

The future of contractual mandatory retirement in South Korea¹

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Abstract

Although contractual mandatory retirement at a specified age has been eliminated, or limited, in many Western nations, the practice remains widespread in other parts of the world. In South Korea (henceforth, Korea) most workers are subject to contractual mandatory retirement, often while still relatively young; that is, in the 50s. Korean retirement policies are deeply rooted in the belief by policy makers, employers and unions that mandatory retirement creates jobs for young workers. In addition, because worker compensation is linked to age, employers argue that the seniority-based wages paid to older workers are excessive. Notwithstanding the opposition to reforming retirement policies, Korea faces a rapidly aging population that will require modifications to existing retirement arrangements. Moreover, greater emphasis on human rights, and efforts to reduce age-based discrimination in employment, will add to the pressures to increase the age of contractual mandatory retirement.

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