

Comment on Chullhee Lee, "Labor Force Participation of Older Males in Korea: 1955-2005"

by Kyungsoo Choi (Korea Development Institute)

Korea's elderly labor force participation rate (LFPR) is exceptionally high in comparison with other countries. As of 2002, Korea's male LFPR of 60-64 years old is 66.5%, while in most European countries the rate stands at below 40%, and in other Asian countries and in the US the rates are around 50 to 60%.<sup>1</sup> The high participation rate did not decline despite the worldwide early retirement trend observed in most advanced economies since the 1960s. In European countries Gruber and Wise (1999) analyzed that social security system, specifically the public pension system, is the main reason for the LFPR drop and in case of the U.S., Burtless and Quinn (2000) claimed that the wealth accumulation which made early retirement affordable for the elderly was the dominance source. However, as shown by Table 1 and 2 in the text, the elderly LFPR (among male aged 60-64) in Korea did not drop since the 1960s despite the wealth accumulation created by the rapid economic growth. In rural area it actually increased, and in urban area, it remained roughly constant. (Figure 3)

The reason for such peculiarity of the Korean elderly LFPR has not been well known or thoroughly investigated. Roughly it has been claimed that not enough wealth accumulation and insufficient provisions for old age income security are the causes for the lengthened labor participation among the Korean elderly. This paper looks into this unique phenomenon of Korea using rich sets of data both from the census and monthly labor market survey data sets. The author finds that up to the 1990s, the LFPR of the elderly remained roughly constant in urban area, where as it rose in the rural area counter-balancing the LFPR drop due to reduced share of rural population among the elderly. The still large share of rural population among the elderly in Korea is obviously an important factor of the high elderly LFPR. Among 65-69 years old, rural LFPR rose from around 0.5 to 0.7 and among those aged 70 and over, it rose from 0.3 to 0.5 (Table 2). The paper points to the shortage of labor in the rural area due to emigration during the industrialization, deficient wealth accumulation caused by stagnant real estate price of farm land, and although not fully supported by data, health improvement in the rural area as causes of the rise of LFPR among the rural elderly. This paper considers a variety of feasible causes for LPFR rise and evaluates their importance from empirical data, comparing the Korean situation with that of the U.S. in the past. Further, the author provides a very kind and detailed description of changes that occurred in the rural area, which will be greatly helpful for foreigners in understanding the Korean situation. I agree with the author's view on the causes of LFPR in the rural area. Later

---

<sup>1</sup> LFPR among men aged 60-64 in various countries are as follows (in %): Japan 71.2, Korea 66.5, New Zealand 66.1, Sweden 60.1, US 57.6, Canada 50.9, UK 50.8, Singapore 49.6, Australia 47.0, Thailand 46.8, Hong Kong 46.1, Russia 39.1, EU 35.3, Germany 34.0, Italy 30.9, France 17.3. (<http://www.jil.go.jp/kokunai/statistics/databook>)

studies may find the relative importance of the causes somewhat different, for example they could find health improvement or technology change more important than evaluated in this paper, but I expect that the empirical results given in this paper to be robust.

But then another obvious question is ‘why the urban elderly men’s LFPR did not drop?’ Among the elderly male, urban population is now more than 50%, and the fact that urban elderly male LFPR did not drop is as interesting a question as the rise of rural elderly male LFPR.<sup>2</sup> Needless to say, high urban LFPR need also to be analyzed to explain the overall high LFPR. Rising rural LFPR prevented the elderly male LFPR from dropping by offsetting the fall caused by shrinking rural population share. But the high and non-dropping urban LFPR contributed as much to the persistent high level of elderly male LFPR of Korea.

In advanced economies the elderly LFPR continued to drop until the 1980s. Even in Japan, where the elderly LFPR is at roughly the same level as Korea, the rate dropped with the decline of self-employment in urban area up to the 1980s. Unlike advanced countries, Korea did not have a mature pension system, public or private, and the social security system did not provide incentives for early retirement. But wealth formation has increased a lot, education level upgraded, and self-employment share dropped among the elderly in urban Korea. Education could have acted towards increasing the old-age labor participation, but urban income has increased a lot (Table 7), and urban real estate price soared at least several times in real terms during the last fifty years. The effects of land price rise on the elderly LFPR have been small in urban area. The author estimates (in footnote 16) that one percent rise of land prices drops urban elderly male LFPR by 0.1% which is a quarter of the effect in rural area. But the effect of income still remains to be explained.

A very feasible cause for high participation is the large share of self-employment in the urban area especially among the elderly. Korea’s self-employment is very high especially among the elderly: Its employment share is 29.8% among men and 43.6% among men aged 60-64. And the elderly self-employment does not show a long-term downward trend. Self-employment in the urban area acts like a bridge between employment and retirement in the Korean labor market. I think the self-employment structure in the urban sector of Korea need to be analyzed to answer the question, “Why is the LFPR of older males so high in Korea?”

## References

Burtless, Gary and Joseph F. Quinn, 2000. “Retirement Trends and Policies to Encourage Work among Older Americans,” Boston College Working Papers in Economics ([http://scholarship.bc.edu/econ\\_papers/175](http://scholarship.bc.edu/econ_papers/175))

---

<sup>2</sup> Specifically, the urban population share is 65.9% among 60-64, 56.2% among 65-69, and 49.3% among 70+. (see Table 2)

Gruber J., and D. Wise., 1999. *Social Security and Retirement Around the World*, Chicago: University of Chicago Press.