**SOCIAL SECURITY PROGRAM AND RETIREMENT BEHAVIOR IN KOREA:
A MICRO ESTIMATION**

*Xin Yuan, Kwan Koo Yun*

**Abstract**

We estimate the impact of social security program on the retirement behavior in Korea.
We use the micro data from the Korea Labor and Income Panel Study to calculate the
social security wealth (SSW) and three incentive measures: accrual, option and peak
values. We apply probit regression models to quantify the effect of the National Pension
Scheme in Korea on retirement decisions of Korean workers. Empirical estimation shows
that in Korea the estimated effects of the incentive measures on retirement are negative
and significant in most of our models. The SSW plays an important role indirectly, and
its signs are different in different models. We conduct a plus-¯ve-year policy simulation
to show the magnitude of the impact and how individual workers would respond to policy
changes.

**Keywords:** Social security; Retirement; Incentive measure.