

Japan's Retirement Age Reforms in an Aging Society: Policy Experience and Enlightenment

Yanhui Ding

Guangdong University of Technology, Guangzhou, Guangdong, 510006, China

Abstract

As one of the world's oldest countries, Japan has long faced labor shortages and pension funding pressures. In response to these challenges, the government has continuously adjusted the statutory retirement age and pension system to encourage the elderly to continue to participate in the workforce and ensure the sustainable development of the pension system. Since the "13th Five-Year Plan" proposed in 2016 to implement the policy of gradually delaying retirement age, China's delayed retirement policy has been brewing for many years, and has now entered the stage of accelerating. In the process of implementing the delayed retirement policy, we can fully draw on the effective measures of Japan's retirement system reform on the basis of actual national conditions, and give full play to the role of the elderly population in society by formulating differentiated retirement mechanisms, increasing employment security for older workers, developing flexible and diverse forms of employment, promoting the rationalization of employment structure and strengthening cultural construction. Promote stable economic and social development.

Keywords

Population aging; Delay retirement; Experience.

1. Introduction

Since entering the aging society in 1999, the aging of the population in our country has shown an obvious acceleration trend. The number of elderly people aged 60 and above doubled from 129 million in 2000 to 264 million in 2020, with an average annual growth rate much higher than that of the world's major aging countries and regions during the same period[1]. According to the Statistical Bulletin on the Development of Civil Affairs in 2023 issued by the Ministry of Civil Affairs, by the end of 2023, the elderly population aged 60 and above in China was 296.97 million, accounting for 21.1% of the total population, of which the elderly population aged 65 and above was 216.76 million, accounting for 15.4% of the total population. It can be seen that China's elderly population has a large scale, fast aging speed, and an obvious aging trend, and the trend of fewer children and longevity makes the aging continue to deepen. Compared with developed countries, China will face greater pressure and challenges in coping with the aging population[2].

Japan has an early age. Between 1970 and 2021, the proportion of people aged 65 and above in the total population continued to rise, reaching a new record high of 28.9% in 2021. As one of the leading countries in population aging, the Japanese government has promoted the implementation of the policy of postponing retirement age by amending laws and regulations and delaying the pension age, and has achieved good results. In September 2024, the Standing Committee of the National People's Congress voted to adopt a decision on implementing a gradual extension of the statutory retirement age. Learning from the experience of countries with earlier aging population and higher degree of population, it is helpful for our country to implement the policy of postponing retirement.

As the delayed retirement policy has just been implemented in China, the relevant data have not been collected yet. At present, there is no empirical study on the effect of delayed retirement policy in domestic literature. While the delayed retirement policy has been implemented in some foreign countries, so foreign scholars have conducted empirical research on delayed retirement. Bianchi's research found that delayed retirement by older workers negatively affects wage growth for younger workers, while leading to increased layoffs and reduced hiring. On the contrary, it will reduce labor demand[3]. Ardito's study, on the other hand, argues that delayed retirement has a limited impact on employment levels, mainly because the effect is small for high-skilled and high-income groups, but larger for low-skilled and low-income groups, resulting in higher unemployment rates for them[4].

At present, the domestic research on delayed retirement mainly focuses on predicting the impact of delayed retirement on the economy. Qiu Muyuan et al. analyzed the short-term and long-term effects of delayed retirement on pension finance, and believed that delayed retirement can promote pension financial balance in the long run, but the economy needs to go through a "painful period" in the short run[5]. In the context of industrial structure upgrading, the gradual extension of the statutory retirement age will cause the unemployment rate to rise in the short term, but it will not crowd out the employment of young people in the long run, on the contrary, it will increase the income level of workers[6]. Compared with the traditional view that delayed retirement will worsen the employment situation of young people, Zhang Yi et al believe that the job creation effect of delayed retirement will be greater than the job occupation effect, so it will increase the employment rate and improve the employment situation[7]. This paper studies the strategy of postponing retirement policy in Japan, learns from the successful experience of postponing retirement age, and promotes the implementation of postponing retirement policy in China.

2. Japan's Retirement Age Postponement Reform: Key Policy Approaches and Implementation Lessons

2.1. Passing legislation to adjust the retirement age

After the Second World War, the retirement age of employees in Japanese enterprises was generally 50 or 55 years old[8]. In 1971, after Japan officially entered the aging society, it promulgated the Employment Promotion Law for the Middle-aged and Elderly. From the perspective of enterprises, Japan tried to delay the retirement age from 55 to 60 years old by providing subsidies or other preferential policies to enterprises[9]. In 1986, Japan amended the Employment Stability Law for the Elderly to set the mandatory retirement age at 60, and fully realized the retirement obligation in 1998. In 2013, the new Employment Stability Law for the Elderly was implemented, which obliges companies to keep employees who are willing to work until the age of 65, implementing a system that gradually pushes back the retirement age of 60 to 65. At the same time, Japan has launched a "lifelong work society" campaign, that is, to allow all elderly people, regardless of their age, as long as they have the will and ability to work, to continue to work. Since April 1, 2021, Japan has officially implemented the "Employment Stability Law for the Elderly", raising the retirement age of enterprise employees from 65 to 70 years old. The Japanese government has also reformed the pension system in conjunction with the extension of retirement, including abolishing the retirement system, establishing a reemployment system that allows people to work until the age of 65, and directly raising the retirement age to 65.

2.2. Adjust the pension age

Japan's pension includes the national pension and the welfare pension. In order to deal with the problems caused by the aging population, the Japanese government has begun to gradually

postpone the age of receiving the basic pension (pension). In accordance with the policy, for men born in 1953 or later and women born in 1958 or later, the standard pension age has been extended from the original 60 years to 65 years. For those born later in life, 65 will become the standard age for receiving a pension. This gradual postponement of the pension age is designed to gradually reduce the social backlash while giving the elderly more time to prepare for life after retirement.

Although 65 has gradually become the standard pension age, the Japanese government allows the elderly to receive pensions earlier or later according to their own circumstances, and adjust the pension amount according to the different age. In the case of early payment, the employee can choose to start receiving the pension at the age of 60, but the amount of the pension will be reduced by about 6% for each year earlier. This means that a person receiving a pension at the age of 60 will receive about 30% less than they would at the age of 65. If the payment is delayed, it can be delayed until the age of 70. For each year of delay, the amount of the pension will increase by about 8.4%, which means that the pension received until age 70 will increase by 42% compared to the amount received at age 65. This flexibility not only allows individuals to make choices based on their own financial needs, but also helps reduce the pressure on pensions caused by early retirement.

2.3. Supporting measures to promote a stable transition

Introduce continuance of employment. In order to ensure that workers before the age of 65 do not face financial pressure due to delayed retirement, the Japanese government has introduced a continuance employment system. According to the Law on Employment Stability for the Elderly, which was amended and implemented on April 1, 2013, companies must provide employees who retire at the age of 60 the opportunity to continue working until they reach the age of 65. Companies could choose to abolish fixed retirement ages and allow employees to decide when to retire according to their own circumstances.

Encourage employees to work until they are 70. With the aging of society further increasing, the Japanese government again amended the Employment Stability Law for the Elderly in April 2021, pushing companies to provide employees with the option to work until the age of 70. Through re-employment or contract extension, enterprises can encourage retired employees to continue to participate in society through social contribution work, maintain labor enthusiasm, and allow employees to flexibly choose retirement time according to their own circumstances.

Implement different retirement mechanisms for different groups of people. In order to solve the problem of "income gap" that may occur after the pension age is raised, Japan has begun to implement the system of gradually raising the statutory retirement age. There are three main types: Enterprise employees: In 1986, Japan enacted the Stability Law to implement the retirement system at the age of 60. In 2004, it was continuously revised and improved, requiring enterprises to raise the retirement age to 65 in stages. In 2013, the revised Stability Law was implemented again, stipulating that enterprises must cancel the restrictions on continued employment and allow willing employees to work until the age of 65. Civil servants: The government is actively exploring the extension of the retirement age system, and in 2018, the Personnel Board recommended to the National Assembly and the Cabinet that the retirement age of national civil servants be gradually raised from 60 to 65 years old. University and private primary and secondary school teachers: the law does not specify their retirement age, Japanese universities can adjust according to demand, the retirement age of teachers in national and public universities is generally 63-65 years old, in recent years, some universities have begun to postpone the retirement age of teachers, private universities are more independent, some do not set a retirement age, the longest set up to 70 years old.

After the more systematic adjustment of the retirement delay policy, the employment rate of middle-aged and elderly people in Japan continues to increase, and the employment level of enterprises is also increasing steadily. According to the survey data released by the Japanese Ministry of Health, Labor and Welfare in 2023, 99.9% of companies have implemented the guarantee of retirement before the age of 65, of which about 69.2% of companies have introduced the continuous employment system, and 26.9% of companies have raised the retirement age. In addition, 29.7 percent of companies have established a system to ensure that senior citizens will work until the age of 70, an increase of 1.8 percent year-on-year[10].]It can be seen that by implementing the reform of delaying retirement, Japan has not only effectively promoted the employment of the elderly, but also further promoted the sustainable development of society.

3. The Implications of Japan's Delayed Retirement Reform for Our Country

As one of the most populous countries in the world, our country is also facing increasingly severe challenges of aging. Our country's delayed retirement policy has just been implemented, and the follow-up situation is still unknown. As a country facing the aging problem earlier, Japan has a relatively mature practice and exploration in the field of delayed retirement, and its experience has important reference value for us.

3.1. Formulate differentiated retirement mechanisms based on the characteristics and needs of different populations

Japan implements different retirement mechanisms according to the characteristics and needs of different groups of people. China has a large labor population, individuals in the physical condition, occupational characteristics, skill level and personal will, there are significant differences. In view of this, we can learn from the practice of Japan to build differentiated retirement mechanisms for people with different occupations and different health conditions.

In knowledge-intensive industries such as scientific research, education and medical care, the experience and knowledge accumulation of practitioners become more valuable with age, and their retirement age can be appropriately extended to encourage them to continue to play light and heat in their positions and contribute to the development of the industry. For workers engaged in heavy physical labor, in view of the work intensity and physical consumption, a relatively flexible and early retirement policy should be formulated according to their physical conditions and working years to protect their health. At the same time, for those who cannot continue to work due to physical reasons, it is necessary to establish a sound early retirement approval and security mechanism, so that they can enjoy retirement life at ease. Such a differentiated retirement mechanism can more effectively balance the needs of social development, labor resource utilization and individual rights and interests protection.

3.2. Increase employment security for older workers and create a favorable employment environment

Increasing job security for older workers requires a lot of effort. The government should formulate relevant policies to encourage enterprises to absorb older workers, and provide incentives such as tax incentives and subsidies. At the same time, strengthen the supervision of the job market to prevent the occurrence of age discrimination. Enterprises should also actively assume social responsibilities, fully recognize the value of older workers, and provide them with suitable positions and development opportunities. Develop training programs for older workers to help them upgrade their skills and adapt to new job requirements.

3.3. Develop flexible and diverse forms of employment to provide more suitable jobs

Japan's experience shows that short-time flexible employment is more in line with the needs of the elderly. In China, the proportion of low-age elderly people to provide generational care is relatively high, so this kind of employment is also more in line with the actual situation of our country. Introduce short-term and part-time jobs. This kind of flexible and diverse work is more in line with the needs of the elderly, suitable for staff who delay retirement, and can provide more employment opportunities for the elderly group.

3.4. Rationalize the employment structure and avoid intergenerational employment conflicts

While encouraging the elderly to continue to work, we should actively promote the employment of young people to avoid inter-generational employment conflicts. Delayed retirement and youth employment are not mutually exclusive, and both are important components of national employment policies. Japan has adopted systematic and continuous policies to coordinate the employment of the elderly and the young, and actively helps students change their employment concepts in universities. In the past, Japanese college students focused on entering large enterprises, but in recent years, Japanese young people pay more attention to small and medium-sized enterprises, and pay attention to whether they can exert their personal abilities and work happily. We can learn from Japan's experience and implement policies to create broader employment space and platforms for the elderly and the young, so as to avoid inter-generational conflicts. There are great differences between the elderly and the young in terms of skills, work experience and education level, and jobs suitable for all generations are also emerging. It is suggested to continue to employ elderly workers while promoting the employment of young people, so as to realize the complementarity of the two in the labor market.

3.5. Strengthen cultural construction and change the traditional concepts of aging and old-age care

Many elderly people in our country are deeply affected by traditional ideas, and they are more willing to help take care of the younger generation at home or wait for their children to support them at home after retirement, so they have more participation and contribution at the family level, and less social participation. Therefore, the government should strengthen the ideological and cultural construction of "continue the elderly pursuits", guide the whole society to correctly understand the social value of the elderly, strive to change people's concept of traditional aging and the view of the elderly to continue to work, publicize the advantages of delaying retirement age, and encourage the capable elderly to continue to create their own value in the work.

4. Conclusion

The implementation experience and lessons of Japan's delayed retirement policy provide us with valuable enlightenment. On the road to dealing with aging, we need to learn from international advanced experience, take into account the actual situation of China, and constantly improve the pension insurance system and social security system, so as to promote high-quality economic development and change social concepts. Only in this way can we better meet the challenges of aging and realize the beautiful vision of providing for and contributing to the elderly.

References

- [1] Office of the Seventh National Population Census Leading Group of The State Council: Main Data of the Seventh National Population Census in 2020, Beijing: China Statistics Press, 2021:9.
- [2] Zhang Fushun. Comparative study and reference of international experience in the development of elderly care services [J]. Lanzhou Journal, 2023, (06):138-146.
- [3] Bianchi N, Bovin G, Li J, et al. Career spillovers in internal labor markets[R].National Bureau of Economic Research,2021.
- [4] Ardito C. The unequal impact of raising the retirement age: Employment response and program substitution[J]. IZA Journal of Labor Economics, 2021,10(1).
- [5] Qiu Muyuan, Wang Tianyu, Liang Run. Delayed retirement, human capital investment and pension fiscal balance [J]. Economic Research, 2020,55(09):122-137.
- [6] Yao Dongmin. The relationship between delayed retirement and unemployment rate under the background of industrial structure upgrading [J]. Industrial economy of China, 2016 (01): 67-82.
- [7] Zhang Yi, Wang Wei, Liu Yufei. Delayed retirement age, employment rate and labor mobility: occupation or creation of jobs? [J]. Economics (Quarterly), 2017,16(03):897-920.
- [8] Ding Yingshun. Basic experience and enlightenment of delaying the retirement age in Japan [J]. The Contemporary World, 2016 (7): 71-74.
- [9] Luo illy, Liu Xiaomei. Experience and implications of a delayed retirement age in Japan in the context of healthy aging [J]. China Management Informatization, 2023,26 (11): 197-200.
- [10] [Japan] Cabinet Office: White Paper on an Aging Society (2024 edition), [searched on August 3, 2024], https://www8.cao.go.jp/kourei/whitepaper/w-2024/zenbun/pdf/1s1s_01.pdf