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Retirement in Aging Japan and Korea: Three Common Factors Shaping the Recent Policy Reforms

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Abstract:

In response to an unparalleled rate of population aging over the past few decades, Japan and Korea have been reforming their retirement policies to delay the retirement of their older workers. In both countries, to date, while the age of mandatory retirement has increased, employees continue to face significant decreases in quality of employment – including employment status and compensation – typically at age 60 in Japan and age 55 in Korea. Based partly on stakeholder interview data, this article uncovers three factors that have commonly contributed to shaping the path of the policy reforms in both the countries, including: (1) the 'productivist' welfare regimes; (2) the labor market structure for younger workers; and (3) seniority-based wage system.

Introduction: Mandatory Retirement in Japan and Korea

Population aging is a global trend, and most countries around the world – developed countries in particular – are under unprecedented pressure to adjust their economic and social policies (Organization for Economic Co-operation and Development, 2014). Arguably, the impact of this demographic shift on the labor market and the workplace is among the most daunting challenges with which governments, employers, and older workers and their families have contended (Klassen, 2013). Reforming policies around retirement – those related to mandatory retirement corporate policies – are particularly complex due in part to the importance of paid employment and a pervasive public belief that there are a finite number of 'good' jobs in the labor market (Higo & Klassen, 2015).

This article focuses on recent policies reforms to retirement in Japan and South Korea (henceforth Korea). The former stands today as the country with the world's highest share of older people, and the latter is currently experiencing the world's fastest speed of population aging (Higo & Klassen, 2014). Both countries are faced with an unparalleled rate of population aging, steady increases in longevity, and a projected shrinking of the labor force over the past decades. Hence the governments of both countries have sought to reform policies and practices surrounding retirement as a way to delay the timing of the retire-

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ment of their older workers.

The labor market in both Japan and Korea is characterized by the thorough institutionalization of mandatory retirement, which refers to a set of employer policies and practices related to human resources management, permitted and supported by labor and human rights legislation (Lazear, 1979). Imposing mandatory retirement in the workplace is one of the most important methods for making adjustments to the workforce, such as managing personnel costs, as an important way for important for many employers around the world to maintain their economic competitiveness both in the domestic labor market and in an increasingly competitive global economy (Aoki, 2001; Dore, 2004). The dominant feature of retirement in Japan and Korea is the prevalence of mandatory retirement in the labor market that force employees to leave their workplace at ages much younger than in most other developed countries around the world. Today most employees are called for mandatory retirement at the age of 60 in Japan and typically at much younger ages in Korea. The majority of the workers in the two countries do not permanently exit the labor force after reaching the mandatory retirement age; instead they remain or reenter in the labor force as in precarious employment as non-regular workers, who are typically employed on part-time, fixed-term, or other contracts (Higo & Klassen, 2015).

To date, arguably, the effectiveness of the recent reforms of mandatory retirement both in Japan and Korea has been limited. As will be discussed in more detail later, the reforms have successfully helped to increase the minimum ages of mandatory retirement in both countries' labor market. However, this effect has been achieved at the expense of protecting the quality of post-mandatory retirement employment, including employment status and compensation. In analyzing the recent reforms of mandatory retirement in Japan and Korea, this article uncovers three factors that have commonly contributed to shaping the path of policy reforms of retirement ages between the two countries. The primary goal of this article is to help explain, albeit preliminarily, why in both countries the recent reforms to retirement have produced limited effects to date.

Data & Method

The data for this article were drawn from two sets of sources. First, this article utilizes publicly available data drawn from a range of administrative surveys including those conducted by the Organization for Economic Co-operation and Development (henceforth OECD), the Japanese Ministry of Heath, Labor and Welfare (henceforth JMHLW), and the Korea National Statistical Office (henceforth KNSO). Second, this article also uses data gathered from stakeholder interviews gathered from stakeholder interviews conducted between June and August of 2014 in Tokyo, Japan and Seoul, Korea.

The subjects of the stakeholder interviews include a range of government and semi-government officials, think-tanks researchers, employers, and representatives of labor organizations in the two locations. A total of 21 individuals were interviewed. The interviews were designed to be both, semi-structured and open-ended, and each interview session was conducted at the places of the participants' preference and lasted about an hour and a half. All the interviews were recorded with a digital voice-recorder and were translated and transcribed.

Retirement Trends in Japan and Korea: An Overview

In both Japan and Korea, the average effective retirement ages – that is when workers permanently exit the labor force (OECD, 2012) – are substantially higher than the public pension eligibility ages. That means, most workers in both countries remain in the labor force well beyond the age at which they become eligible for receiving full public pension benefits. This area of similarity renders the two countries unique in the global context, as it is found only among a few countries.

Figure 1 presents data of the average effective retirement age between 2007 and 2012, as well as the pension eligibility age as of 2012 for men – the population traditionally represented in the paid labor force – for all the 34 countries affiliated with OECD. The average effective retirement ages for male workers, in both Japan and Korea are higher than most other OECD member countries. , The effective retirement age for male workers was 71.1 years old in Korea (ranking it third), and 69.1 years old in Japan (ranking it fourth). In other words, workers in Japan and Korea remain in the labor force longer than those in most other developed countries around the world.

Figure 1 also indicates a tendency that in many countries pension eligibility ages for male workers are higher than their average effective retirement ages. That means, in most developed countries male workers fully exit the paid labor force before reaching the age to qualify for full public pension benefits available in their countries. In this regard, again, Japan and Korea commonly stand as exceptional cases, where the average effective retirement ages are well above the public pension eligibility ages. Today the eligibility age for most of the public pension benefits is 65 for Japan and 60 for Korea (Higo & Klassen, 2015). On average, male workers both in Japan and Korea remain in the labor force for at least four additional years after reaching the age at which they are officially qualified to receive full public pension benefits (OECD, 2015a).

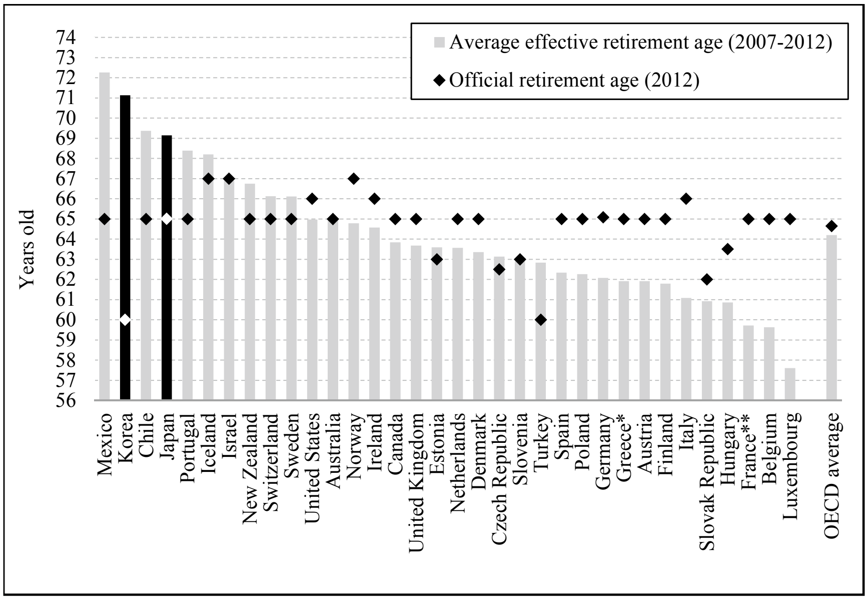

Figure 1. Average effective age of retirement (2007-2012) vs. official retirement age (2012), men, by country (years old)[1]

Mandatory Retirement in Japan and Korea from a Comparative Perspective

While unprecedented rates of population aging are a major concern for the governments of Japan and Korea, most employers in both countries continue to call for mandatory retirement, particularly for their regular employees, which includes those employed on a full-time and, presumably, permanent basis. At most workplaces the prevalence of mandatory retirement stands as the primary structural barrier to delaying the retirement of older workers in both countries (Dorn & Sousa-Poza, 2010; Higo, 2015; Okamoto, 2013).

Figure 2 presents data drawn from JMHLW (2015) and KNSO (2011) on the share of employers of different organizational sizes[2] in Japan and Korea, respectively, who reported that they implemented mandatory retirement policies at their workplaces. Across different organizational sizes, the majority of the employers – about 93.3 percent of employers in Japan and about 87.7 percent in Korea –reported that they implemented workplace policies to call for mandatory retirement. By organizational size, for Japan, while no significant variation is observed,[3] larger organizations are slightly more likely than smaller ones to

1 Source: Organization for Economic Co-operation and Development (2015b).
* For Greece, workers can retirement at age 59 with 37 years of contributions to the public pension programs (OECD 2015b).
**For France, workers can retire at age 60 with 41.5 years of contributions to the public pension programs (OECD 2015b).

2 In this context, organizational size is measured by the number of employees (JHMLW, 2015).

3 The standard deviation is only 3.83 (%) (JHMLW, 2015).

impose mandatory retirement on their employees. Generally, nonetheless, regardless of the size of the organization in which they work, most employees in both Japan and Korea contend with mandatory retirement policies at their workplaces.

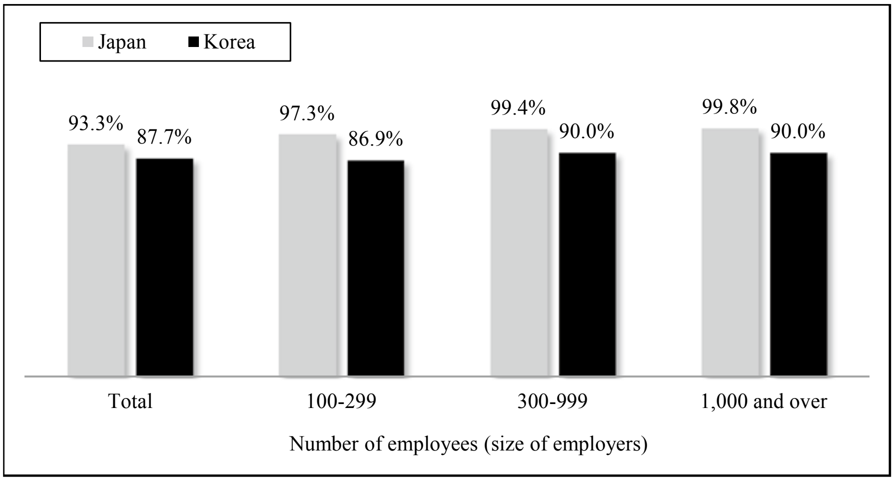

Figure 2. Japan (2014) vs. Korea (2011) – per cent of employers who implement mandatory retirement corporate policies at the workplace, by organizational size (%).[4]

In terms of the ages at which mandatory retirement is called for, there is a significant difference between the two countries. In Japan, in 2014, most employers who implemented mandatory retirement – about mandatory retirement 98.4 percent of them – used a uniform age criterion to call for the retirement of all of their employees, regardless of their job categories[5] (JMHLW, 2015)., Today, the majority of those employers set 60 as the contractual age of mandatory retirement, and this age has been the most common mandatory retirement age in the country's labor market over roughly the past two decades (JMHLW, 2015; Yamada, 2012).

In Korea, today, while there is much less uniformity in the ages set as the contractual age of mandatory retirement, most employers set this age around the mid-50s (KNSO, 2015). Only a few employers, most of whom are in the public sector, set a retirement age at 60 with even fewer setting it above 60. In contrast to the case of Japan, the share of the labor force that is self-employed or that works in a family enterprise is substantially higher in Korea; in 2013, of the 25 million workers in Korea, 27 per cent were self-employed or worked in a family enterprise[6] (Korean Statistical Information Service, 2014).

4 Sources: Japanese Ministry of Health, Labor and Welfare (2015) and Korean Labor Institute (2011).

5 This is as opposed to differential age criteria – setting different age criteria for different jobs within their organizations.

6 These workers in Korea, as well as the other 26 percent of non-regular workers, are largely excluded from the retirement provisions. As a result, about 47 per cent of workers in this country – that is, those of regular employment – are subject to mandatory retirement when reaching a pre-set age (Kim & Klassen, 2015). The typical path for workers who involuntarily retire in their 50s is to join the ranks of the self-employed or non-regular workforce, often for a decade or more (Shin, 2015).

Recent Reforms of Mandatory Retirement in Japan and Korea

Japan

In Japan, three major reforms to mandatory retirement policies have taken place since the mid-1990s, all of which have been made through revisions of the *Law for the Stabilization of Employment of Older Persons* from 1986 (henceforth LSEOP). LSEOP is the key legislative tool with which the government has intervened in the labor market with the specific purpose of delaying the retirement of older workers in the country's labor force.[7] First, the 1994 revision of the LSEOP required that employers across the country increase the age of mandatory retirement for all of their employees at least to 60 (JHMLW, 2012). Prior to this legislation, the vast majority of employees in the country were involuntarily retired at age 55 or younger and had no choice but to search for other employment opportunities (Seike & Yamada, 2004; Yamada, 2014).

The 2004 revision of the LSEOP made the second major reform, which made it a legal mandate for employers across the countries to comply with one of the following three options by April 2013 at the latest:

(1) Fully abolish mandatory retirement rules in the workplace;
(2) Set the minimum age to call for mandatory retirement at 65 or above; or
(3) Introduce in the workplace employment policies aiming to retain employees until at least age 65.

To date, very few employers have chosen the first option – abolishment of mandatory retirement – because the wages of older employees are high relative to what employers perceive to be their productivity (Yamada & Higo, 2015). With the second option, employers would have to simply continue to employ older workers without changing their employment status, job contents, or wages at least until age 65, which results in similar fiscal challenges to those who have chosen abolishment of mandatory retirement.

In complying with the 2004 LSEOP, the majority of employers chose the third option (Higo, 2013; JMHLW, 2015; Yamada & Higo, 2015). By 2012, about 92.1 percent of employers reported that they had elected to adopt the third option for their workplaces instead of the first two (JMHLW, 2013). This is because the third option did not require that all employees reaching age 60 be re-hired. Rather, employers could select those workers to be re-hired and could offer them annual renewable (at the employers' discretion) contracts. Most importantly, in respect to the terms and conditions of the post-60 employment contract, there were no limitations on employers, as such nearly all workers experienced lower

7 Interview data (July 13, 2014, Tokyo).

compensation, fewer (if any) benefits, and they were being placed in organizational positions that did not relate to their skills and experience.[8] Workers on post-retirement contracts are also not eligible for bonuses, which forms an important part of the compensation packages in Japan (and Korea).[9]

Most recently, the 2013 revision of the LSEOP compelled employers to re-hire all workers reaching age 60 who desire to continue working for the same employers (JHMLW, 2015). The new requirement is being implemented in phases, with employers having to offer employment for one year to age 61 starting in 2013, but for two years to age 62 as of 2016, and for five years to age 65 as of 2025. It is worth noting that the previous regulations (those of the 2004 revision) continue to apply to workers not covered by the new rules. That means, the new legislation closes some of the loopholes that allowed employers free reign to decide if, and who, to re-hire at age 60.[10]

A clause in the new regulations has provided employers across the country with the discretion to withhold employment past age 60 if the productivity or quality of work of an employee is problematic (Higo, 2015; Yamada & Higo, 2015). Also, there is no requirement for employers to offer workers 60 and over the same benefits and remuneration as for those below age 60.[11] Nevertheless, the legislation guarantees employment – if not wages and benefits – for the vast majority of workers reaching age 60 and eliminates some of the employer discretion in their re-hiring decisions of their workers. The specific ways in which the new obligation on employers is implemented in the next decade will be key in determining the working lives of those aged 60 to 65.[12]

Korea

Mandatory retirement in Korea differs from the case of Japan in two important aspects, both of which have contributed to shaping the path of reforms in the national context. First, until 2016 there has not been a nationally-common retirement age as in the case of Japan (Kim & Klassen, 2015). Employers in Korea were free to set a mandatory retirement age at the workplace, and the age varied from industry to industry and from occupation to occupation even within the same workplace.[13] In recent years, most large-sized employers in the private sector have gravitated toward setting age 58 as the age of retirement, but there continued to be significant variation with many employers using age 55 and some as low as 53 (Klassen & Yu, 2014). Second, employers in Korea, in contrast to those in Japan today, have no legal obligation to provide their employees with post-retirement employment opportunities.

In Korea, unlike Japan, there has only been one substantial reform to retirement.[14] In 2013, the *Age*

8 Interview data (August 2, 2014, Tokyo).
9 Interview data (June 17, 2014, Tokyo).
10 Interview data (August 2, 2014, Tokyo).
11 Interview data (July 10, 2014, Tokyo).
12 Interview data (July 26, 2014, Tokyo).
13 Interview date (August 13, 2014, Seoul).
14 Interview date (August 8, 2014, Seoul).

Discrimination in Employment Prohibition and Aged Employment Promotion Act was amended to set age 60 as what is referred to as the national retirement age – the minimum age that employers may set to call for compulsory retirement. The legislation is scheduled to come into force in 2016 for employers with more than 300 employees and public enterprises, and in 2017 for smaller employers. This reform emulates the 1994 Japanese amendment that successfully increased the minimum age for mandatory retirement across the country's workplaces from 55 to 60.[15] However, the legislation to increase the mandatory retirement age in Korea also allows employers to institute peak wages for workers five years prior to the retirement age. Peak wage systems permit employers to limit and decrease the compensation of workers starting at age 55 so that by age 59 workers will earn less than two-thirds than what they did at age 55 (Kim & Klassen, 2015).

As mentioned earlier, Korean workforce is characterized by a there is a substantial gap between the age of mandatory retirement and age of eligibility for pensions (at least for private sector workers). In Korea, the beneficiaries of the national pension are eligible to access these benefits at the age of 61 (Kim & Klassen, 2015). This eligibility age is scheduled to gradually increase to 65 by 2033 (Yang, 2014). In Japan today, the bulk of the public pension benefit is available at age 65 (Yamada & Higo, 2015).

Overall, relative to workers in Japan, arguably, those in Korea have lesser employment and income security for their later life for at least two reasons. First, in Japan, to a large extent, employment is guaranteed until at least age 60, particularly for regular employees. In contrast, in Korea the average age of retirement, from the main lifetime jobs, at least among private sector employees, has remained around age 55.

Second, due to universal military service in Korea that lasts about two years, an average worker in this country at age 55 – assuming completion of tertiary education at age 22, followed by two years in the military – has a working life of 31 years. His Japanese counterpart, who also completes their tertiary studies at age 22, will have a working life of 38 years at age 60 (Klassen & Higo, 2015). The difference of seven years plays a significant role in creating the gap in financial security in retirement for older citizens between the two countries. Since Japanese workers reaching age 60 have a very strong likelihood of at least two more years of employment, the discrepancy in working lives with Korea has widened in recent years.[16] In comparison to their Japanese cohorts, even when contractually mandatory retirement is raised to 60 in Korea, male workers in the country will still be at a disadvantage in regard to lifetime earnings from their main workplace and job security. This is because of the two years of conscription and peak wages that result in decreases of earnings from age 55 to 60.[17]

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15 Interview data (August 12, 2014, Seoul).

16 Interview data (July 8, 2014, Seoul).

17 Interview data (July 21, 2014, Seoul).

Analysis: Three Common Factors Shaping the Policy Reforms

This article analyzes that at least the following three factors have commonly contributed to shaping the path of policy reforms of retirement ages in Japan and Korea:

(1) The 'productivist' features of the welfare state of Japan and Korea

Of a variety of welfare state conceptual models, in the relevant literature both Japan and Korea are typically classified as 'productivist' welfare regimes. Under these regimes, as Holliday (2000, 2005) notes, social policies and welfare policies are typically subordinated to economic policies for the purpose of contributing to the overall economic development of the countries. The welfare state in both countries is characterized by employment practices and legislation that primarily favors capital (employers) over labor (employees), a reliance on the family for the provision of many household goods and services, and corporatism without labor (Holliday, 2005; Lee, 2015).

In the case of both Japan and Korea, mandatory retirement is set at much younger age relative to the effective retirement age. Government efforts to increase the mandatory retirement age have been liminal, rather than drastic. Also, the negative externalities from premature forced retirement – low income for older workers and insecurity in the life course, in particular – are relegated to the individual and family. Arguably, these trends in both countries resonate full with the theoretical premise of the productivist welfare state model.

Since the middle of the 20th century, first Japan and then Korea developed export-dominated economies, sustained by considerably explicit and informal government supports (Klassen & Higo, 2015). The economic growth of both countries was largely sustained by a male-dominated labor force that worked long hours, and by women that typically remained at home after child birth (Chung, 2007). Thus, the welfare state remained relatively small with public pensions, old age insurance, health care, and education being reduced to economic objectives (Lee, 2015; Lee & Ku, 2007). Even in the face of significant demographic pressures and a reasonable expectation that there will be substantial gains in well-being for individuals and households from reforms, the productivist welfare state context makes dramatic reforms to retirement policies improbable.

(2) The structure of the labor market for young workers

To a greater extent than in Western countries, both in Japan and Korea there is a widespread and persistent belief among politicians, employers, and even labor unions that increasing mandatory retirement ages will likely take employment opportunities from younger workers[18] see (also, Song, 2014). The argument that young workers will likely suffer if mandatory retirement ages are increased has had

18 Interview data (July 18, Seoul).

pervasive support both in Japan and Korea due in part to the unique nature of the labor markets in these two countries. The most sought-after-jobs are those with large conglomerates or industrial groups, often both vertically and horizontally integrated: in Japan, the *zaibatsu* (large, family-controlled, vertical monopolies, which contain a bank), and in Korea, the *chaebol* (large, family-based conglomerates) (Flynn, et al., 2014). Oftentimes, these conglomerates recruit only recent postsecondary graduates in a highly competitive process (Seike & Yamada, 2004).

These large corporations also pay relatively high wages and have historically guaranteed what is often referred to as *lifetime employment*; that is employment until the age of contractual mandatory retirement (and in Japan, a high probability of some post-retirement employment starting at age 60). This is possible because of the large size and profitability of the organization, which allows them to weather economic downturns without downsizing and to adjust to technological change via internal reallocations of staff (Dore, 2004). Security of tenure is also critical because workers, once laid-off or honorably retired, have few, if any, prospects of being hired by a large employer again (Aoki 2001). Even after contractual mandatory retirement, employment in a large firm confers benefits, such as valuable capital (skills acquired, reputation, contacts and so forth) that can be used as leverage when seeking post-retirement employment (Jung & Cheon, 2006).

A main consequence outcome is that although research in a number of countries has found no evidence that early retirement policies decrease youth unemployment, this empirical finding seems to get rejected in Japan and Korea[19] (see also, Dhanjal & Schirle, 2014; Munnell & Wu, 2013). Even, the conclusion of the OECD that "public policy cannot re-shuffle a fixed number of jobs between workers of different ages" is given no credence in the case of Japan and Korea (OECD, 2011, p. 76).

(3) Seniority-based wage and compensation systems

Employment with large organizations, in both Japan and Korea, is characterized by seniority-based wage and compensation systems, with guarantees of regular – and often steep – wage increases according to the length of employment for the same employer (Higo, 2015). The compensation scheme provides incentives to workers to remain with the same employers, and likewise enables employers to make long-term human capital investments in training to increase productivity. One result is that workers are highly motivated and loyal, and they are often willing to work long hours (Gordon, 1985; Ono, 2007).

Typically, however, employers have argued that they are unable to keep raising workers' compensation past the current age of mandatory retirement because the productivity of employees does not increase beyond this age (Cho & Kim, 2015; Yang & Klassen, 2010). In any case, employers have a preference for younger workers at lower wages, which, at least for the large firms, continues to be in plentiful supply, even with rapidly aging populations in Japan and Korea. Consequently, unless wage systems are

19 Interview data (July 18, Seoul).

reformed, employers will continue to resist extending mandatory retirement ages.[20] The compromise between employers and employees in the case of Japan are to offer *de facto* renewed employment contracts for those reaching at age 60 that dramatically reduces wages and benefits (Yamada & Higo, 2015).

In the case of Korea, the compromise is found in the peak wages that reduces the wages of employees starting often at age 55. The institutionalization of peak wages was a capitulation in 2013 on the part of the government in order to obtain the support of employers to raise the age of contractual mandatory retirement to 60.[21] An official of The Korean Ministry of Employment and Labor has stated, “I would have preferred to see the age increase [to 60] without any additional amendments” (interview data, July 28, 2014, Seoul). The Korean government now links peak wages explicitly to the labor market prospects of young workers. For example, the Ministry of Strategy and Finance pronounces that the “peak wage system is designed to guarantee retirement at the age of 60 while at the same time creating jobs for young adults” (Korean Ministry of Strategy and Finance, 2015, p. 46). Furthermore, the Ministry goes on to state that “savings in labor costs realized through the peak wage system should be used to hire young adults as new employees” (Korea 2015, p. 46). However, to date there is no mechanism to enforce this, nor is there evidence that the hiring of entry-level workers is based on the compensation level of more senior employees.

Conclusion

In response to the unparalleled rates of aging of the population and of the workforce, governments of most countries around the world today have been seeking ways to reform retirement policies, including employer policies to call for their employees’ mandatory retirement. In the case of Japan and Korea, the reforms have been incremental and largely reflect the interests of employers, rather than workers and their families. The reforms to the existing ages for mandatory both in Japan and Korea highlight the role that productivist welfare regimes, as well as labor market and workplace arrangements, has played in shaping the employment experience of older workers.

The analysis of the two countries reveals both change and continuity that are commonly found in both countries. The most notable change is that the reforms in both countries have successfully led to increasing the age of mandatory retirement. Simultaneously, nonetheless, employees continue to contend with drastic decreases in the term of employment, including wage and compensation, typically at age 60 in Japan and age 55 in Korea today.

In Japan, the labor force participation of those aged 55 to 64 remains high by international standards, with a substantial number of employees remaining with their original employers after reaching the mandatory retirement age (Higo & Klassen, 2015). By contrast, in Korea most workers have been forced

20 Interview data (August 4, 2014, Seoul).

21 Interview data (July 18, 2014, Seoul).

to commence a post-mandatory retirement career with a different employer after being pushed into involuntary retirement in their mid-50s. However, in Japan, the quality of employment in post-mandatory retirement, typically from age 60 on, remains meager, and to date no public policy efforts have been undertaken to improve the quality. Many employees starting at age 60 have low wages, little status at their workplace, and are on yearly contracts; notwithstanding that they are still part of the same workplace or organization that they had been part of for some decades. This is so because employers usually conceive of post-60 employment as an obligation to the state, rather than as an integral part of the business model. In other words, Japan has been successful in reforms to create a significant quantity of employment for older workers with the same employers, but it is often of low quality (Yamada & Higo, 2015).

While there is a steep decline in the labor force participation rate of older workers in Japan after age 65, a substantially less precipitous drop also occurs in Korea, with more Koreans than Japanese remaining in the labor force past age 65. Given the level and speed of population aging, as well as projected labor shortages, both Japan and Korea need to prolong, more effectively than ever before, working lives even beyond age 65, especially in part-time positions. Indeed, in Japan this is an official state policy. However, nationwide, reforms of workplace policies have not been undertaken to ensure this, and there is evidence that employers (and policy makers) view older workers in a positive light.

The reforms to retirement age in both countries have been limited, in that the reforms have failed to eliminate the gap between the age of pension eligibility and the age of forced retirement. The consequence is a high rate of poverty among older workers, especially those of middle or low income. In Japan, this gap will close significantly by 2025 when most workers will be guaranteed some form of employment until age 65, which is the eligibility age for the bulk of the public pension benefits. In Korea, there is a wider gap, yet as of 2017 employment will only be guaranteed to age 60, while the age of eligibility for the public pension will stand at 62, and it will thereafter rise gradually to 65 by 2033. Furthermore, the peak wage system in Korea has contributed to further institutionalizing the differential treatment of older workers. Although the recent reform in this country ensures that workers remain with their employer until the age of 60, this reform fails to protect employment income, which will start to decrease at age 55.

Arguably, the experience of both Japan and Korea is valuable for other rapidly industrializing and aging countries, especially for China, where mandatory retirement policies for significant portions of their labor force is a typical practice. These developing countries may face more complex pressures in adjusting retirement ages given the immaturity of pension and income security programs for older households. Future research is called for in order to continue analyzing the change and continuity in government efforts to reform mandatory retirement in Japan and Korea.

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