

# Comparison and Enlightenment of Retirement Policies in China and Japan

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**Abstract:** Delaying retirement policy is an important measure to deal with the aging of the population, but in the process of implementation in China is prone to encounter great resistance. This paper combs out the current retirement system in China, and explains advanced retirement system in Japan, on the basis of this analysis, the differences between the two countries' retirement systems and their causes. Finally, it summarizes the enlightenment of Japan's experience to China's relevant system reform, reconciles the retirement interests of different groups, gradually reforms retirement and pension systems, and builds a multi-level, flexible retirement pension system.

## 1. Introduction

Since the 1990s, China's aging process has accelerated. China's population aged 60 and over is expected to reach 438 million by 2050, of which 103 million will be senior citizens aged 80 and over. Therefore, China's social security system needs to be reformed urgently to adapt to the changing trend of population structure. Western countries put forward the concept of "active ageing" to encourage retired elderly people to return to the labour market. As a developed country in East Asia and the deepest aging country in the world, Japan has gradually established an advanced retirement and pension system in the process of development. Studying and learning from its rich experience is of enlightening significance to the promotion of China's delaying retirement system.

## 2. China's Retirement Policy

The establishment and improvement of retirement system is the embodiment of the development of human civilization and social progress. China has a tradition of "officials drop out" since ancient time. However, the formation of a more standardized and complete system is still after industrialization<sup>[1]</sup>. China's retirement policy system was established late and formed a preliminary framework in the 1950s after the founding of the People's Republic of China.

In China, the retirement age is mandatory in the formal sector, including the government, the public sector, state-owned enterprises and institutions. However, there is no binding retirement system in the informal sector. According to the policy document for the formal sector, the normal retirement age is 60 for male employees, 55 for female government employees or managers, and 50 for female employees<sup>[2]</sup>. According to data from the China Urban Household Survey of the National Bureau of Statistics, about 7% of female employees are eligible for retirement above 55. As part of the reform of state-owned enterprises, the Chinese government introduced a policy in 1994 that allows employees of bankrupt state-owned enterprises to retire at the time of bankruptcy, thus enabling them to enjoy a pension system five years ahead of the normal retirement age<sup>[3]</sup>.

Employees who reach the legal retirement age in China must go through the retirement process, retire from their current jobs and start receiving public pensions. Individuals who retire may choose to remain in the labour market informally, but older persons have very little chance of obtaining the desired job, so the vast majority of workers comply with the policy and retire at the legal retirement age.

### 3. Japan's Retirement Policy

As early as 2005, Japan has entered a super-aging society. Japan's population aged 65 and over will make up 36 percent of the population by 2050, according to projections by the United Nations Population Division. Population ageing has had a significant impact on Japan's social system, economic structure and culture [4]. The Japanese government introduced a series of influential reforms in 1994, 1999 and 2004, including measures to improve the retirement system in social security schemes.

Mandatory retirement is a traditional rule for Japanese companies. In 2000, compulsory retirement coverage was close to 100 per cent, but Japan's average labour force exit age was still at its highest in the developed world. In the 1970s, the increase in the mandatory retirement age was partly due to policy changes; In the 1980s, the retirement age rose from 55 to 60, and sluggish incomes made workers more willing to delay retirement.

At present, the legal retirement age in Japan is 62 years, replacing the compulsory retirement age, will gradually increase to 68 years. Japan has a higher labour force participation rate for women and the elderly as a whole than the United States (table 1). Japan's new 2018 law allows workers to choose their own retirement age between 60 and 70, but retiring after the age of 65 entitle them a more generous pension, which encourages retirement delaying.

**Table 1.** Labour force participation rates of the elderly population in Japan and the United States, 2012

Age group	Japan		United States	
	Male	Female	Male	Female
50-54	95.3	75.1	83.9	73.2
55-59	92.7	66.5	78.0	67.2
60-64	76.0	47.4	60.5	50.0
65-69	50.7	29.8	37.2	27.6
70-74	31.7	16.9	23.2	15.8
75 and above	13.4	5.1	11.3	5.0

Data source: OECD database

### 4. Cross-border Comparisons of Retirement Systems

With the deepening of global population aging, delaying retirement age has become a common choice, and retirement methods are more diverse and flexible.

**Average Retirement Age.** At present, nearly all countries implement the legal retirement age policy. The legal retirement age for both men and women in the United States is 62-67 years. The legal retirement age of both men and women in Japan is 62 years, which reflects the concept of gender equality [5]. In China, the normal retirement age is 60 for male employees, 55 for female government employees and 50 for female managers [2].

**Table 2.** List of Statutory Retirement Ages in China, the United States and Japan

Country	Legitimate retirement age for men	Legitimate retirement age for women
China	60	50-55
United States	62-67	62-67
Japan	62	62
Korea	60	60
Britain	65	65
Germany	65.7	65.7
Italy	67	67

India	60-65	60-65
Israel	67	62

Data source: OECD database

The average retirement age of Chinese workers is early around the world, and there are differences between genders, even among women. The gender difference in retirement age has a long history and its starting point is the humanistic concern for women. With the development of social progress and awareness of rights, this difference has been disputed because of the implied gender inequality <sup>[1]</sup>.

In view of this, China should speed up the increase of the old-age labor force participation rate and ease the future pension sustainability crisis. It is necessary to learn from the western developed countries, to delay the retirement age and to eliminate the differences between men's and women's retirement ages.

**Retirement Policy System.** China's urban basic endowment insurance system has not yet covered the rapidly growing private sector, including a large number of rural migrant population; The old-age insurance system for urban and rural residents aims to provide old-age security for retired residents, especially for rural residents, whose coverage and security efforts also need to be strengthened. Generally speaking, China's retirement system has compulsory characteristics and dual retirement benefits, which is not conducive to private enterprises and rural labor force to adjust their retirement plans flexibly.

Japan's retirement policy system includes labor law and retirement benefit system, not only the retire welfare is higher than China's, but also establishes effective restraint and incentive mechanism. The Japanese government revised the labor law in stages, increased working years, and gradually reformed the pension benefits system to provide incentives for delaying retirement. Japan's public pensions include state pensions and employee pensions, which are determined by the employment sector; Private pension systems include company-specific pensions and individual pension schemes. During the retirement transition period, most retirees switch to part-time work, and older workers with higher levels of knowledge are more likely to participate in training and education activities to enhance their competitiveness in the labour market after retirement.

## 5. Revelation

**Actively Implement the Policy of Delaying Retirement.** Despite the long-term and full understanding of ageing in the West, reform options such as raising the pensionable age remain unpopular among most voters <sup>[8]</sup>. Even in the face of popular and media opposition, delaying of retirement has become common practice in the West to reduce the expected increase in the social security burden <sup>[9]</sup>. China's workforce is less willing to delay retirement, with the average age of wished retirement being 54.88 years, according to the survey <sup>[10]</sup>. Therefore, China should design the policy of delaying retirement in advance, and vigorously publicize its urgency and positive significance to the public.

**Reconcile the Interests of Different Retirement Groups.** Judging from the evolution of the retirement policy system, Japan has adopted a gradual reform, which has also met with considerable resistance. China needs to pay attention to the retirement demands and interests of different social groups in the process of promoting the delaying retirement policy <sup>[11]</sup>. Chinese tradition has always preferred gradual reform; too fast and too strong also easily hurt the interests of the masses of workers, resulting in greater resistance to reform.

**Constructing Flexible Retirement System.** The construction of flexible retirement system is a complex and systematic project in China, where the elderly population base is huge, and we need to find the breakthrough point of the reform. According to the average life expectancy of the population, China should break the traditional thinking, reconstruct the flexible retirement age and supporting mechanism, and at the same time take moderate measures such as phased retirement to reduce the social resistance caused by delayed retirement.

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