: OECD Social indicators*, OECD, Paris.



Explaining differences in income

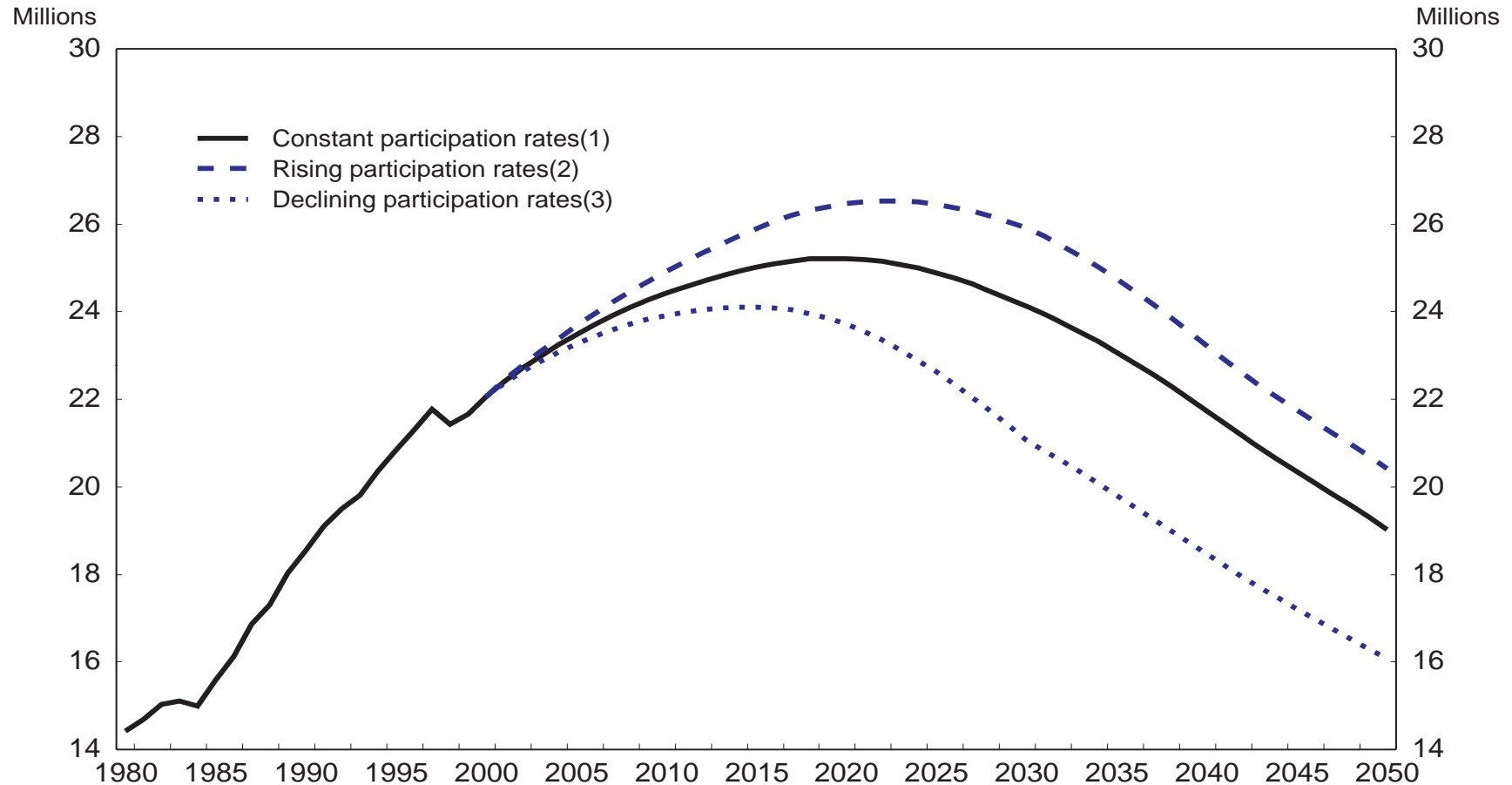
Percentage point differences in GDP per person in USD(PPPs)
relative to the United States, 2005



1. The gap in GDP per capita is equal to the sum of the two components shown. The effect of labour utilisation is based on total hours worked per capita. Productivity is measured on a per-hour basis.

Source: OECD (2007), Economic Policy Reforms: Going for Growth, OECD, Paris.

Labour force with different scenarios for older workers

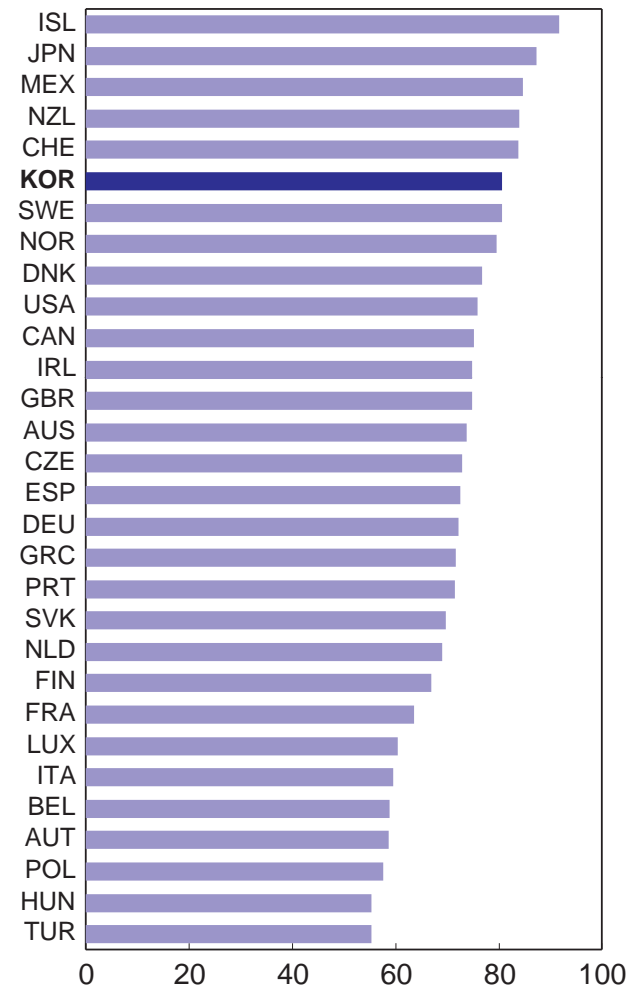
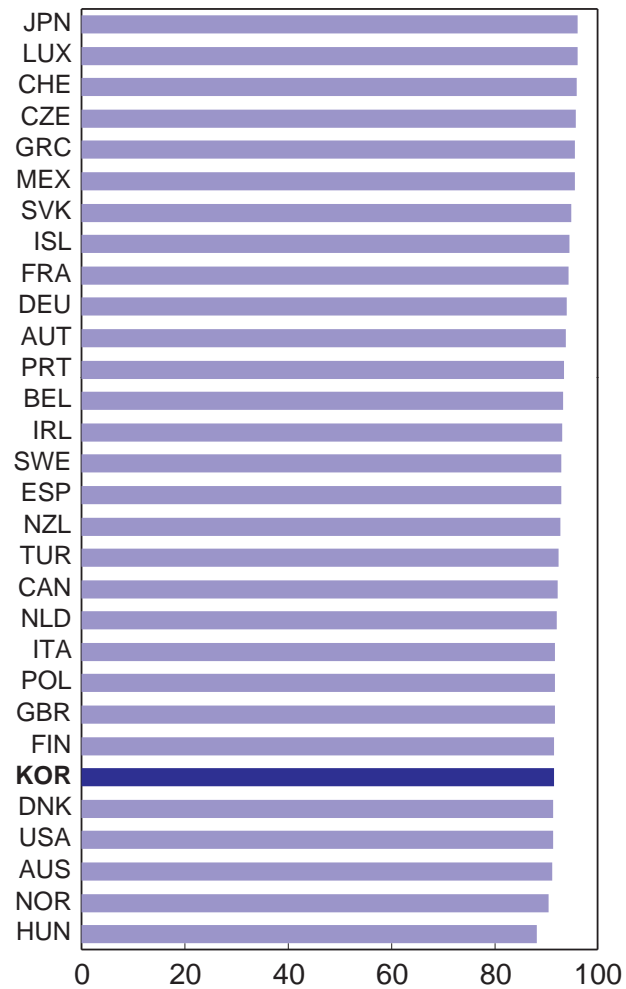


1. The participation rates for men and women remain at their current levels for each age group.
2. The participation rates converge by 2030 to the maximum value in the OECD for each gender and age group over 50, while the rates for younger workers remain at their current levels.
3. The participation rates converge by 2030 to the average value in the OECD for each gender and age group over 50, while the rates for younger workers remain at their current levels.

Source: OECD (2004a), Ageing and Employment Policies: Korea.

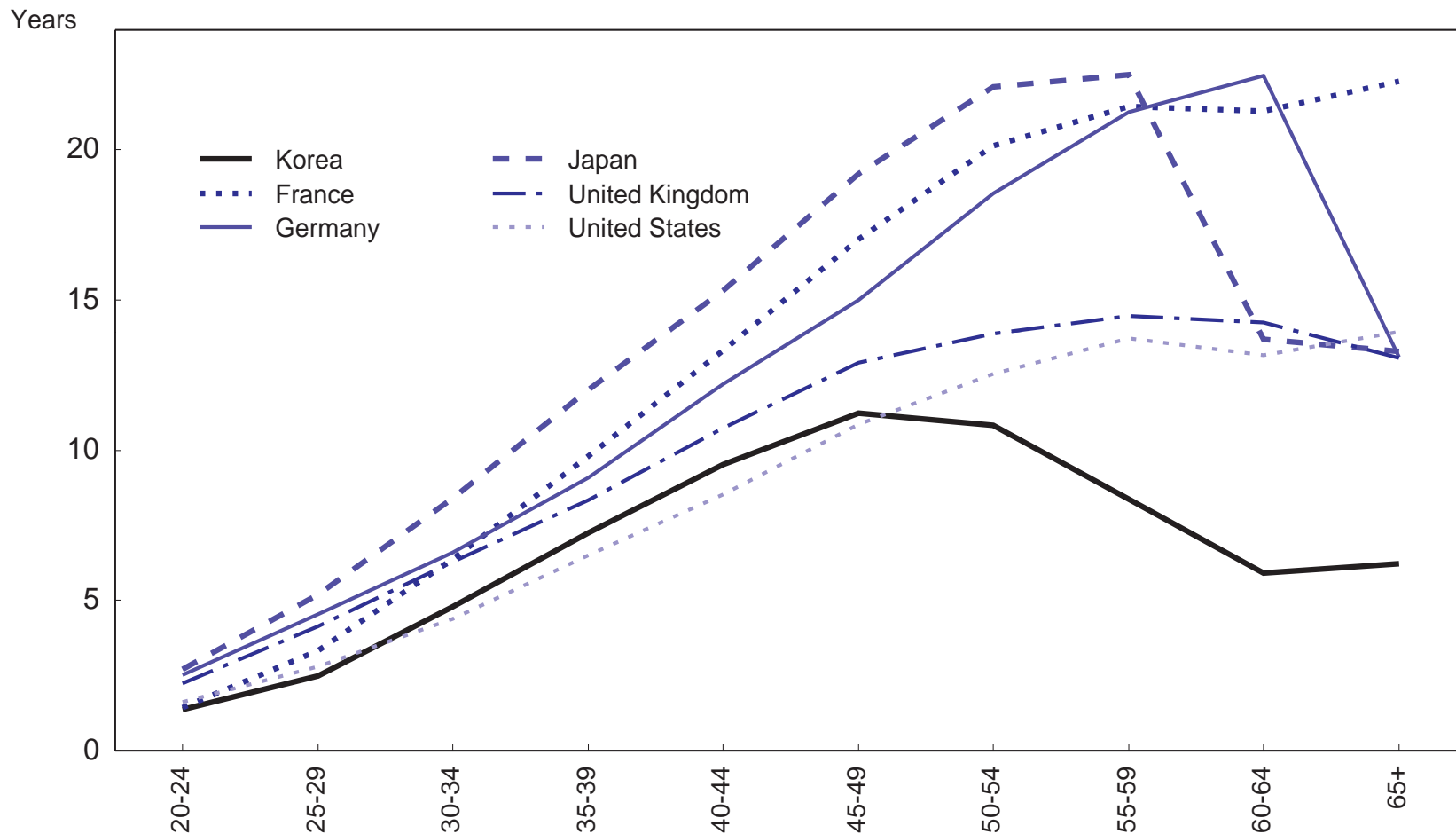
Labour force participation rates by age for men

Per cent, 2005



Source: OECD, Employment Economic Outlook (2006).

Average job tenure by age for men in selected OECD countries 2000(1)

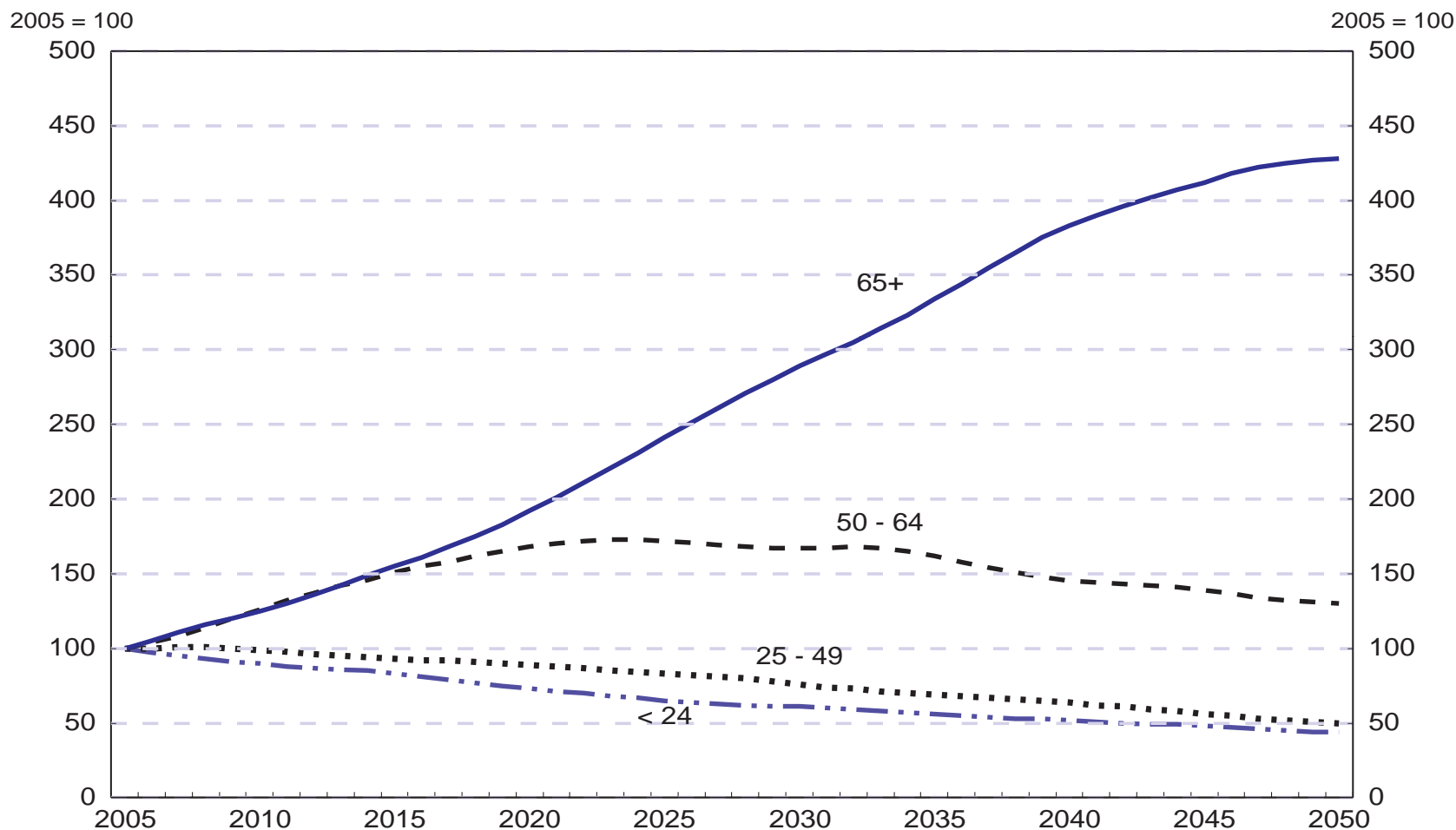


1. The data for Japan and Korea refer to regular workers in enterprises with ten or more regular workers, excluding the agricultural, hunting, forestry, fishing and general government sectors. The data for the other countries are based on labour force surveys covering all workers.

Source: OECD, Ageing and employment policies: Korea (2004).

Population projections by broad age group

Index 2005 = 100

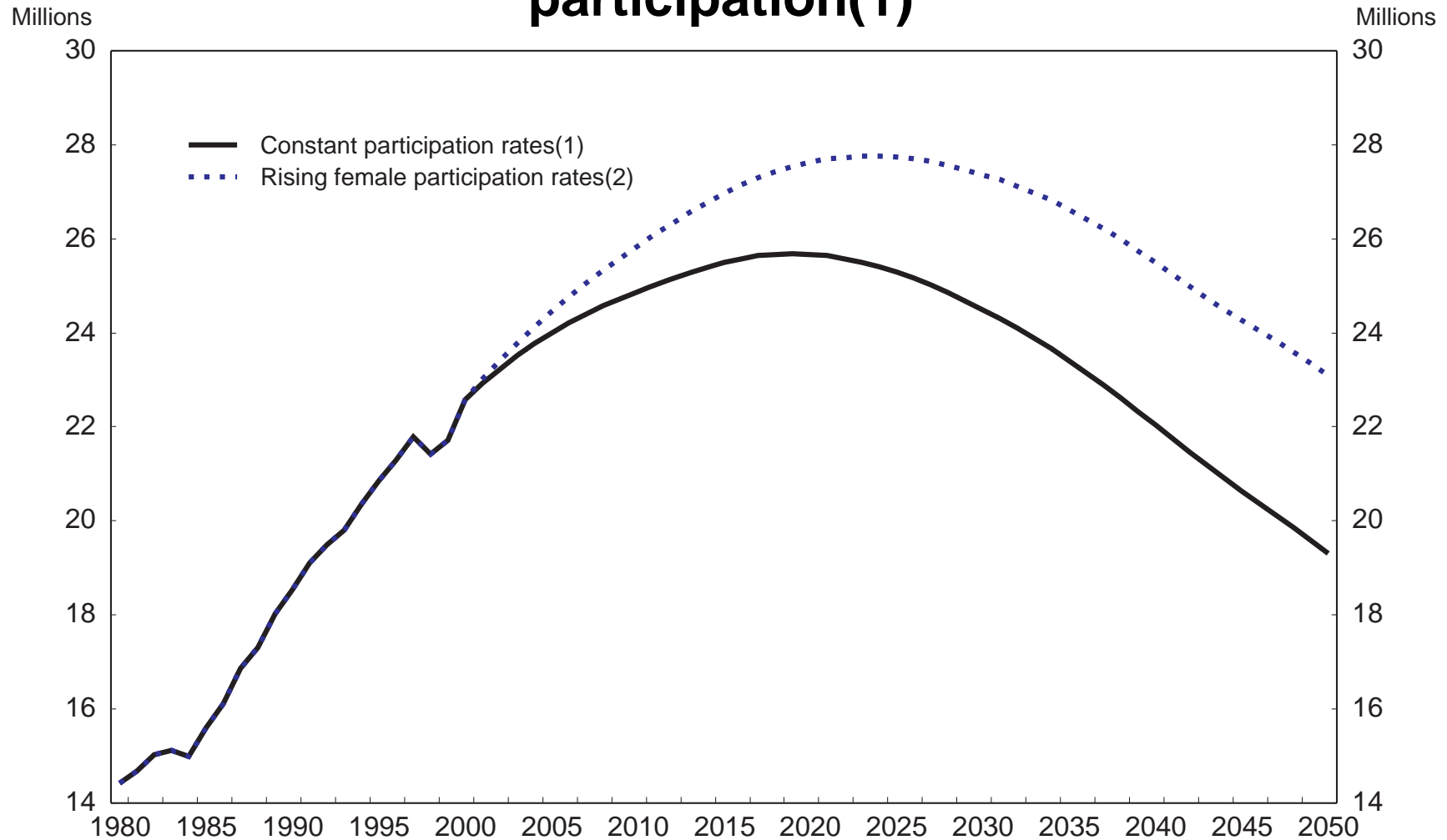


Source: Population projections (medium variant) made by the Korea National Statistical Office in 2006.

What should the government do to encourage the employment of older workers?

- Encourage the participation of older workers by eliminating mandatory retirement ages or at least requiring them to be close to the pension eligibility age.
- Replace employment subsidies, which typically have high deadweight costs, with more emphasis on lifelong education.

Labour force with different scenarios for female participation(1)



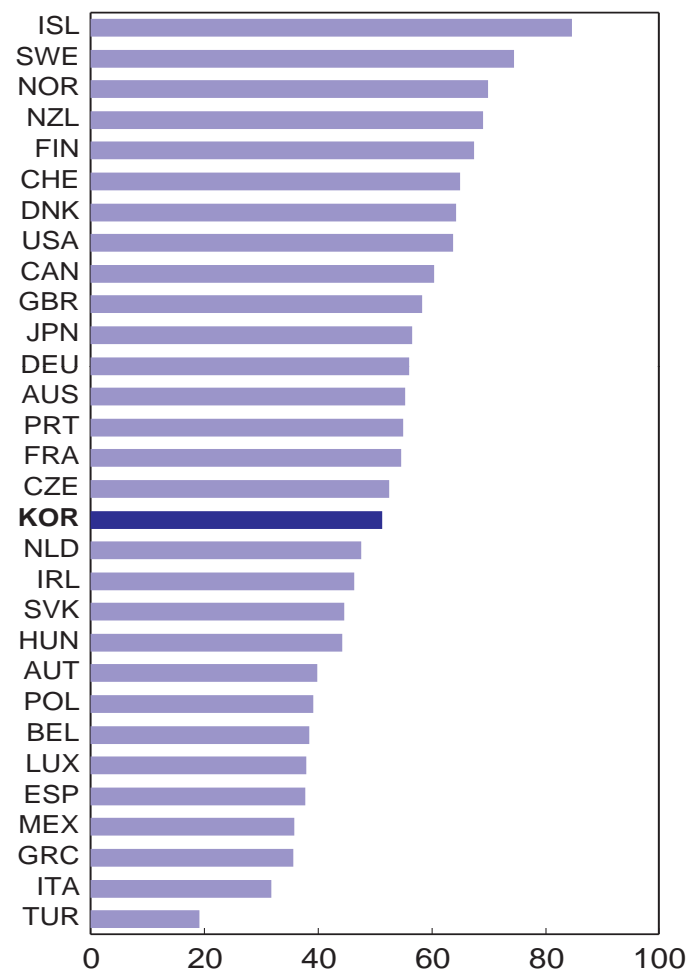
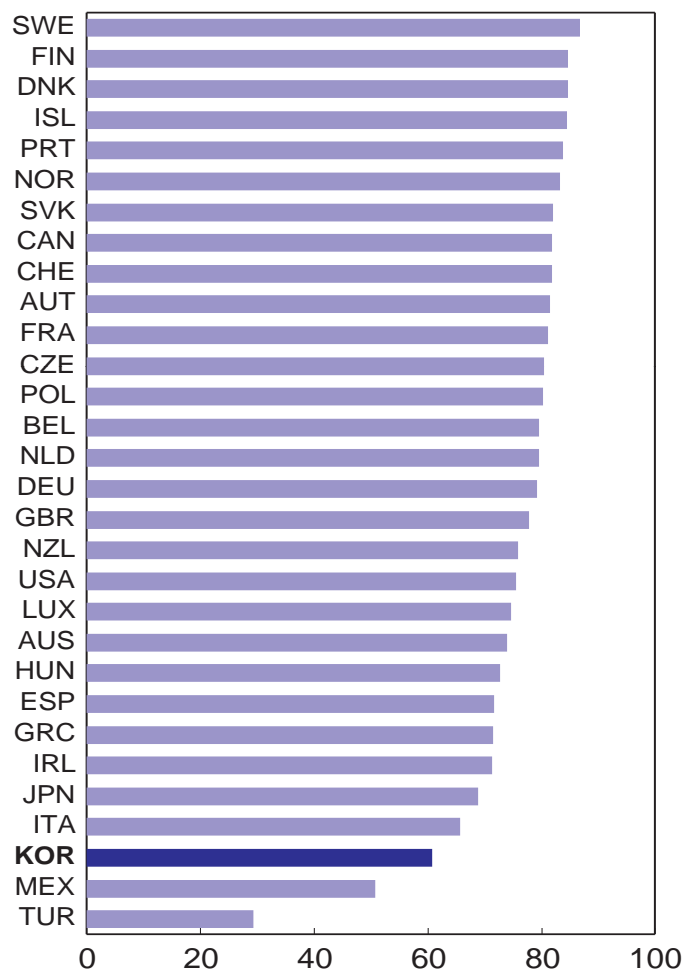
1. The participation rates for men and women remain at their current levels for each age group.

2. Female participation rates reach current male rates in each age group by 2050.

Source: OECD (2004a), Ageing and Employment Policies: Korea.

Labour force participation rates by age for women

Per cent, 2005

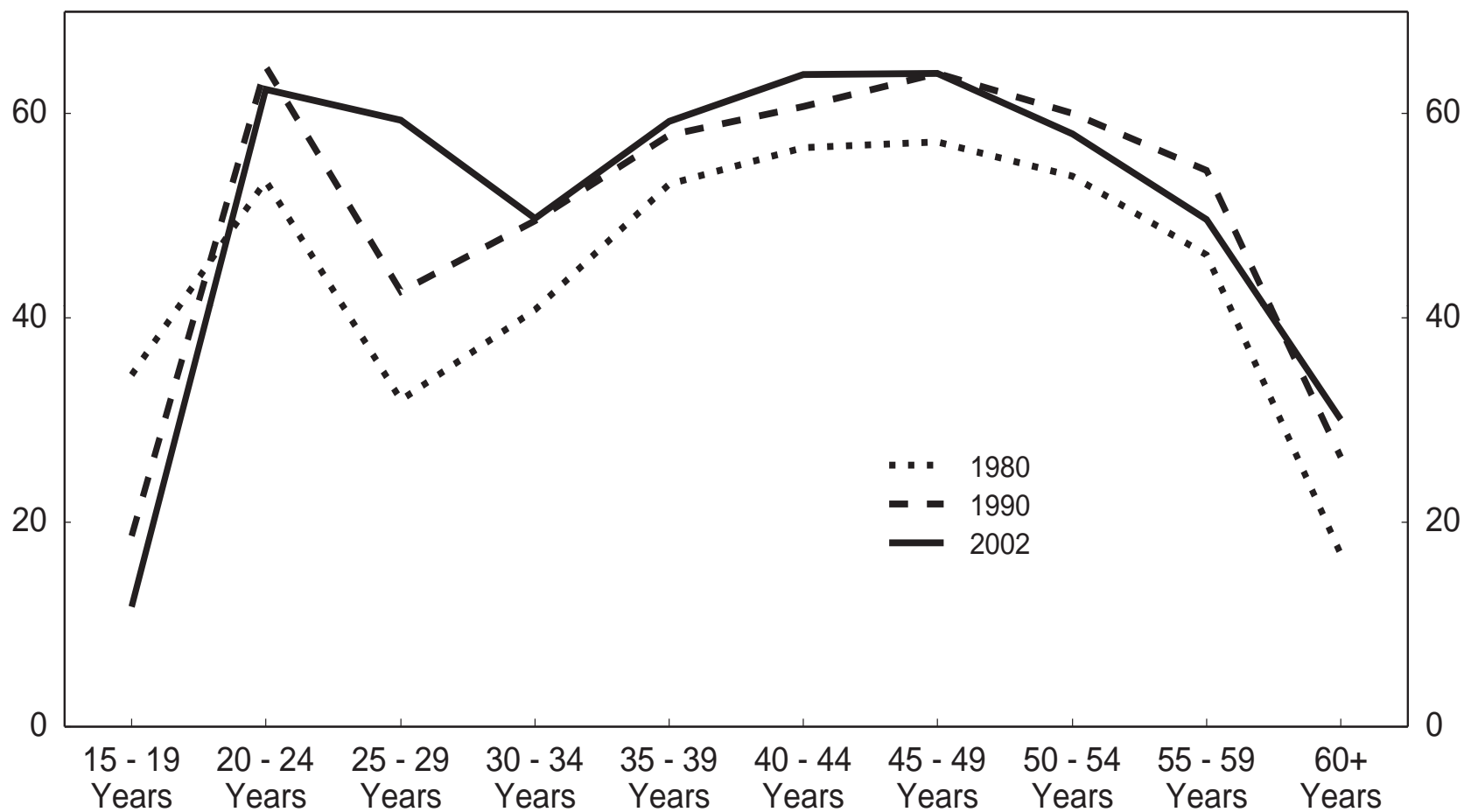


Source: OECD, Employment Economic Outlook (2006).

Labour force participation rate for women is M-shaped

Per cent

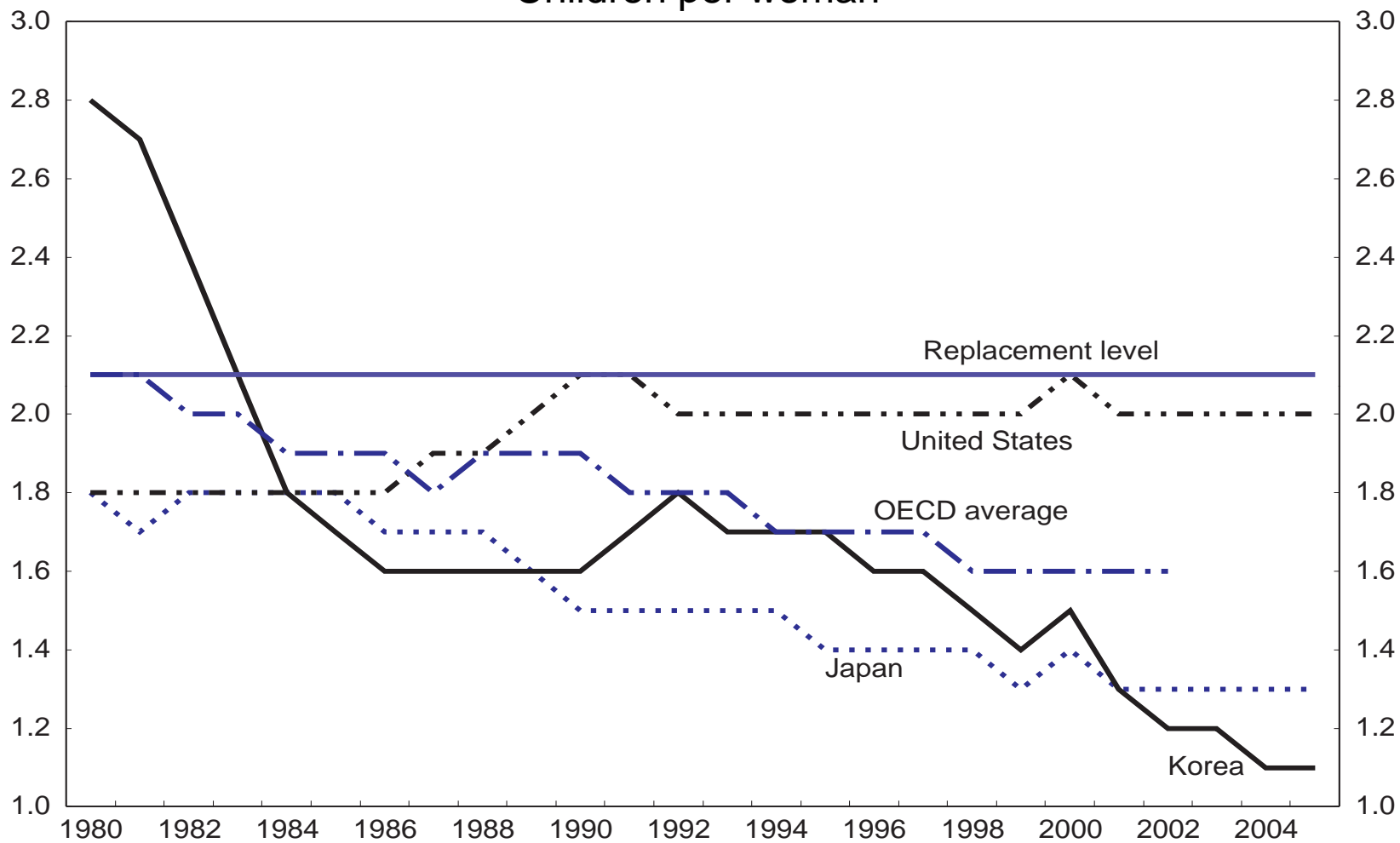
Per cent



Source: Korea National Statistical Office.

Korea's fertility rate is the lowest in the OECD area

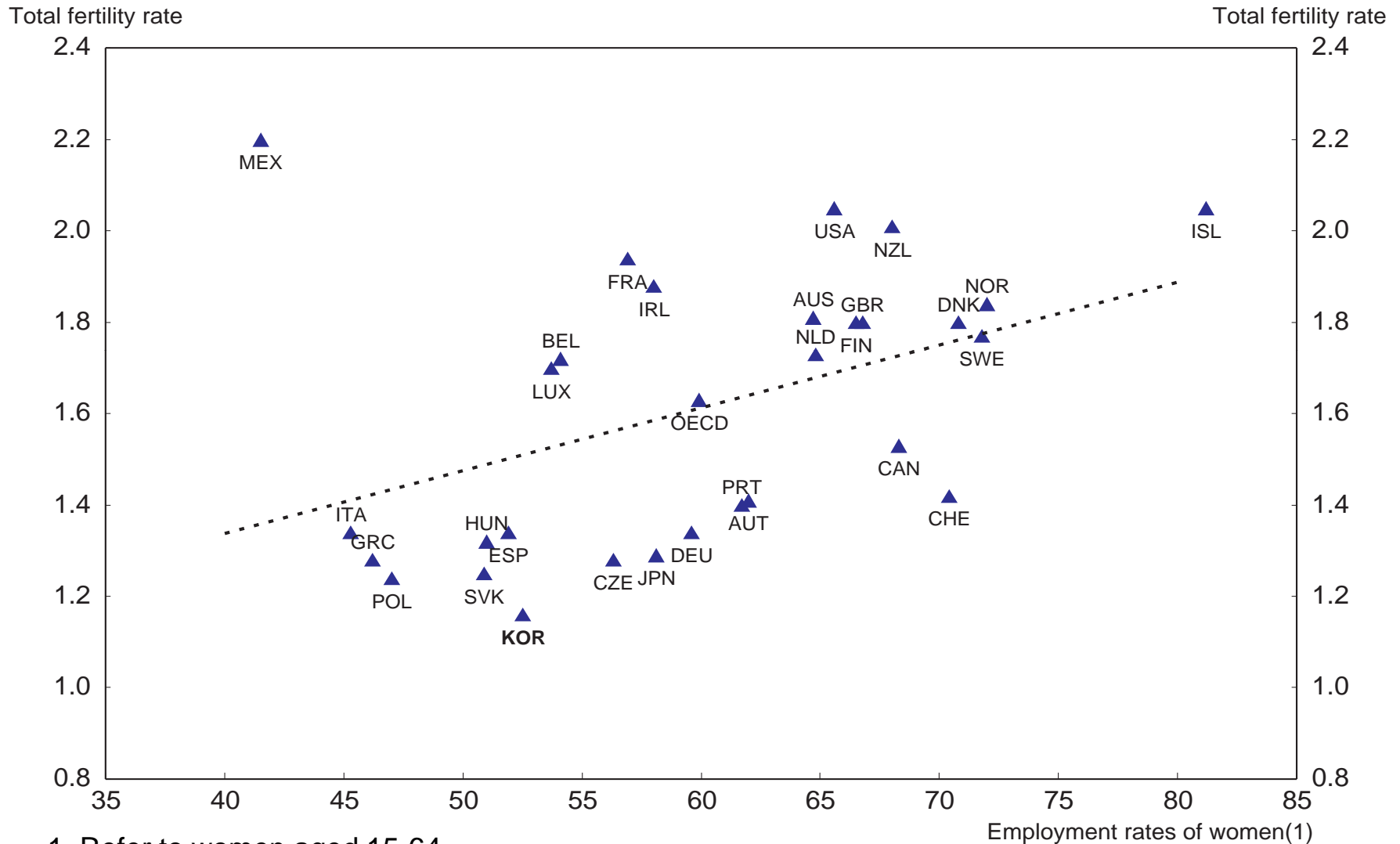
Children per woman



Source: D'Addio and Mira d'Ercole (2005).

Korea has low fertility and low female employment

2005



1. Refer to women aged 15-64.

Source: OECD (2006), *Society at a Glance: OECD Social indicators*, OECD, Paris.

Encourage female labour force participation by:

- Encouraging more family-friendly policies in firms.
- Ensuring an adequate supply of high quality childcare, in part by removing price caps on private-sector suppliers.
- Addressing the factors that limit the attractiveness of the labour market to women by reducing the trend toward greater non-regular employment and the importance of seniority in determining wages.

Remove obstacles that limit the fertility rate by:

- Encouraging more family-friendly policies in firms.
- Ensuring an adequate supply of high quality childcare, in part by removing price caps on private-sector suppliers.
- Reforming the education system to reduce reliance on private tutoring institutions and lower the out-of-pocket cost paid by families for education.

Price controls limit the availability of high-quality childcare

Age	0 to 1 years	1 to 2 years	2 to 3 years
Price ceiling on fees	350	350	288
Government subsidy¹	249	104	69
Total	599	454	357
Cost of adequate care²	789	524	403
Shortfall	190	70	46

1. Private childcare facilities as of 2006.

2. Calculated by the Government.

Source: Government of Korea (2006), *Seromachi Plan 2010*.

Korea has a high and rising share of temporary workers

		2001	2002	2003	2004	2005
Workers with a fixed-term contract	Less than or equal to 1 month	5.6	5.2	6.7	5.6	5.5
	More than 1 month to less than 1 year	2.8	2.7	4.9	4.7	4.8
	Exactly one year	1.5	1.9	3.3	4.4	5.3
	More than 1 year to less than 3 years	0.6	0.6	1.3	1.7	1.8
	3 years or more	0.5	0.6	0.7	0.8	0.8
	Subtotal	11.0	10.9	17.0	17.1	18.2
Workers without fixed-term contract, whose job is not expected to continue due to involuntary reasons		2.9	3.8	4.3	7.6	5.9
Temporary agency workers		1.0	0.7	0.7	0.8	0.8
On-call workers		2.2	2.9	4.2	4.6	4.8
Total²		16.6	18.1	25.9	29.7	29.4
<i>Memorandum item:</i>						
Total dependent employment (thousands)		13 540	14 030	14 149	14 584	14 968

1. This table shows the share of employees who are temporary according to the OECD definition. The concept of non-regular worker in Korea includes other categories, such as part-time workers, and is higher at around 40%.
2. The total is adjusted for overlapping categories. The Supplementary Survey has been carried out each August since 2001. There have been a few changes that may influence recent results. *First*, the sample of the monthly *Economically Active Population Survey* was replaced starting from January 2003 and the question on fixed-term contracts was moved to this *Survey*. *Second*, workers who assess the durability of their employment as unlimited because their contract is renewed on a regular basis are included in the "temporary" category since 2002.

Source: Ministry of Labour, Economically Active Population Survey; and Supplementary Survey of Economically Active Population Survey.

Income inequality has increased since 1990

	Gini coefficient ²	Quintile ratio ³	Decile ratio ⁴
1990	29.5	4.6	7.4
1991	28.7	4.5	7.0
1992	28.4	4.4	7.0
1993	28.1	4.4	6.8
1994	28.4	4.4	6.9
1995	28.4	4.4	6.8
1996	29.1	4.6	7.2
1997	28.3	4.5	7.0
1998	31.6	5.4	9.4
1999	32.0	5.5	9.3
2000	31.7	5.3	8.8
2001	31.9	5.4	8.8
2002	31.2	5.2	8.3
2003	30.6 (34.1)	5.2 (7.2)	8.9 (15.5)
2004	31.0 (34.4)	5.4 (7.4)	9.3 (15.7)
2005	31.0 (34.8)	5.4 (7.6)	9.1 (15.9)
2006	31.0 (35.1)	5.4 (7.6)	9.1 (15.9)

1. Nation-wide data, available since 2003, is shown in parentheses.

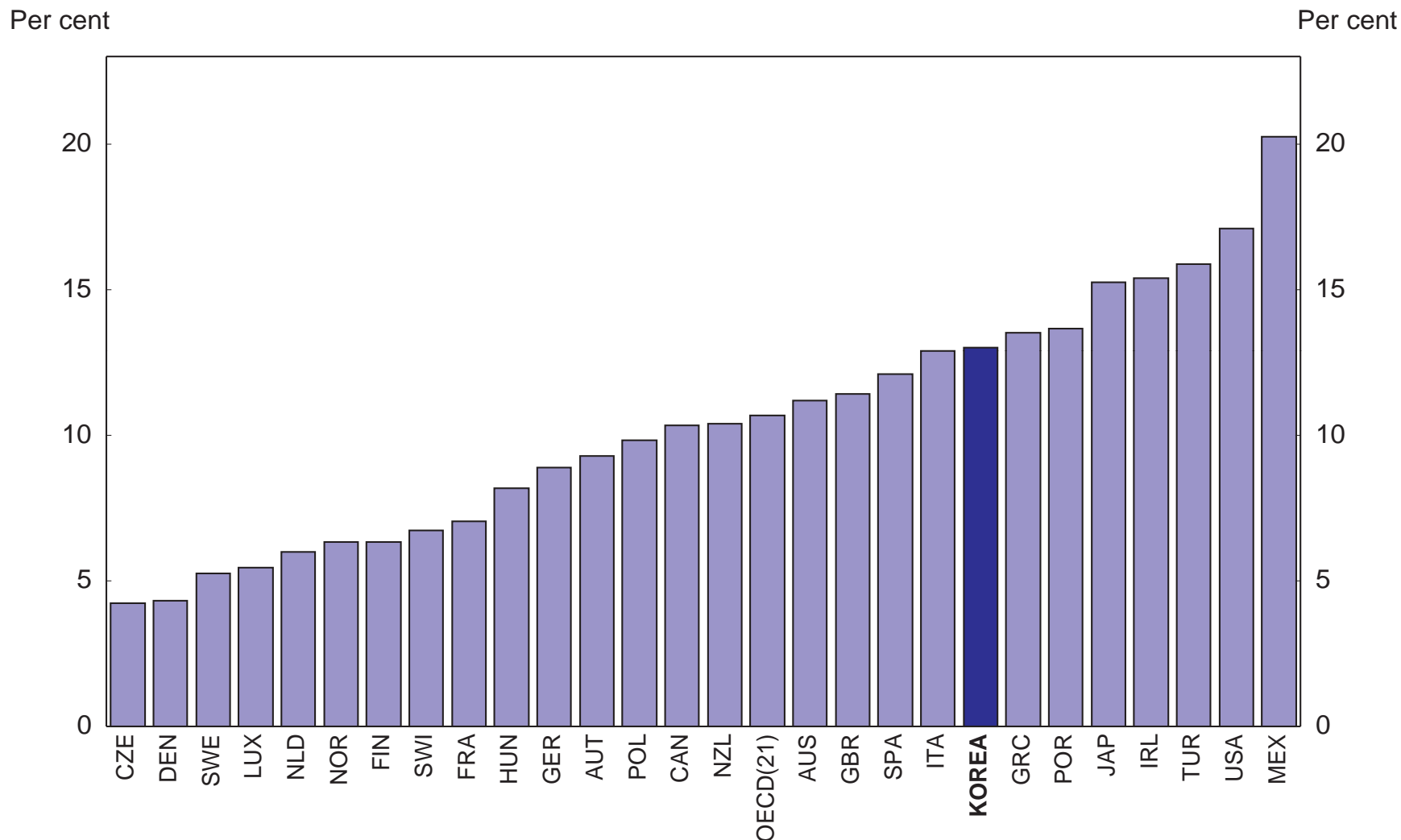
2. The Gini coefficient is defined as the area between the Lorenz curve (which plot cumulative shares of the population, from richest to poorest, against the cumulative share of income that they receive) and the 45-degree line, taken as a ratio of the whole triangle. The values, which range from 0 in the case of perfect equality and 1 in the case of perfect inequality are multiplied by 100 to give a range of 0 to 100.

3. The ratio of the top quintile to the bottom quintile.

4. The ratio of the top decile to the bottom decile.

Source: Korea National Statistical Office.

Korea's poverty rate is higher than the OECD average

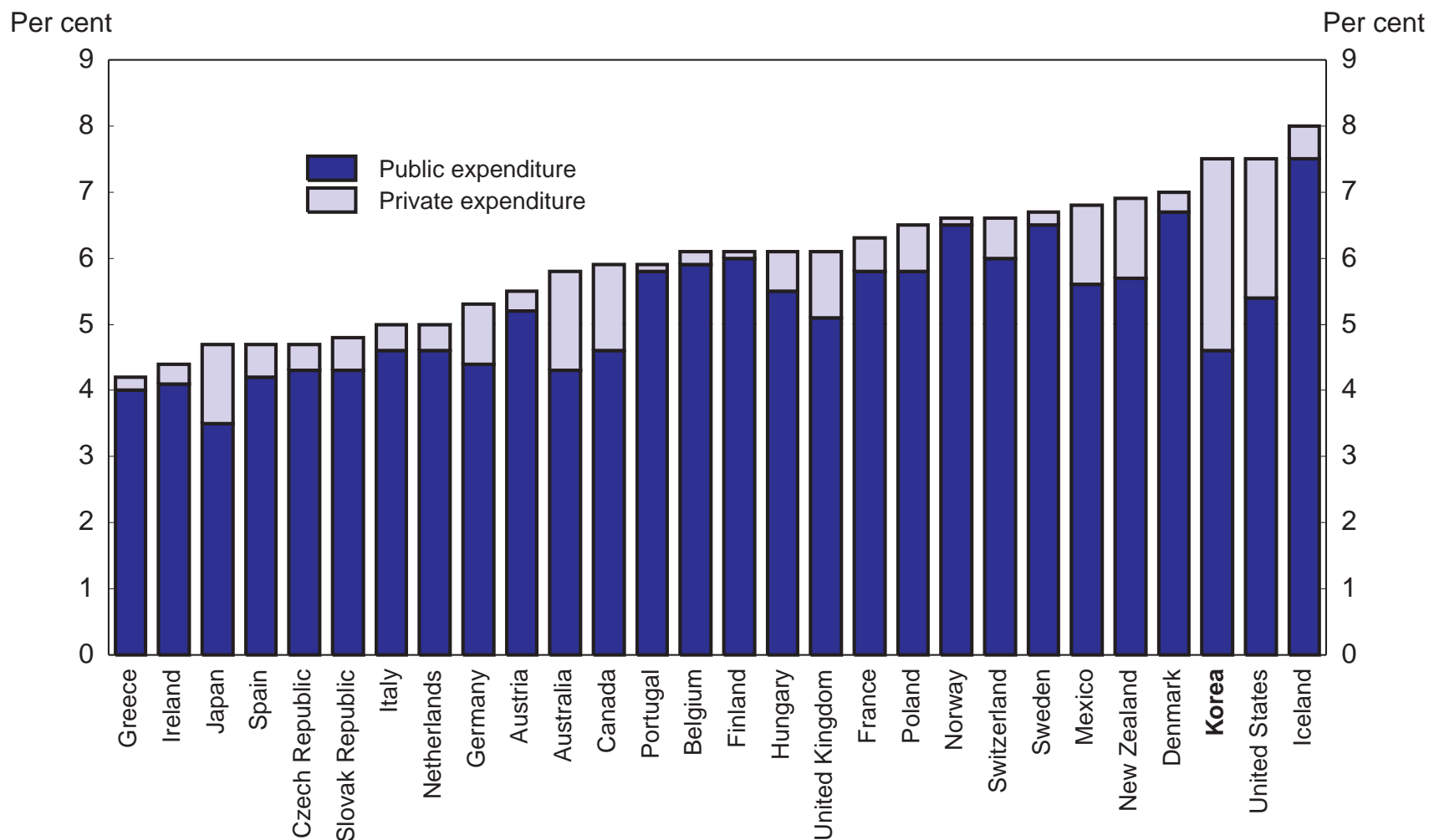


1. Poverty rates are defined as the share of individuals with equalized disposable income less than 50% of the median for the entire population.

Source: Förster and Mira d'Ercole (2005) and Koo (2004).

The private sector's share of expenditure on education is high in Korea

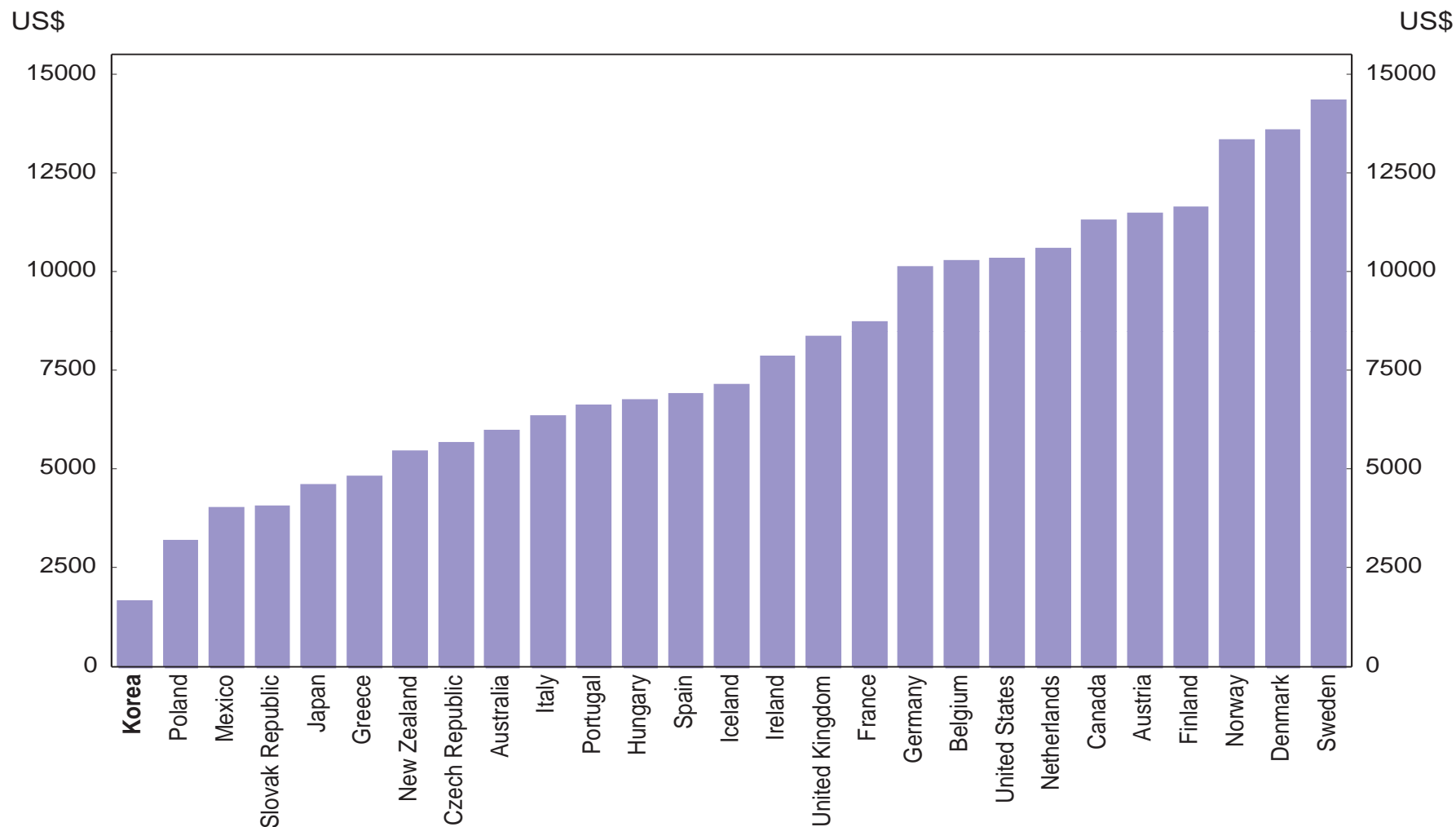
Per cent of GDP in 2003



Source: OECD, Education at a Glance, 2006.

Public expenditure on tertiary education is low in Korea

US dollars using PPP's, based on full-time equivalents



Source: OECD, Education at a Glance, 2006.

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