



The Aging Readiness & Competitiveness Report

KOREA

Overview

In 2017, Korea is expected to become an “aged” society, having crossed the UN threshold of 14 percent of its population over age 65.¹ Korea is among the most rapidly aging high-income countries. It will have taken only 18 years to complete the transition from an “aging” society, less time than any current “aged society.”² By 2050, Korea’s percentage of people age 65 and

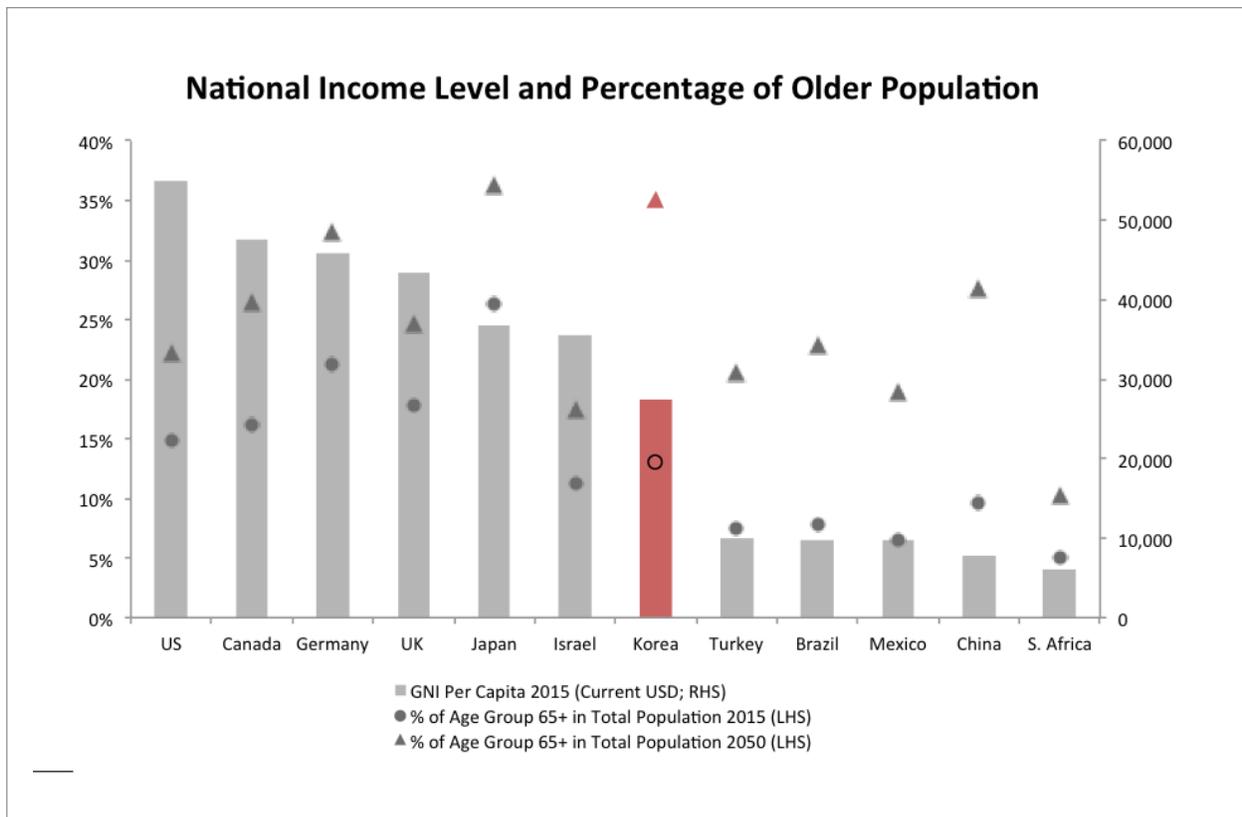
older is projected to more than double, reaching 35.1 percent of its population, and by 2060, Korea is projected to overtake Japan and become the most aged country in the world.³

The fast aging of the Korean population is partly a result of the country’s two baby booms, which started later than the post-World War II baby boom in western countries. The first occurred between

¹ Statistics Korea (2015). *Older People Statistics*.

² Chan, W.K. (2015). *Elderly Livings and Elderly Welfare Policy in Korea*.

³ UN Population Prospect 2015.



(Sources: United Nations, OECD, World Bank)

1955 and 1963, shortly after the Korean War, and the second emerged between 1968 and 1974, when the economy took off following President Park Chung-hee's economic development policy aimed at boosting export-oriented growth. The two generations of baby boomers together account for 27 percent of the total population.⁴ These aging baby boomers tend to be better educated and wealthier than their previous generations. More than 71 percent have an educational attainment of high school or above, nearly triple the rate of their parents' generation.⁵ Baby boomers also tend to have higher net worth than the current older population. As a result, the Korean society is facing a better-prepared generation of older adults, who represent enormous economic and business opportunities for the country, particularly in terms of labor participation and technological transition.

While the outlook is positive for the next generation of retirees, today's Korean older adults have the highest poverty rate among OECD countries. Nearly half of people age 65 and older have income (after taxes and transfers) below 50 percent of the median household income.⁶ The high poverty rate is mainly attributed

⁴ The National Statistical Office, KOSIS.

⁵ Seoul Metropolitan Government Information Communication Plaza (2013). Major Changes in Education Statistics through the Life of the Baby Boomers.

⁶ OECD Statistics.

to low pre-retirement income levels and the inadequacy of public social benefits. As a result, older Koreans are working longer in life and have the second highest workforce participation of people age 65 and older among OECD countries.⁷ Poverty has also threatened older Koreans' well-being, as evidenced by persistently high suicide rates.

In light of these demographic and societal changes, the Korean government has increased its efforts toward integrating aging-related policies into its broader economic and social-development agenda. While some of these efforts have been successful, others have caused notable controversy – particularly efforts to capitalize on productive potential in the older population. Policies aimed at extending older adults' work life have intensified intergenerational tension as well as controversy on the net impact on older adults' well-being.

To meet growing demand for healthcare by the aging population, the government took action to reform the long-term care insurance system in 2016, with a focus on improving administrative efficiency and service coverage of the system. It is also seeking to take advantage of the country's advanced IT infrastructure to develop digital healthcare services and, so far, has received positive responses particularly among large companies.

⁷ Ibid.



Community Social Infrastructure

Korean society has been rapidly shifting away from its traditional extended family structure to nuclear families, resulting in an increase in the share of older people living independently and contributing to their social isolation and risk of suicide. The government has been responding with programs, including older-age volunteering activities and suicide-prevention programs, with positive results. In addition, while Korea has been working to provide age-friendly physical infrastructure for older adults and has made major progress in areas like transport accessibility, significant challenges remain in older adults' access to affordable, age-friendly housing.

Social Connection

Family structures in Korea have experienced rapid nuclearization over the past two decades, leading to the increased number of older adults who live independently. While 40.4 percent of older adults lived alone or with a spouse as of 1994, this share rose by two-thirds and reached 67.5 percent as of 2014.⁸ Multiple factors have contributed to this shift: lower fertility rates and an increase in average ages of first marriage have led to smaller family sizes; rapid urbanization has made extended family structures inefficient and expensive due to rising housing costs, and

a new sociocultural perception has grown that children do not need to support their older parents throughout their lifetime by living together.

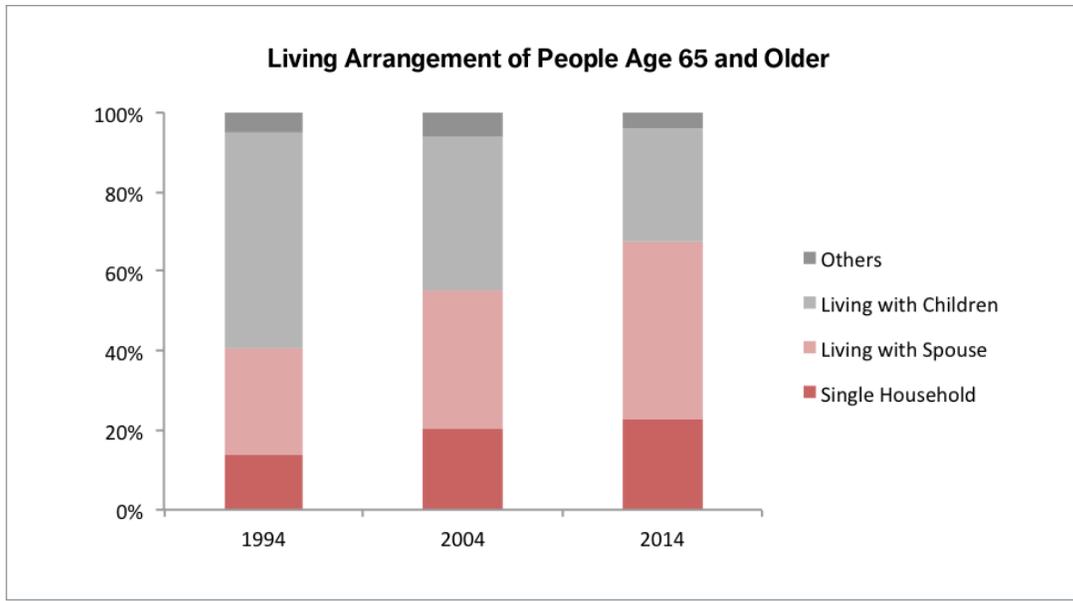
In the traditional extended family structure, living with family members helped relieve some of financial strains on older people that result from the lack of older-age benefits and income support from the government, providing them with companionship and enabling them to participate in social activities.⁹ The rapid family structure change has contributed to relatively low social connectedness among older Korean adults. Only 60 percent of people age 50 and over feel that they have a friend or relative to count on when in need of help – the lowest among all OECD countries and lower than major emerging markets covered in this study, including China, Brazil, and South Africa.¹⁰

Recognizing this issue, the government has endeavored to help maintain older adults' social involvement and mental health, with volunteer programs as the primary policy tool. In 2008, the government introduced the “Special Elderly Volunteer Program,” which matches volunteer organizations that are looking for specific skill sets (e.g., accounting expertise) with retirees.

⁸ Jung, Kyung Hee (2015). *Characteristic Changes and Living Status of Older Koreans*.

⁹ MoneyToday (2016). Poverty and Loneliness Contribute to Elderly Suicide.

¹⁰ Global AgeWatch 2015 and Gallup.



(Source: Korea Institute for Health and Social Affairs¹¹)

¹¹ Jung, Kyung Hee (2015). Characteristic Changes and Living Status of Older Koreans.

Starting in 2012, the government began to establish a number of volunteer service centers for older adults nationwide, which coordinate with each other to create service opportunities. As of 2015, the volunteer participation rate among older Korean adults reached 6.6 percent, up from 5.3 percent in 2009, although still low.¹² In comparison, nearly one in four Americans age 65 and older participates in some sort of volunteer activity;¹³ and in the UK, 31 percent of those ages 65 through 74 and 24 percent of those age 75 and older volunteer at least once per month.¹⁴

¹² Kim, H.W. (2016). Establish Conditions for Activating Volunteer Participation for Elderly People. *Seoul Ilbo*.
<http://www.seouilbo.com/news/articleView.html?idxno=160324>.

¹³ U.S. Bureau of Labor Statistics. Volunteering in the United States, 2015.
<https://www.bls.gov/news.release/volun.nr0.htm>.

¹⁴ <https://data.ncvo.org.uk/a/almanac16/volunteer-profiles-2/>.

The government is also working to combat one of the most troubling aspects of social isolation: the high suicide rate among older adults. Among every 100,000 older Korean adults, nearly 80 committed suicide in 2011, the highest among OECD countries.¹⁵ In response, the government started the Older Adult Suicide Prevention Program in 2011. The program provides training to caregivers on how to spot signs for suicide – more than 8,000 having received the training since its inception – and “Telecheck” services where mental health specialists and professional volunteers regularly contact seniors, mostly by phone or through occasional visits, to check on their status.¹⁶ This program has also contributed to growing community awareness and

¹⁵ Kim, Y.R. (2016). 2016 Elderly Population Statistics. *Statistics Korea*.

¹⁶ Kim Yong Hoon (2011). The Policy Has Been Out to Remove the Stigma of Suicide Rates Number 1.

support for seniors, which in turn has further reinforced its effect. In addition to the program, the Park administration launched nationwide campaigns, such as “Promotion of Culture that Respects Lives,” that were led by the Ministry of Health and Welfare and in collaboration with the media, aiming to raise social awareness of and prevent older adult suicide.¹⁷ As a result of these efforts, the older adult suicide rate dropped by more than one-quarter, from 2011’s level to 58.6 suicide deaths per 100,000 people as of 2015.¹⁸ While still higher than in any other OECD country and more than double the OECD’s average, there is more work to be done to build on this heartening program.¹⁹

Physical Infrastructure

Like counterparts in many other countries, older Koreans are eligible for preferential treatment in public transportation and public spaces. People age 65 and older can ride metros and intercity railways for free and only need to pay up to 50 percent of railway costs – specifically, they receive a 30 percent discount on regional express train (“Mugunghwa”) tickets and a 50 percent discount for short-run commuter trains (“Tongilho”). They also obtain free access to national and public museums and parks and are eligible for a 50 percent

discount on entrance tickets for national and public centers for Korean traditional performing arts (“Gugak Centers”).²⁰

While these subsidies aim to encourage older adults’ social engagement and mobility, more than 70 percent of Koreans age 65 and older experience inconvenience when going out, according to the 2014 Elderly Survey by the Korea Institute for Health and Social Affairs (KIHASA). Reported factors include slopes of roads, steps of buses and metros, and transportation facilities that are not age-friendly, among others.²¹ In another survey conducted by the Ministry of Land, Transport and Maritime Affairs in 2016, 46.2 percent of older people ranked floor and stair conditions in transportation (including both inside transportation vehicles and at terminals and stations) as the most limiting factor for mobility.²²

The Korean government has been working to improve accessibility for older adults, as well as other people that have difficulty moving around, including the promotion of low-floor buses. As of 2015, around 32 percent of buses in Korea were low-floor. In 2016, the Ministry of Land, Transport and Maritime Affairs budgeted KRW 34

¹⁷ Oh Yoo Jin (2016). Elderly Suicide Prevention and Creating Culture That Respects Life.

¹⁸ Kim, Y.R. (2016). 2016 Elderly Population Statistics. *Statistics Korea*.

¹⁹ The Hankyoreh (2015). Elderly Suicide Rates and Poverty Rate Are the Highest in the World. <http://www.hani.co.kr/arti/society/rights/690818.html>.

²⁰ Korea’s Welfare of Older Persons Act.

²¹ Kyeongrae Kim (2015). Policy Considerations for the Living Conditions of Older Koreans.

²² Ministry of Land, Infrastructure and Transport (2017). Survey on the convenience of transportation for person with inconvenience 2016. http://www.molit.go.kr/USR/NEWS/m_71/dtl.jsp?id=95078982.

billion (approximately USD 28.7 million)²³ to subsidize 700 low-floor buses: 100 in Seoul and 600 in other cities, to achieve a penetration rate above 40 percent. In spite of this effort, bus companies are often reluctant to use low-floor buses due to their high maintenance costs and difficulty navigating different road conditions, including speed bumps.²⁴

Municipalities also play an important role in improving transportation accessibility. In Seoul, special elevators and screen doors are installed at metro stations, which prevent people from falling down pits or being accidentally hit by trains; there are also automated voice assistance services for older people who have difficulty reading signs.²⁵ In Jinju City of South Gyeongsang Province, the municipality has provided wheelchair taxis since July 2009 for people age 65 and older, as well as those with disabilities and pregnant women. Riders only need to pay a rate between KRW 1,125 and KRW 2,250 (approximately USD 1 and 2), compared to the basic rate of a regular taxi at around USD 2.8.²⁶

The Korean government has also started promoting barrier-free certification (BFC)

to improve accessibility for older adults and others with mobility difficulties. Since 2015, all newly constructed public facilities, such as town halls, parks, and public hospitals, have been required to obtain a BFC from Korea Disabled People's Development Institute, a government agency. The certification covers specific facilities ranging from external ones, such as roads and parking areas, to internal ones, such as restrooms and evacuation facilities.²⁷ The city of Seoul leads the nation in these efforts. Since 2010, the municipality has been promoting the BFC system and subsidizing the entire certification fee. As of 2016, 48 public facilities had obtained BFCs. The installation rate of barrier-free equipment nearly doubled between 2010 and 2015 and reached 85 percent.²⁸

As older adults are vulnerable to traffic accidents, the government introduced senior citizen protection areas (a.k.a. "Silver Zones") in 2008 and had established 678 around the country as of 2014.²⁹ According to the Korea Road Traffic Authority, older adults were involved in 12 percent of traffic accidents in 2011 (26,483 out of 221,711), one-third (8,794) of which were pedestrian traffic

²³ Currency conversion in this report was based on the average monthly exchange rate of December 2016: KRW 100,000 won = USD 84.4 (Source: X-Rates).

²⁴ Park, S.E. (2015). Budget Inside – Low floor bus supply only 41%. *The Sisa Press*.
<http://media.daum.net/m/channel/view/media/20151028145907669>.

²⁵ Kim Young-hye (2011). A study on Age Friendliness Index in Gyeonggi and Seoul Area. Research Institute of Family Studies.

²⁶ Jinju City (2015). Wheelchair Taxi Operation Status. http://www.jinju.go.kr/05life/01_06.jsp.

²⁷ Korea Disabled People's Development Institute. <https://bf.koddi.or.kr/index.aspx>.

²⁸ Barrier Free Act Status. Seoul Metropolitan Government Disability Welfare Policy Division (2016).
http://disability.seoul.go.kr/lifeinfo/lifeinfo_02.jsp?Depth=4211&tr_code=m_short.

²⁹ Korea Road Traffic Authority (2014). Elderly Protection Zone Designation Status. https://www.koroad.or.kr/kp_web/trafficWeakPersonSafeZone4.do.

accidents.³⁰ Silver Zones are established in areas that are most frequently visited by older people and have busy traffic, such as nursing homes, parks, and welfare facilities. Vehicles must limit their speed below 30km/h in Silver Zones, with no exemption for holidays and weekends, and those who violate the rule will pay a penalty double the normal fine for speeding. However, budget limitations and opposition from the community have prevented the expansion of Silver Zones.

Housing

Older Koreans face a range of challenges in housing, including limited accessibility, high costs, and a lack of age-friendly facilities. A 2012 study conducted by the Korea Research Institute for Human Settlements (KRIHS), a Korean think tank, found that most older adults tend to live in older, poorer areas because housing prices are relatively lower.³¹ Even in these areas, they continue to struggle; rent on average consumes 37.3 percent of total disposable income for a single older-age household and 31.9 percent of total disposable income for older couples.³²

³⁰ Kang, S.C. & Cho, S.G. (2013). Feasibility Study on the Designation and Operation of Traffic Protection Areas for People with Inconvenience. *Korea Road Traffic Authority Traffic Science Institute*.

³¹ Noh J.S. & Jung, J.H. & Jeon, J.Y. (2013). Returning Farmers and the Aging of Farm Households: Prospects of Changes in Rural Population by Their Influx. <http://jksrp.or.kr/journal/article.php?code=12223>

³² KRIHS Policy Brief (2012). *Housing Situation and Perception for the Aging Society*. Vol. 76. http://www.krihs.re.kr/data/en_brief/vol76.pdf.

“The government’s allocation of funds to support old building renovation has failed to precisely target people that most need it, resulting in limited improvement in housing quality and affordability for a large share of the older population.”

– Kim Hyeong Soo, Professor of Social Welfare, Hoseo University

In addition, housing generally lacks safety accommodations such as low staircases and emergency bells.³³ According to the 2014 KIHSA’s Elderly Survey, more than 78 percent of respondents complained of an uncomfortable living environment due to lack of age-friendly facilities.³⁴ Although the government has been allocating funds to renovate old buildings in order to provide better living conditions for older people, “it has failed to precisely target people that most need it, resulting in limited improvement in housing quality and affordability for a large share of the older population,” according to Kim Hyeong Soo, Professor of Social Welfare at Hoseo University.³⁵

Local Initiatives for Age-Friendly Cities

Some municipalities have taken the initiative to build age-friendly communities to accommodate a healthy, active aging population, and the city of Seoul has made

³³ Ibid.

³⁴ Kyeongrae Kim (2015). Policy Considerations for the Living Conditions of Older Koreans.

³⁵ Interview with Dr. Kim Hyeong Soo, Professor of Social Welfare at Hoseo University. September 2016.

the most prominent effort. In 2013, the municipality introduced the Age-Friendly Initiative in response to its rapidly aging population. As of 2015, 12.6 percent of residents in the city were aged 65 or older – slightly below the national average at 13.1 percent – and the share is projected to exceed 20 percent by 2027.³⁶ The initiative consists of a comprehensive set of measures, which range from fostering a comfortable living environment and a vibrant recreational culture to supporting healthy aging and employment.

Seoul's initiative has a unique element of extending the focus beyond the World Health Organization's age-friendly guidelines and toward people in their middle years, in the hope of better preparing the future older population. People who were born during the period of 1955 through 1963 and are mostly in their 50s today, account for approximately 16 percent of the city's entire population.³⁷ Since 2014, the municipality has operated an online portal called "50+ Seoul," which provides information on a wide range of topics, including community services, cultural events, education and training, and job and volunteer opportunities to support various aspects of their life.³⁸

One strategy the municipality has adopted is to increase the use of existing facilities. Today, older Koreans have access to senior community centers and senior welfare centers across the country: the

former provide places for social and leisure activities, and the latter provide information and services, such as health improvement, disease prevention, and domestic care. Seoul had more than 3,000 senior community centers and 32 senior welfare centers as of 2015. To help improve the operations of senior community centers, the municipality has assigned one government official to each center, to offer advice on how to improve or develop programs for older adults and to serve as an intermediary for the government to identify and address their needs. It also regularly convenes representatives (who are older adults) of community centers, aiming to facilitate the sharing of best practices and collaboration on organizing local events. The municipality has also developed guidelines of recommended standards for senior welfare centers in an attempt to improve their services.

The Seoul's age-friendly initiative represents a positive sign of rising awareness and intensified effort on local levels to support the older population, but some skepticism exists. Experts note that the actual effect of these policies is uncertain, since it is difficult to measure how and the degree to which it affects older adults, and fiscal constraints could also discourage other municipalities from adopting similar programs.³⁹ As of 2015, Seoul spent nearly 7 percent of its annual budget on programs and initiatives related to older people, jumping from 2012's level of 3.7 percent.⁴⁰

³⁶ Age-Friendly Seoul. Progress Report 2015.

³⁷ World Health Organization. <https://extranet.who.int/agefriendlyworld/network/seoul/>.

³⁸ <http://50plus.seoul.go.kr>.

³⁹ Interview with Kim Hyeong Soo, Professor of Social Welfare at Hoseo University. September 2016.

⁴⁰ Age-Friendly Seoul. Progress Report 2015.



Productive Opportunity

The Korean government has been seeking to facilitate economic participation of both current and future retirees. To address the needs of today's older population whose high level of interest in employment is driven mainly by poverty, the government has augmented assistance to improve their skills and employability. Meanwhile, in the pursuit of fiscal sustainability of the public pension system, the government has been working to extend the retirement age to allow older people who are about to retire to stay in the workforce. These policy actions have been met with criticism amid recent youth unemployment hikes, due to a widely held zero-sum perception that older workers' participation in the workforce takes away job opportunities for younger people. However, given the greater educational attainment of baby boomers, the government's effort to increase older adults' participation in the workforce could yield positive results for the economy as the society ages.

Labor Participation of Older Adults

Korean older adults are notable for the longevity of their working lives. In 2015, the labor force participation (LFP) rate of adults age 65 and older was 31.3 percent, the highest among OECD countries after Iceland, and the LFP rate has been relatively stable at a high level (29 to 32 percent) over the past decade. For the

current generation of older adults, the desire for later-life employment is driven by necessity. According to Statistics Korea, 55.5 percent of men and 61.3 percent of women ages 55 through 79 who looked for employment in 2015 did so due to economic needs.⁴¹ Indeed, today's older Koreans have the highest poverty rate among OECD countries.⁴² One major reason for the high poverty is that the current generation of older adults tends to have low educational attainment, and many participated in low-skill, labor-intensive sectors through their working lives, resulting in low incomes and savings. In addition, the relatively recent introduction and inadequacy of public pension benefits in Korea further exacerbates these older people's financial well-being.

The Korean public pension system was introduced relatively recently – the National Pension Scheme (NPS) was first implemented in 1988, and over the following ten years it gradually expanded from urban to rural areas and from employees in corporations to self-employed people. Although participation has been mandatory by law since 1999, the number of people actually contributing to the NPS was only 43 percent of the working-age population as of 2012. This

⁴¹ Kim, Y.R. (2016). 2016 Elderly Population Statistics. *Statistics Korea*.

⁴² OECD Statistics.

low share is due to a lack of trust in the pension system and the large number of self-employed and non-regular workers who can evade contributions.⁴³ In addition, one needs to make at least ten years of contribution in order to be eligible to receive a pension. As a result, only 39 percent of Koreans age 65 or older actually received a pension from the NPS as of 2015.⁴⁴

Cautious about fiscal sustainability, the Korean government also spends much less on public pensions, compared with other OECD countries – its public pensions expenditure accounted for only 2.2 percent of GDP in 2011, less than one-third of the OECD average at 7.9 percent.⁴⁵ The government has continued to reduce the targeted pension replacement rate – an indicator of pension adequacy that measures the level of pensions in retirement relative to earnings when working – from an initial 70 percent to 50 percent in 2007 and will further reduce it to 40 percent by 2028 for a person with 40 years of contribution to the NPS.⁴⁶

Despite their demand for employment, older adults face negative social

⁴³ Jones, R. and S. Urasawa (2014), “Reducing the High Rate of Poverty Among the Elderly in Korea,” OECD Economics Department Working Papers, No. 1163, OECD Publishing, Paris. <http://dx.doi.org/10.1787/5jxx054fv20v-en>.

⁴⁴ Statistics Korea & Ministry of Health and Welfare (2016). Public Pension Entitlement Rate. http://www.index.go.kr/potal/main/EachDtlPageDetail.do?idx_cd=2709.

⁴⁵ OECD 2015. Pensions At A Glance 2015.

⁴⁶ Jones, R. and S. Urasawa (2014), “Reducing the High Rate of Poverty Among the Elderly in Korea,” OECD Economics Department Working Papers, No. 1163, OECD Publishing, Paris. <http://dx.doi.org/10.1787/5jxx054fv20v-en>.

perceptions regarding their ability and productivity. A survey by the Korea Labor Force Development Institute for the Aged found that while older workers are generally considered loyal, diligent, and trustworthy, they are often described as uncreative, inflexible, and stubborn.⁴⁷ The study also found that the general public, including most employers, does not overtly oppose employing or working with older people but is concerned about their productivity, rigidity, and ability to adapt to today’s fast-paced working environment.

Assisting Job Placement

In light of the financial difficulty experienced by the current generation of older adults, the Korean government provides support to retirees who seek to re-enter the workforce. In 2004, it launched the Elderly Job Support Project, which has served as the main platform to fund various initiatives that assist older adults with job placement, ranging from job-related training and consulting services provided by local community centers to employers’ efforts to improve working environments and create positions for older people.⁴⁸ In 2016, the government allocated KRW 3,907 billion (approximately USD 3.3 billion) to fund this project, an increase of 163 percent

⁴⁷ Lee Hyun Mi (2009). A Social Perception: Old Age Workers and Their Employments. *Korea Labor Force Development Institute for the Aged*. http://kiss.kstudy.com/publist/public_journal.asp?queryIn=20171&selYEAR=2009.

⁴⁸ Korea Labor Force Development Institute for The Aged. Elderly Job and Social Activity Support Business Operation Guidance. <https://kordi.go.kr/mainSub.do?mCode=B0568>.

from the annual budget of 2011.⁴⁹ As of 2014, 248,395 older adults obtained jobs through this program,⁵⁰ and today more than 387,000 entities participate in it.⁵¹

One of the most successful initiatives is the Senior Internship Program, which was introduced by the Ministry of Health and Welfare in 2011. The project aims to facilitate the government's collaboration with private employers to provide internships to unemployed people age 60 and older. To encourage employers' participation in the program, the government contributes half of an intern's wage (a maximum of KRW 450,000 (approximately USD 380) per month), and if an employer decides to extend the contract for another six months or longer, the government will provide the subsidy for another three months.⁵² According to Choi Sung-jae, Director of the Korea Labor Development Institute of the Aged remarked, this program helps to enhance older adults' self-confidence and ability to adapt to new jobs by providing internship opportunities, and companies can also benefit from hiring experienced workers.⁵³

⁴⁹ Ministry of Health and Affairs. Data compiled from annual reports on Elderly Job and Social Activity Support Business Operation Guidance for 2012 and 2016.

⁵⁰ National Institute for Lifelong Education (2016). *2015 Lifelong Learning in Korea*.

⁵¹ Ministry of Health and Affairs (2016). Elderly Job and Social Activity Support Business Operation Guidance 2016.

⁵² Korea Labor Force Development Institute for the Aged. Senior Internship. <https://kordi.go.kr/mainSub.do?mCode=B0847>.

⁵³ Min. S.R. (2016). Bokji News. Senior Internship Project of Korea Labor Force Development Institute. <http://www.bokjinews.com/news/articleView.html?idxno=48971>.

Indeed, in a survey after the first year of implementation, 97.3 percent of older adults and 90.6 percent of companies indicated willingness to participate again.⁵⁴ In 2016, 2,712 companies, including both large corporations and small and medium enterprises (SMEs), and 6,730 older people were engaged in the program, compared with 1,200 (up by 126 percent) and 3,600 (up by 87 percent) in 2011, respectively. Since the inception, more than 22,000 older people have benefited from this project.⁵⁵

Extending Older Workers' Stay in the Workforce

Extending people's working life has been a common strategy used by countries that have a rapidly aging population to ensure fiscal sustainability of pensions and/or to ensure the workforce supply, and retirement system reform has often been a target. While Korea is not an exception, it has to cope with some special structural issues, like the seniority-based wage system, when seeking to retain older adults in the workforce.

The seniority-based system, which is prevalent among Korean corporations, has led to relatively high costs of hiring older workers and has become a major barrier to extending their work life. The majority of Korean companies operate

⁵⁴ Ministry of Health and Affairs (2011). Participation Survey of Senior Internship in 2011 - More than 90 Percent of Participants Want to Rejoin.

⁵⁵ Lee. S.W. (2016). Senior Internship – "Experience Never Grows Old." *News Works*. <http://www.newsworks.co.kr/news/articleView.html?idxno=56444>.

on a remuneration model that is based on the length of service rather than job function. An employee's pay is highly correlated with the length of his or her service with a company, as is one's severance payment. Severance payment is a mandatory payment to full-time employees (those employed for one year or longer) when employment terminates (regardless of reasons, including for retirement). Its amount is a function of the number of years that an employee works in a company and the wage level of his or her last three months in the company. As a result, the hiring cost and severance payment for an older employee who has served a company for many years are much higher than for a young employee.

Seeking to delay older workers' retirement and improve the financial sustainability of the National Pension Account, in 2013 Korea amended the Act on Age Discrimination Prohibition in Employment and Promotion of Employment of the Elderly, which requires the extension of the minimum retirement age to 60, with implementation starting in 2016 for large companies (those with more than 300 employees) and in 2017 for all companies. Prior to this amendment, retirement age varied by employer and was typically set around 55. However, the decision has met with criticism that it would increase financial strain on corporations due to the seniority-based pay system.

Extending retirement age has also caused concerns that it will slow down the job-turnover cycle and reduce job opportunities for young people,

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– Kim Sun-Eun, Professor at Seoul National University

exacerbating intergenerational conflict. The youth unemployment rate in Korea has risen significantly in recent years, partly due to slower economic growth, and hit 12.5 percent in February 2017, the highest since January 1999 and more than triple the rate of the general population.⁵⁶

Some experts contend that policies promoting older-age employment could threaten progress on the more urgent problem of youth unemployment, and urge the government to be prudent about adopting such policies.⁵⁷ As noted by Professor Kim Sun-Eun of Seoul National University, “Youth unemployment is the more imminent problem in our society today, [more than older adults' employment]. Young people need opportunities for high-quality jobs, which are mostly occupied by older adults. Extending retirement age could slow down companies' hiring cycle and aggravate

⁵⁶ Statistics Korea; Trading Economic.

⁵⁷ Interviews with Professor Kim Sun-Eun of Seoul National University, and Jerald Schiff, Adjunct Professor of American University and former deputy director of the Asia and Pacific Department at the IMF. September 2016.

the youth unemployment.” Others further suggest that the government should, instead, focus more on the pension reform that helps improve older adults’ financial well-being, and reduce their needs for working.⁵⁸

In an attempt to lessen the cost for employers, while creating job opportunities for young people, the Korean government started to target structural wage reform and promote the “wage peak” system in 2015. The wage peak system is designed to allow workers over a certain age (usually retirement age minus five to seven years)⁵⁹ to get a gradual salary reduction in exchange for extending their employment to age 60 or beyond. According to estimates from the Korea Economic Research Institute (KERI), implementing this system could save employers a total of KRW 25.91 trillion (approximately USD 22 billion)⁶⁰ and help create 80,000 to 130,000 jobs from 2016 through 2019.⁶¹ To promote the wage peak system, the government provides subsidies for employees who experience wage cuts, with the amount up to KRW 10,800,000

⁵⁸ Interview with Professor Kim Sun-Eun of Seoul National University. September 2016.

⁵⁹ Kim, M. (2015). Wage Peak Misgivings: Doubts about Policy Impact of Wage Peak System in Korea. *Business Korea*. <http://www.businesskorea.co.kr/english/features/special-reports/12609-wage-peak-misgivings-doubts-about-policy-impact-wage-peak-system>.

⁶⁰ Based on the assumption of deducting the wage by 10 percent every year, beginning with full-time regular workers age 55.

⁶¹ Kim, M. (2015). Wage Peak Misgivings: Doubts about Policy Impact of Wage Peak System in Korea. *Business Korea*. <http://www.businesskorea.co.kr/english/features/special-reports/12609-wage-peak-misgivings-doubts-about-policy-impact-wage-peak-system>.

(approximately USD 9,115) per person for five years.^{62 63} All public institutions (including government agencies and state-owned enterprises) have committed to adopting the system in the near future, and more than 60 percent of them (191 out of 316) have implemented it already.⁶⁴ The adoption rate among the private sector is lower but has been increasing – as of 2016, 17.5 percent of all private employers and 46.8 percent of those with more than 300 employees implemented the system, up from 12.1 percent and 27.2 percent in 2015, respectively.⁶⁵

While the wage peak system would guarantee job security for older employees, it is still too early to determine its impact on older adults’ well-being and labor participation. The Korean Confederation of Trade Unions – one of the nation’s largest labor organizations – criticizes the government for “labeling the wage peak system as a key to enhancing a harmony between employees and employers, but it will only end up reducing ... salaries.” A revision of the wage structure, such as the implementation of the wage peak system, requires consent of the labor union that consists of more than half of employees at

⁶² Employment Insurance. *Wage Peak Support Project*. <https://www.ei.go.kr/ei/eih/eg/eb/ebEntrprBnef/retrieveEb0404Info.do>.

⁶³ Employees who earn more than KRW 57.6 million (approximately USD 48,614) in annual income after wage cuts are excluded.

⁶⁴ Ahn, Y.S. (2015). Public Institution Wage Peak System Introduction Exceeded 60%. *The Segye Times*. <http://www.segye.com/newsView/20151020004417>.

⁶⁵ Ministry of Employment and Labor (2016). Research on Average Retirement Age and Wage Peak System Introduction. <http://news.molab.go.kr/newshome/mtnmain.php?mtnkey=articleview&mkey=scatelist&mkey2=31&aid=7296>

a company (or, in the absence of the labor union, a representative of the majority of employees).⁶⁶ As a result, effective negotiation and communication between employers and employees, particularly for large companies that have labor unions, will be critical to reaching a win-win solution for both sides.⁶⁷

Promoting Lifelong Learning

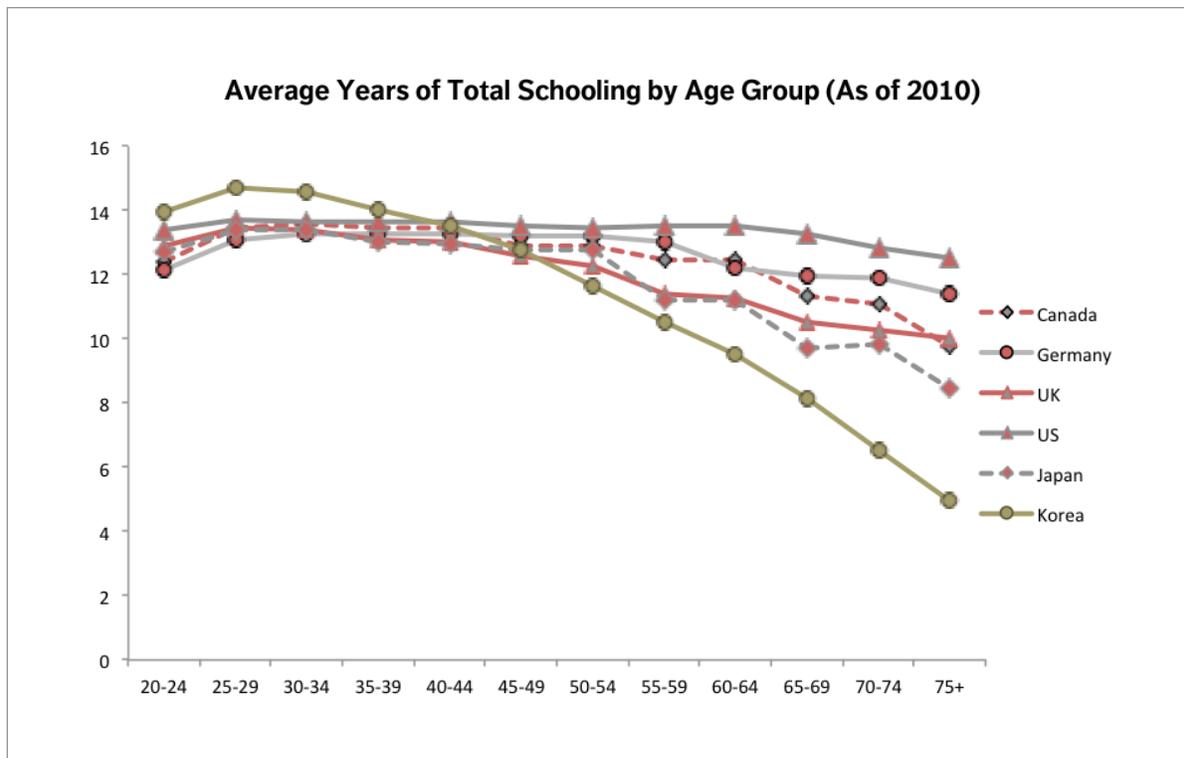
Despite concerns about intergenerational conflict over employment caused by

⁶⁶ Ministry of Employment and Labor (2016). *Implementation Guideline for Wage Peak System and Working Time Reduction System*.

⁶⁷ Harrison. D. (2016). Korea's Wage Peak System. http://www.koreatimes.co.kr/www/news/opinion/2016/09/162_213343.html.

the policies to extend work life, the government's effort promises to enable Korea to unleash productive opportunity resident in the aging baby boomers and its future older population, who are better educated. Among baby boomers, 71.4 percent have high-school diplomas (45 percent) or higher degrees (26.4 percent), more than triple the rate of their parents' generations (18.4 percent with high-school diplomas, including 11.9 percent with high-school diplomas alone and 6.5 percent with higher degrees).⁶⁸ When compared with other high-income countries in this

⁶⁸ Seoul Metropolitan Government Information Communication Plaza (2013). Major Changes in Education Statistics through the Life of the Baby Boomers. <http://stat.seoul.go.kr/pdf/e-webzine80.pdf>.



(Source: Barro R. & J.W. Lee, v. 2.1, Feb. 2016)

study, Korea is catching up with peers, with the disparity in education attainment significantly shrinking across age groups.⁶⁹

Korea's significant progress in education attainments of the incoming older population is partly rewarded by the government's longstanding effort to promote lifelong learning since the 2000s, aiming to augment national competitiveness and improve the quality of life of its citizens. The government introduced the First National Lifelong Learning Promotion Plan in 2002 and has updated it every five to six years, outlining specific policy objectives and actions for target periods. As of 2014, the lifelong learning participation of the total population reached 36.8 percent, up by nearly one-quarter from the 2007 level of 29.8 percent.⁷⁰ While the participation rate has also improved among people age 65 and older, it has remained relatively low, standing at 13.7 percent as of 2014 and just over one-third of that for the total population.⁷¹

Realizing the potential of lifelong learning to improve older people's economic participation and active aging, in the

⁶⁹ Barro R. & J.W. Lee, v. 2.1, Feb. 2016.

⁷⁰ National Institute for Lifelong Education (2016). *2015 Lifelong Learning in Korea*.

⁷¹ Ibid.

latest Third National Lifelong Learning Promotion Plan for 2013–2017, the Korean government places an emphasis on supporting later-life education, in coordination with relevant policy efforts with local governments.⁷² The plan utilizes colleges and local schools as learning centers to provide greater access to educational opportunities for older adults.⁷³ So far, a number of universities (both public and private) across the country, including Seoul National University of Science and Technology, Ajou University, Dongkook University, and Inha University, have provided classes for older adults, which cover topics like craft floral design to prepare students for national certification, barista-certification-preparation courses, and Chinese classes that prepare students for national certification tests to be officially certified as Chinese instructors.⁷⁴ The Ministry of Education expects that this third plan will help to increase the learning-participation rate of the general population, including older adults, by 15 percent from the 2012 level.⁷⁵

⁷² The 3rd National Lifelong Learning Promotion Plan.

⁷³ The National Institute of Lifelong Learning Education.

⁷⁴ Ajou University Lifelong Education Subjects.

⁷⁵ The 3rd National Lifelong Learning Promotion Plan.



Technological Engagement

While Korea is famous for its advanced IT infrastructure, the low digital literacy among today's older adults inhibits them from benefiting from digital technologies and requires greater training support. However, the aging baby boomers, who are wealthier and better educated, represent huge market opportunities for age-related digital products and solutions, and Korean companies are just beginning to focus on this new market.

The Digital Divide

Korea has the greatest digital divide between the younger and older population among OECD countries, with a difference of 56 percentage points in Internet penetration between those age 65 through 74 and the general population.⁷⁶ However, the trend is positive – the share of people age 65 and over using the Internet grew from 17.6 percent in 2013 to 27.5 percent in 2015, due in part to the improved affordability of smart devices. Around 25 percent of those age 65 or older owned smart phones and other smart devices as of 2015, a nearly two-thirds increase from just the prior year.⁷⁷ A 2015 study on Internet usage by the Korea Internet and

Security Agency found that many older adults now access the Internet primarily through their smart phones, with the main purpose of using social networks, such as the Kakao Talk (an instant-messaging app), to communicate with their children and friends.⁷⁸

Nevertheless, on digital literacy among the older population, Korea lags behind other high-income countries covered in this study. While older people in general are not digital natives, the high illiteracy rate of today's older adults in Korea has exacerbated the difficulty in their adoption of new technology. About three in ten Koreans age 70 and older have never gone to school.⁷⁹ Meanwhile, the government's effort to reduce the digital divide over the past decade has resulted in limited impact. One major platform has been the Information Training Sessions Program, which was launched in 2000 and aims to teach older people basic computer and Internet skills through local community centers.⁸⁰ However, due to unevenness in local governments' capabilities, the quality

⁷⁶ OECD Science, Technology and Industry Scoreboard 2015.

⁷⁷ Kim, J.Y. & Cho, C.H. & Jang, S.J. & Youn, E.J. (2015). Survey on the Internet Usage in 2015. *Korea Internet & Security Agency*. <http://isis.kisa.or.kr/board/?pageId=060100&bbsId=7&itemId=813&pageIndex=1>.

⁷⁸ Kwon Oh Sung (2015). Internet 60+ Log in and Teenagers Log out.

⁷⁹ Barro R. & J.W. Lee (2016). Educational Attainment for Total Population.

⁸⁰ Choi, Doo-jin (2009). Policies to Promote Digital Participation from Seniors. Korea Agency for Digital Opportunity and Promotion. <http://www.ndsl.kr/ndsl/search/detail/report/reportSearchResultDetail.do?cn=TRKO201100005394>.

of training services has greatly varied by region and has yielded limited success.⁸¹

Korea overall does not have an age-friendly technology market. Companies are focused on providing up-to-date technologies and gadgets, and while Korea is usually among the earliest markets in the world to introduce the latest technologies, the rapid cycle of new technology development has contributed to the wide digital divide, as older adults find it difficult to keep up with the paces of technological advancement.⁸²

Private-Sector Engagement

As the digitally literate population ages, Korean technology companies are beginning to develop digital products and solutions that are tailored to older adults' needs, with a particular focus on mobile devices and telecom services. Companies have developed "silver phones," which have features and functions that are tailored to older adults' needs, including larger keypads and fonts along with louder speakers to assist older adults who have poor vision and hearing.⁸³ Telecom companies have also developed new services for older adults. Since 2014, SK Telecom has provided alarm services for people suffering from dementia should they become lost. Family members can remotely control older people's phones to

"The aging Korean baby boomers, who are not just better educated but also possess greater economic and consumption capabilities than previous generations, will the business landscape and likely prompt companies to more actively tap the older-age market."

– Jerald Schiff, former Deputy Director of the Asia and Pacific Department at the IMF

call emergency services or to determine their locations. Similarly, since 2013, Korea Telecom has enabled alerts related to older adults' status, in case they have not used their smart phones for certain period of time.⁸⁴

In spite of the private sector's increasing engagement in developing older-age digital products and services, experts contend that today the majority of companies working in this area often do so as part of corporate social responsibility rather than their attraction to the market potential in older-age consumers. Low digital technology penetration and limited consumption power of the current generation of older people are the major disincentive factors for businesses.⁸⁵ Indeed, a 2015 survey by the Korea Chamber of Commerce and Industry (KCCI) indicated that only 11 percent of Korean companies have entered the silver market and that 24 percent are planning

⁸¹ The Ministry of Health and Welfare Program Information.

⁸² Ki, Jung-un and Noh, Yong-hwan and Choi, Doo-jin and Jung, Booyeon and Kim, Jae-kyeoung, "The Analysis of Elderly Digital Divide," *Korea Information Society Development Institute 2007*.

⁸³ Kwon Myeong-kwan (2014). SK Telecom and Qualcomm Develop Tele-Care Solution.

⁸⁴ Shin, Dong Hun (2015). Smartphone Market opportunity in Silver Market, *Choson Ilbo*.

⁸⁵ Interview with Dr. Kang Sung-Kwan, Associate Professor of Information Technology at Jeonnam Provincial College and President of Alegro. September 2016.

to, while nearly 65 percent have no plans to do so in the near future.⁸⁶

As older adults' usage of the Internet and other digital technologies is correlated with their income and education levels,⁸⁷ Professor Jared Schiff of American University, the former Deputy Director of the Asia and Pacific Department at the IMF and an expert on Korea and Asia issues, argues, "The aging of Korean baby boomers, who are not just better educated but also possess greater economic and consumption capabilities than previous generations, will shift the business landscape and likely prompt companies to more actively tap the older-age market."⁸⁸ As of 2013, the first-generation baby boomers had an average net worth of KRW 311,160,000 (approximately USD

262,619), nearly 30 percent higher than that of current retirees (age 65 and older), and the second-generation baby boomers, who were to retire more than one decade later, had already accumulated an average net worth nearly 90 percent of that of current retirees.⁸⁹ As a result, the silver market size is expected to more than double from KRW 27.4 trillion (approximately USD 23.1 billion) in 2012 to KRW 72.8 trillion (around USD 61.4 billion)⁹⁰ by 2020, representing tremendous market potential for digital technology businesses.^{91 92}

⁸⁶ Yonhap News (2015). 65% of Korean Corporations Have No Plans to Enter the Silver Market Yet.

⁸⁷ The National Information Society Agency.

⁸⁸ Interview with Jerald Schiff, Adjunct Professor of American University and former Deputy Director of the Asia and Pacific Department at the IMF. September 2016.

⁸⁹ The Korea Statistical Office (2014). A Study on Household Income.

⁹⁰ Currency conversion was based on the average monthly exchange rate of December 2016: KRW 100,000 won = USD 84.4 (Source: X-Rates).

⁹¹ Chae, Sung-jin (2016). Policy Implementation Needs a Change in Order to Truly Promote Silver Industry. <http://www.newstomato.com/readNews.aspx?no=691973>.

⁹² Yonhap News (2015). 65% of Korean Corporations Have no Plans to Enter the Silver Market Yet.

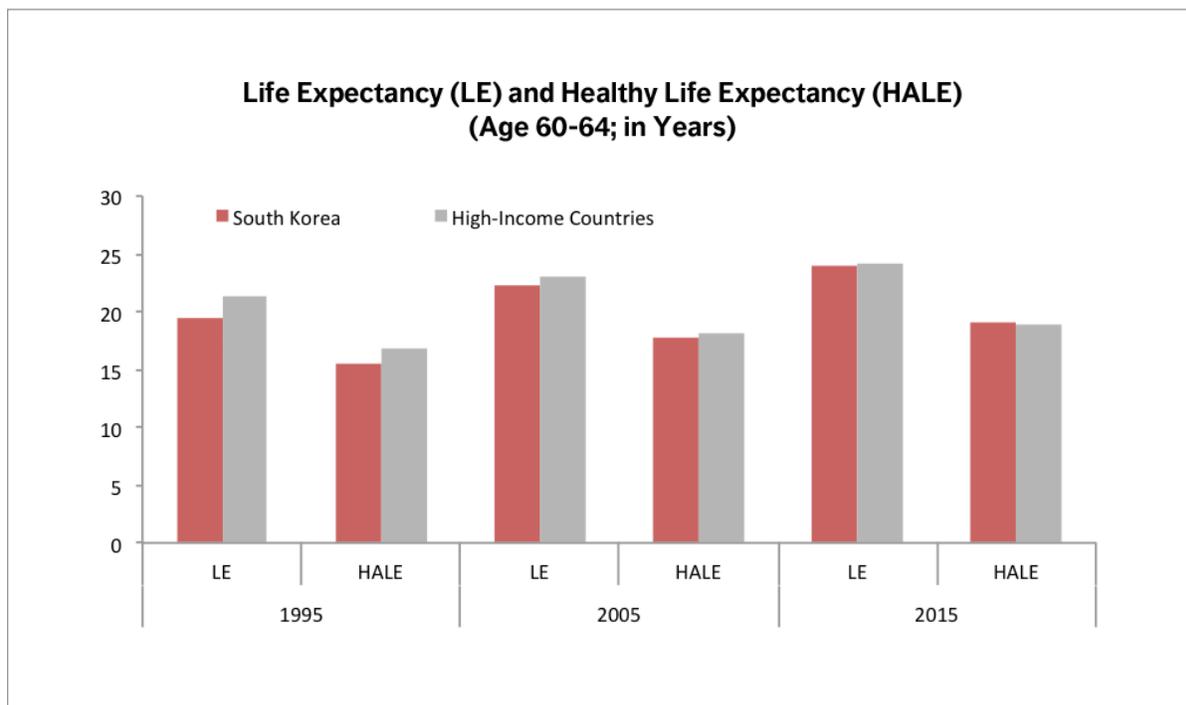
Healthcare and Wellness

Life expectancy of older Korean adults has increased significantly but has outpaced improvements in health. In an attempt to address this gap and improve the health of the older population, the government has adopted proactive, preventive approaches, including subsidizing regular checkups and promoting healthy lifestyles. More recently, the government has strived to support life quality and wellness of older adults by building a long-term-care benefit system, with a latest reform in 2016 aimed at improving the system's efficiency, service coverage, and quality. To take advantage of the country's advanced IT

infrastructure, the government is seeking to harness the power of digital technology and accommodate older people's rising demand for healthcare.

Health Status

Both the "lifespan" and "healthspan" of older people in Korea have improved significantly over the past two decades, catching up with other high-income countries. From 1995 through 2015, life expectancy (LE) of Koreans ages 60 through 64 increased by 4.5 years to 23.9 years, while the average of high-income countries



(Source: Global Burden of Disease Study 2015 by Institute for Health Metrics and Evaluation)

improved by 2.8 years and reached 24.2 years. At the same time, health life expectancy (HALE) of those ages 60 through 64 grew by 3.6 years to 19 years, slightly exceeding the average of peers as of 2015. However, the gap between older Koreans' LE and HALE widened by nearly one year during that period.⁹³

Chronic diseases are real threats to older Korean adults' health. According to a study conducted by the Ministry of Health and Welfare in 2014, about 85 percent of older people age 65 and over suffer from at least one kind of chronic disease.⁹⁴ Of these people, 69.7 percent were suffering from more than two chronic diseases, and 46.2 percent from more than three chronic diseases. Fewer than one-third of Korean people age 65 and older perceived their health as good or very good in 2014, among the lowest in OECD countries. The situation is worse for older women; only 16.7 percent perceived their health as good or very good.⁹⁵

Preventative Health Measures

Korea's improvement in "lifespan" and "healthspan" is partly the result of the government's continuing effort to promote preventive health measures. In an attempt to improve people's health outcomes and reduce overall medical expenses, it has been working to enhance preventive treatment, such as by subsidizing regular

physical checkups.⁹⁶ Since the healthcare financing reform in 2000, which merged all health insurance societies into the National Health Insurance Service (NHIS), the government has made efforts to achieve the universalization of regular physical checkup service regardless of job or income levels. Today, Korean citizens age 40 and older are eligible for one free checkup every two years, and those age 50 and older are eligible for additional, free non-communicable disease checkups, with the exception of cancer-related expenses. The government also contributes to half of related expenses for most cancer-related screening at regular checkups for people 40 and older.⁹⁷ Regular physical checkups have effectively helped to detect conditions like high blood pressure and cancers, which are easier and less costly to treat at the early stage.⁹⁸ According to NHIS, in 2012, 52.3 percent of people found out that they had symptoms of possible illness through regular physical checkups.⁹⁹

To promote healthy lifestyles among older adults, the government launched a national program called the Elderly Health Promotion Project in 2008. Under the program, local governments and public organizations provide health-related courses and services for seniors at health centers, including consultation for weight loss and quitting drinking and smoking, and physical exercise classes, as well as physical checkups. The program has been well received, with 93

⁹³ Global Burden of Disease Study 2015. Institute for Health Metrics and Evaluation.

⁹⁴ The Ministry of Health and Welfare (2014). 2014's Study on Senior Population.

⁹⁵ OECD Statistics.

⁹⁶ The Ministry of Health and Welfare. The National Health Insurance Program.

⁹⁷ Ibid.

⁹⁸ Jung-siwook (2009). The National Health Check Is Good for Your Health and It's Free.

⁹⁹ Cheongsim Hospital (2014). How Effective Is the Health Checkup?

percent of participants in Kwang-Yang city responding to a 2016 survey that they were “very satisfied” with the program.¹⁰⁰ Studies by the National Health Insurance Service and Yonsei University also found that health checkups provided to older adults under the program have helped them detect and treat diseases at the earlier stages.¹⁰¹ In light of the positive outcomes of the program, many local governments have also been working to expand this policy practice to all age groups, which could help to boost the health of future generations of older adults.¹⁰²

Utilizing Digital Technologies for Older-Age Care

Korea has witnessed a growing need for healthcare services from the rapidly aging population. From 2010 through 2014, Korea’s annual healthcare expenditure rose by 25 percent; during the same period, the expenditure on older people increased by 40 percent, with its share of the total healthcare spending rising from 31.6 percent to 35.5 percent.¹⁰³ Accordingly, the Korean government is seeking to leverage the country’s advanced IT infrastructure and harness the power of digital technology to improve healthcare efficiency and accessibility. Korea is the global leader in high-speed Internet, with an average connection speed 10 percent

faster than that of the next fastest country, Norway, as of the last quarter of 2016.¹⁰⁴

The government’s effort to integrate digital technology into the healthcare system is centered around its U-health Advocacy Program. (“U” stands for “ubiquitous.”) Launched in 2010, the program aims to improve accessibility of healthcare services, especially to older adults who live in remote areas.¹⁰⁵ Among its three components, “U-silver services” directly target the older population, while “U-medical services” and “U-wellness services,” although not targeting specific age segments, will particularly benefit the one-third of older adults in Korea who live in rural areas.¹⁰⁶

- “U-silver services” target recuperation of people age 65 and older, enabling online ordering of affordable, age-friendly products, including bedsore-preventing mattresses, portable bathtubs, and special diapers, among others.
- “U-medical services” are intended to enable easier access to medical treatment services, such as providing prescription services regardless of patients’ location.
- “U-wellness services” focuses on utilizing IT technologies to enable a physical checkup without going to hospitals (e.g., at home or town halls).

¹⁰⁰ Han Suk Hoon (2017). Gangyang Health Centers Operate Programs for Healthy Lives.

¹⁰¹ Jung-siwook (2009). The National Health Check Is Good for Your Health and It’s Free.

¹⁰² The Ministry of Health and Welfare. Information on the Health Promotion Projects.

¹⁰³ Park, S.J. (2015). Many Elderly People Go to Hospital... Accounting for 35% of Total Healthcare Expenses. *The Hankyoreh*. <http://www.hani.co.kr/arti/society/health/679529.html>.

¹⁰⁴ Akamai (2016). The State of the Internet Report Q4 2016. <https://www.akamai.com/us/en/multimedia/documents/state-of-the-internet/q4-2016-state-of-the-internet-connectivity-report.pdf>.

¹⁰⁵ Korea Institute of Health and Social Affairs (2013). U health: Current Status and Tasks Ahead.

¹⁰⁶ UN Population Division (August 2014). Urban and Rural Population by Age and Sex, 1980-2015.

The government has been seeking to encourage investment in, and development of, the U-healthcare market by providing grants to hospitals and companies' relevant R&D activities. It has also attempted to reduce regulatory burdens, particularly with regard to medical and health laws, which currently have very strict requirements on the use of digital technology to provide medical services. For example, doctors are currently required to be present in virtual conferences in order to provide official prescriptions. The government is considering replacing this requirement with digital signatures.

Large companies have actively responded to the government's promotion of U-healthcare. Major corporations, including SK Telecom and LG Electronics, have signed MOUs with the government on R&D investment in U-healthcare technologies, and major hospitals around the country, including Seoul National University Hospital, Severance Hospital, Asan Medical Hospital, and National Medical Center, have decided to participate in the U-healthcare advocacy program. They are using certain U-healthcare technologies like virtual treatment services in their hospital branches and developing other treatment and recuperation services using U-healthcare technologies.¹⁰⁷

In contrast, the U-healthcare program has not been well received among SMEs, which have fewer financial resources than large companies and find the government's incentives insufficient. The

¹⁰⁷ Korea Institute of Health and Social Affairs (2013). U health: Current Status and Tasks Ahead.

regulatory burdens also deter SMEs from participating in the U-healthcare markets. Greater incentives and deregulation would be needed in order to engage these companies to a greater extent and boost the development of digital technology that helps to facilitate older people's access to healthcare and improve service quality.^{108 109}

Long-Term Care

The growing population of older people who suffer from chronic diseases has also led to a rising need for long-term care (LTC). To better accommodate this need, Korean policymakers introduced the Long-Term Care Insurance for the Aged in 2008 and recently reformed it in 2016. The program enables eligible older adults age 65 and older to pay only 15 percent of LTC service costs, along with a small amount of monthly premiums, helping to relieve financial burden on households.¹¹⁰ In general, residential LTC facilities charge KRW 430,000 to 490,000 (approximately USD 363 to 414) per month per person, accounting for 32 to 37 percent of the average household's disposable income.¹¹¹ The program also provides eligible older adults with a cash benefit up to KRW

¹⁰⁸ Hankyeong Economic Magazine (2013). The Current Status of Silver Industry.

¹⁰⁹ Money Today (2015). Corporations Look for Future in Smart Healthcare.

¹¹⁰ Low-income families who receive basic livelihood assistance (an income-security program for people living below the official poverty line) can receive without any contribution or charge.

¹¹¹ Shin, Sung Sik, Jang Soo young, and Jung Jong moon (2014). LTC Hospitals Fees That Are Not Covered by LTC Insurance ... Patients Move Due to the Money. <http://news.joins.com/article/15004404>.

1,196,900 (approximately USD 1,010)¹¹² based on the disability degree of older adults, and subsidizes family members or friends who take care of older adults with a monthly payment of KRW 150,000 (approximately USD 127).¹¹³

One goal of the 2016 reform was to increase administrative efficiency and coverage of LTC services. In light of the prolonged process of LTC benefit application, which on average takes at least six months, the reform specifies responsibilities of relevant local government agencies, aiming to streamline the administrative process and improve efficiency. It also guarantees the minimum LTC service coverage period of six months, while previously the coverage period was not standardized and sometimes not sufficient to meet recipients' needs. However, there is room for further improvement. Kim Kyeong-hee, a researcher at the Korea Employment Information Service, noted that the government could reduce the financial burden on seniors caused by LTC benefit application by reimbursing costs associated with obtaining a doctor's diagnosis and referral notes and other medical tests, which are mandatory.¹¹⁴ Another goal of the 2016 reform was to protect the rights and interests of formal caregivers in an attempt to ensure the supply of formal caregivers and service

quality. The working environment for Korean caregivers is challenging, with jobs characterized by low wages and insecurity. They also receive less than half of what the government has proposed as appropriate wage rates.¹¹⁵ In addition, some LTC service centers offer employment contracts of less than one year to formal caregivers in order to avoid wage raises and to save on costs. The low compensation and job instability discourage people from working in the formal caregiving industry, creating a shortage of formal caregivers as the population ages, and also negatively affecting service quality.^{116 117} In response, the 2016 reform requires LTC institutions to regularly submit operations and performance reports to local governments, which will review and ensure appropriate working environment and compensation for caregivers. The Minister of Health and Welfare will also allocate a portion of the receipts of LTC premiums to pay for caregivers' wages.¹¹⁸ It is still too early to tell the efficacy of these measures.¹¹⁹

¹¹² Currency conversion was based on the average monthly exchange rate of December 2016: KRW 100,000 won = USD 84.4 (Source: X-Rates).

¹¹³ National Health Insurance Service. The Long-term Care Service.

¹¹⁴ Interview with Kim Kyeong-Hee, researcher at the Korea Employment Information Service. September 2016.

¹¹⁵ The original proposal for wage rate by the government for LTC workers was about KRW 1,400,000 (approximately USD 1,182) per month, but according to a 2013 study done by the Korea Institute of Health and Social Affairs ("U health: Current Status and Tasks Ahead. Issue and Focus Series."), LTC workers on average only receive about KRW 600,000 per month (approximately USD 506)..

¹¹⁶ Park Dae-Jin (2014). The Long-Term Workers' Working Situation and Recommendations.

¹¹⁷ Ibid.

¹¹⁸ Ministry of Health and Welfare (2016). Efforts to Increase Transparency and Efficiency of LTC Operations.

¹¹⁹ Park Dae-Jin (2014). The Long-term Workers' working Situation and Recommendations.