

Comments by the Designated Discussant
The 19th OECD Pension Experts Meeting
in the Asia Pacific Region
May 15, 2025 (Hotel Naru, Seoul)

The Hidden Challenges to Minimum Income Protection in the Japanese Pension System

Yun Suk-myung (Sukmyung Yun)

Honorary Research Fellow, KIHASA
Leader, Pension Research Association
Former President, Korean Pension Association



KOREA INSTITUTE FOR HEALTH AND SOCIAL AFFAIRS

LEADING THE WAY IN IMPROVING
PEOPLE'S QUALITY OF LIFE AND SOCIAL SECURITY

Japanese Pension System & Social Assistance Program

Employees' Pension Insurance (EPI)**
(Earning-Related Pension)

National Pension (NI)
National Pension (Basic Pension)

(Self-Employed and Others)

(Regular Employees)

(Dependent Spouses of Regular Employees)

Category I
Insured Persons
[14.5 million peoples]

Category II
Insured Persons
[45.1 million peoples]

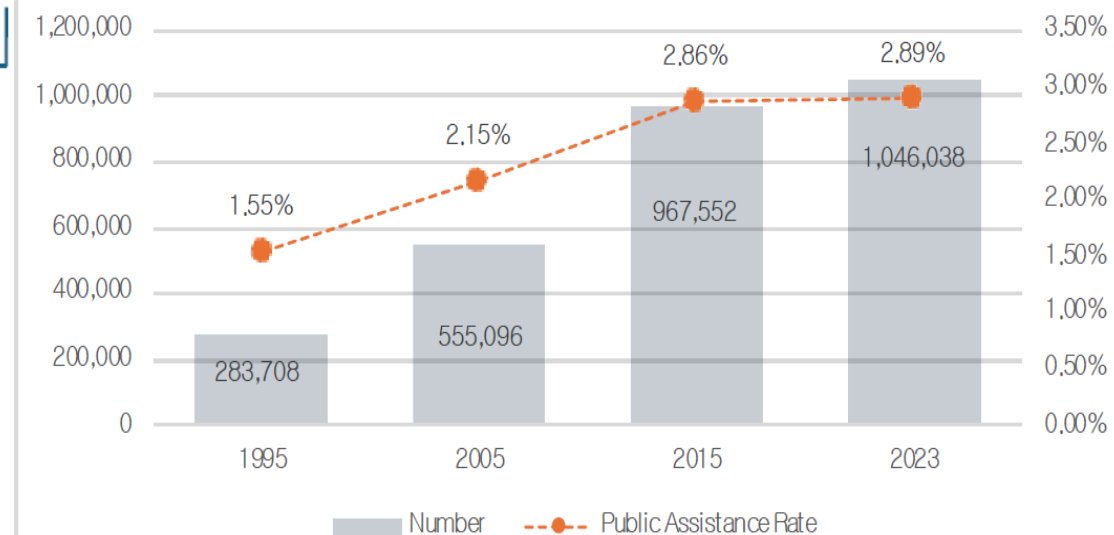
Category III
Insured Persons
[7.9 million peoples]

[67.5 million peoples]

Japanese Pension System in 2019

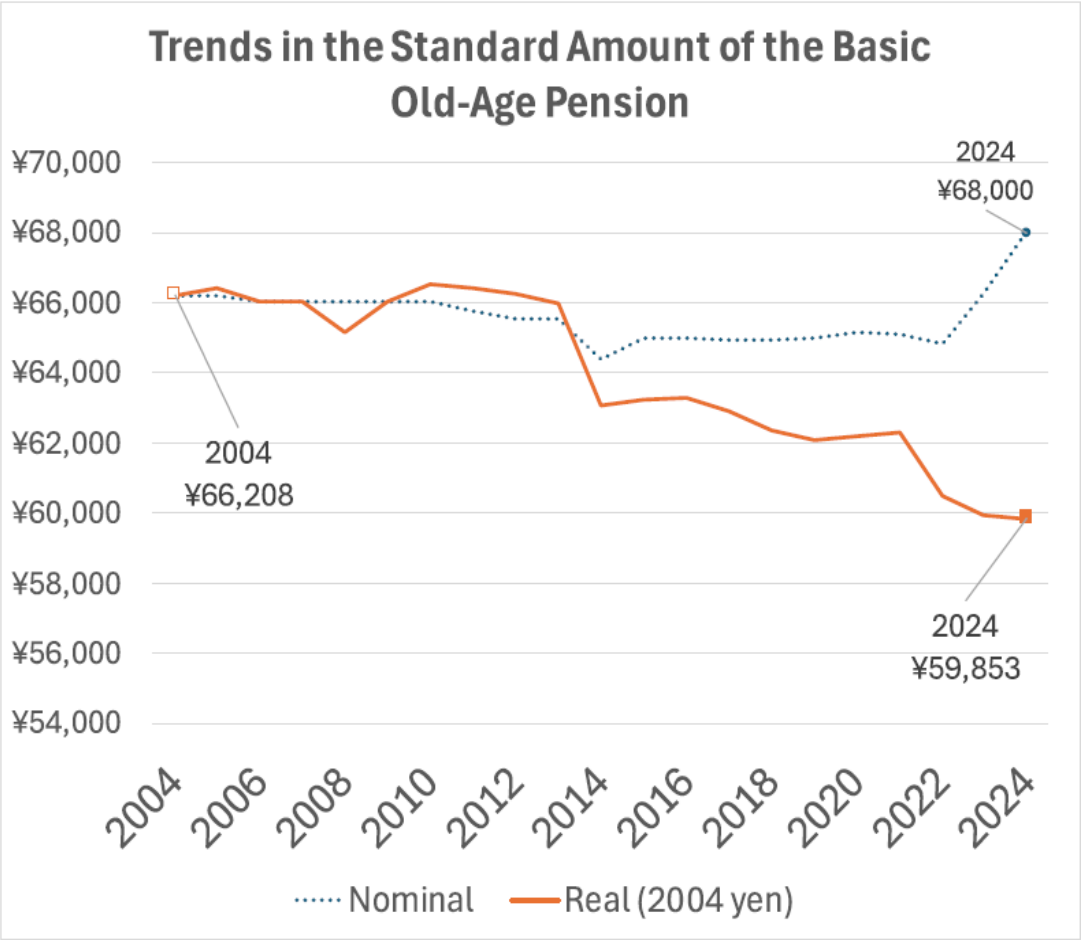
The Role of Public Assistance

Trends in the Number and Rate of Public Assistance Recipients Aged 65 and Over

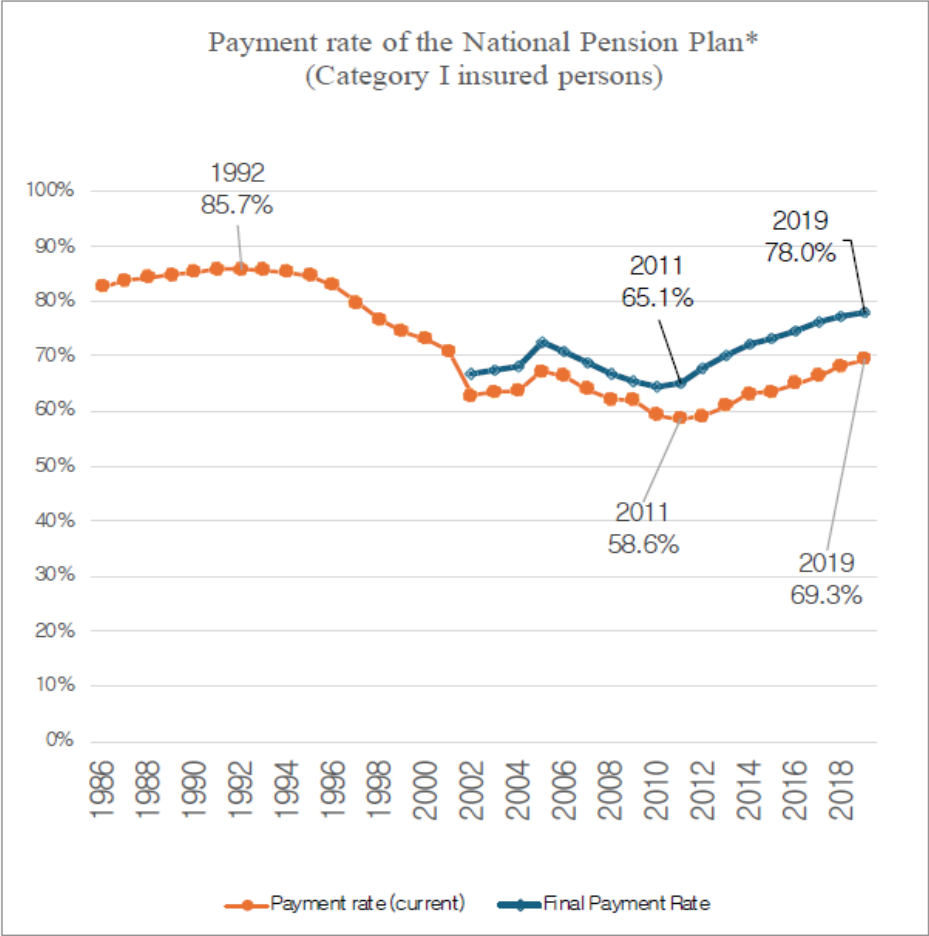


The Erosion of MIP & The Hollowing Out of MIP

The Erosion of MIP

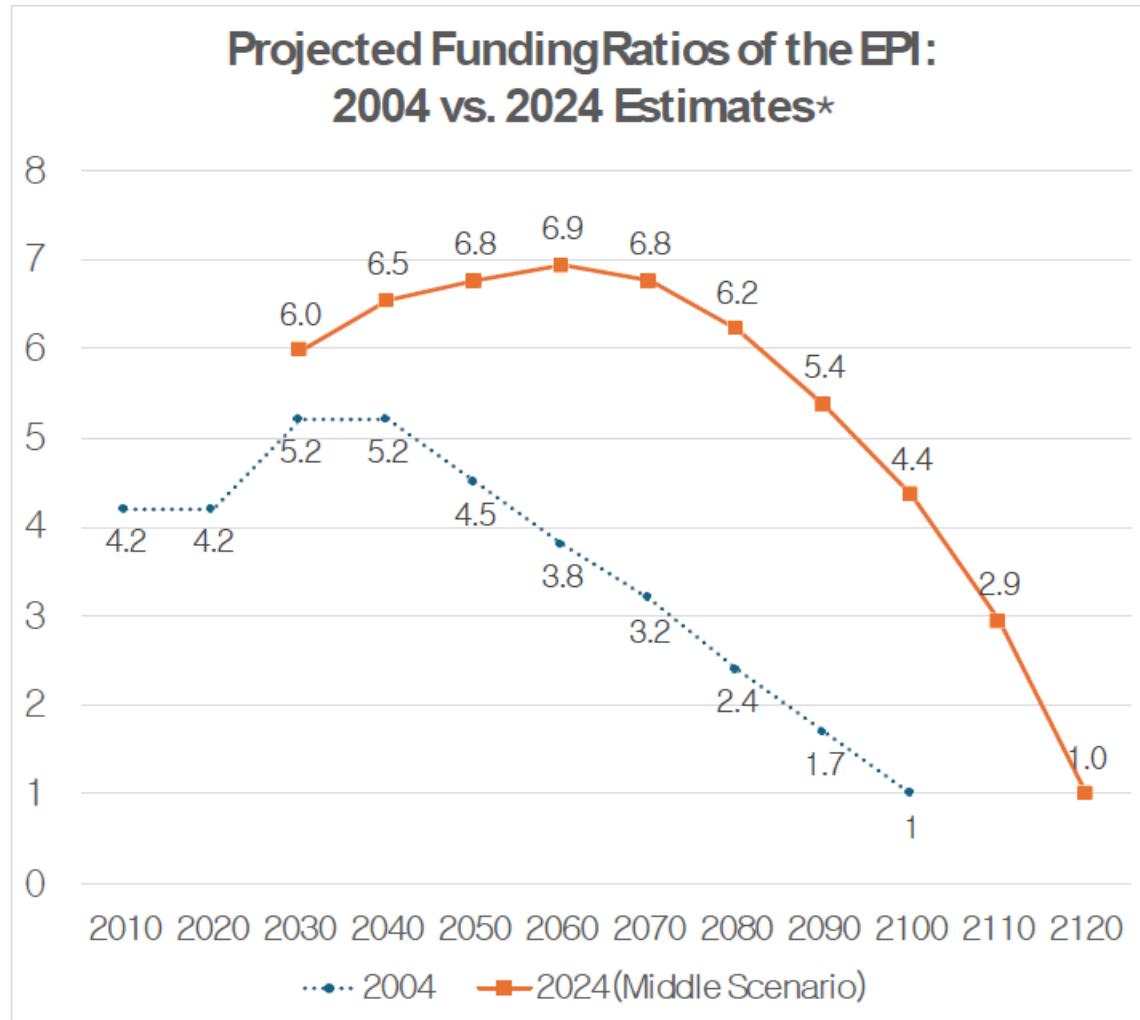


The Hollowing Out of MIP

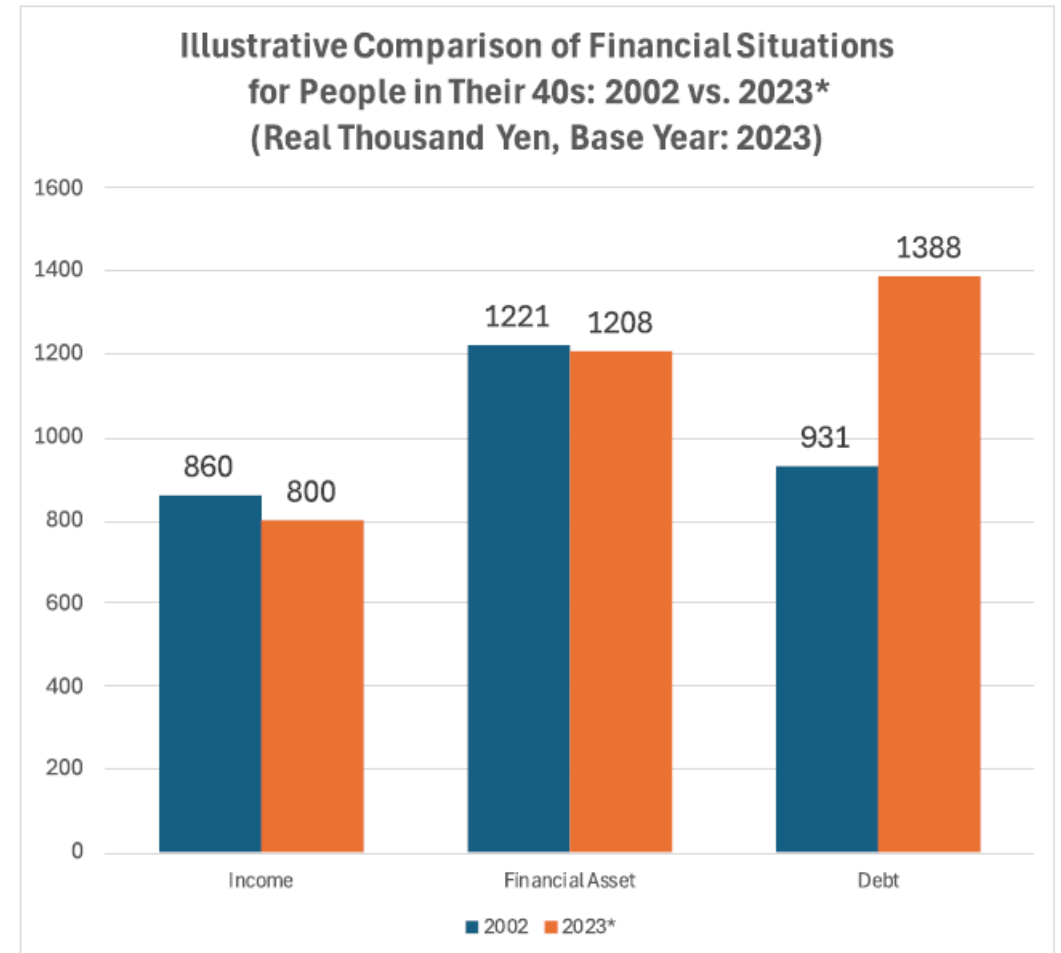


Financial Sustainability of EPI & The 'Ice Age Generation'

Attain Long-term Financial Sustainability of the EPI



The Impending Retirement of the 'Ice Age Generation'

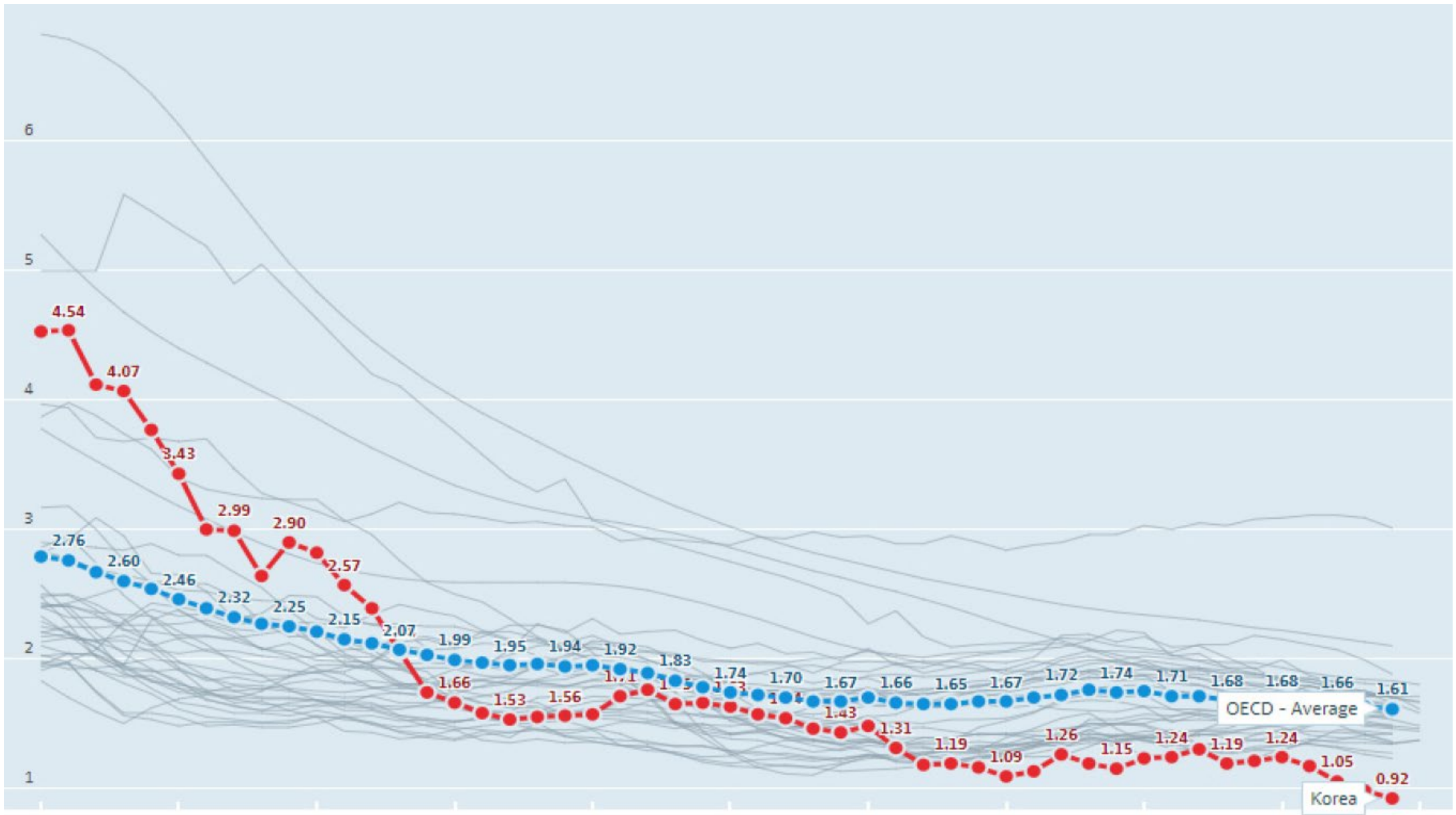


Overall Evaluation of Professor Kenzo Yoshida's Presentation

- **Professor Kenzo Yoshida's presentation** gives a comprehensive critical review of Japanese after-retirement Income System **with special reference to Minimum Income Protection Issues**.
 - He **raises issues of weakening role of Minimum Income Protection of National Pension** after 2004 historic Japanese Pension Reform.
 - Especially, he worries about benefit adequacy of **'Employment Ice Age Generation'**.
- **Arguing need to share the Challenges and Principles Beyond Micro Politics**
 - Building a shared sense of urgency **among the public**.
 - In essence, the real challenge may be **how to achieve democratic governance** of a complex, expert driven pension system.

- **As the designated discussant,
In many ways, I agree with Professor Kenzo Yoshida's concerns.**
 - Nonetheless, I have **a slightly different view** because of the financial instability of the Korean National Pension Scheme and the negative aspects of the quasi-universal non-contributory basic pension.
 - Below, I will present the basis for my argument.

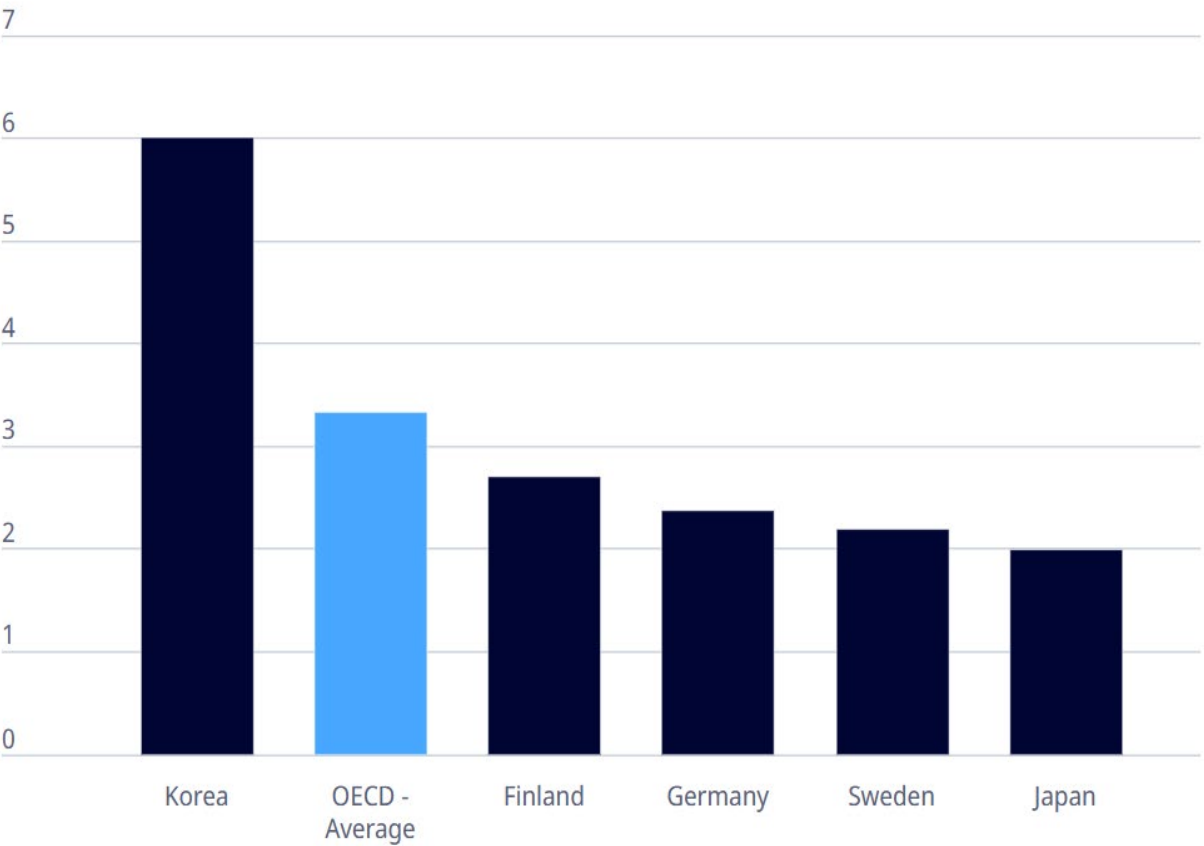
Total Fertility Rate Trends in the OECD Area (1970~2020)



Fertility Rate Trends by OECD Country (1960 & 2019)

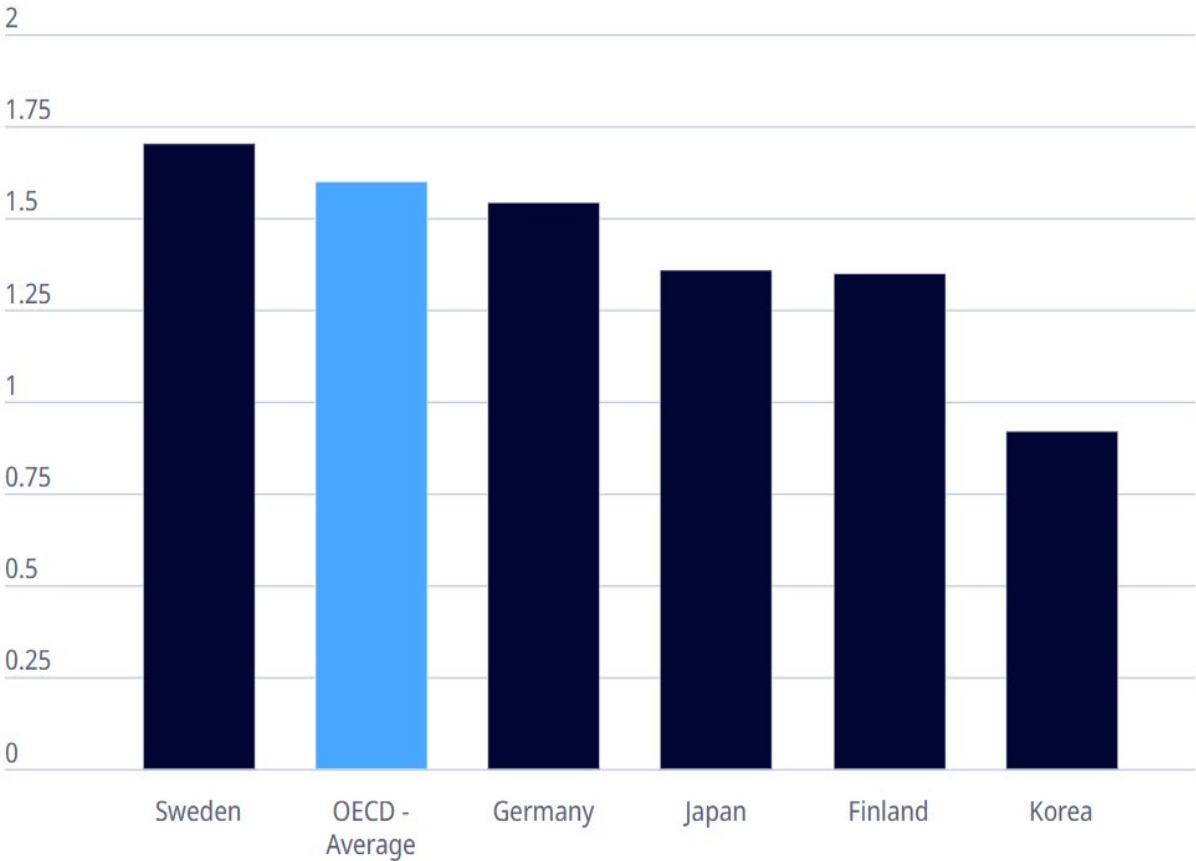
Fertility rates

Total, Children/woman, 1960

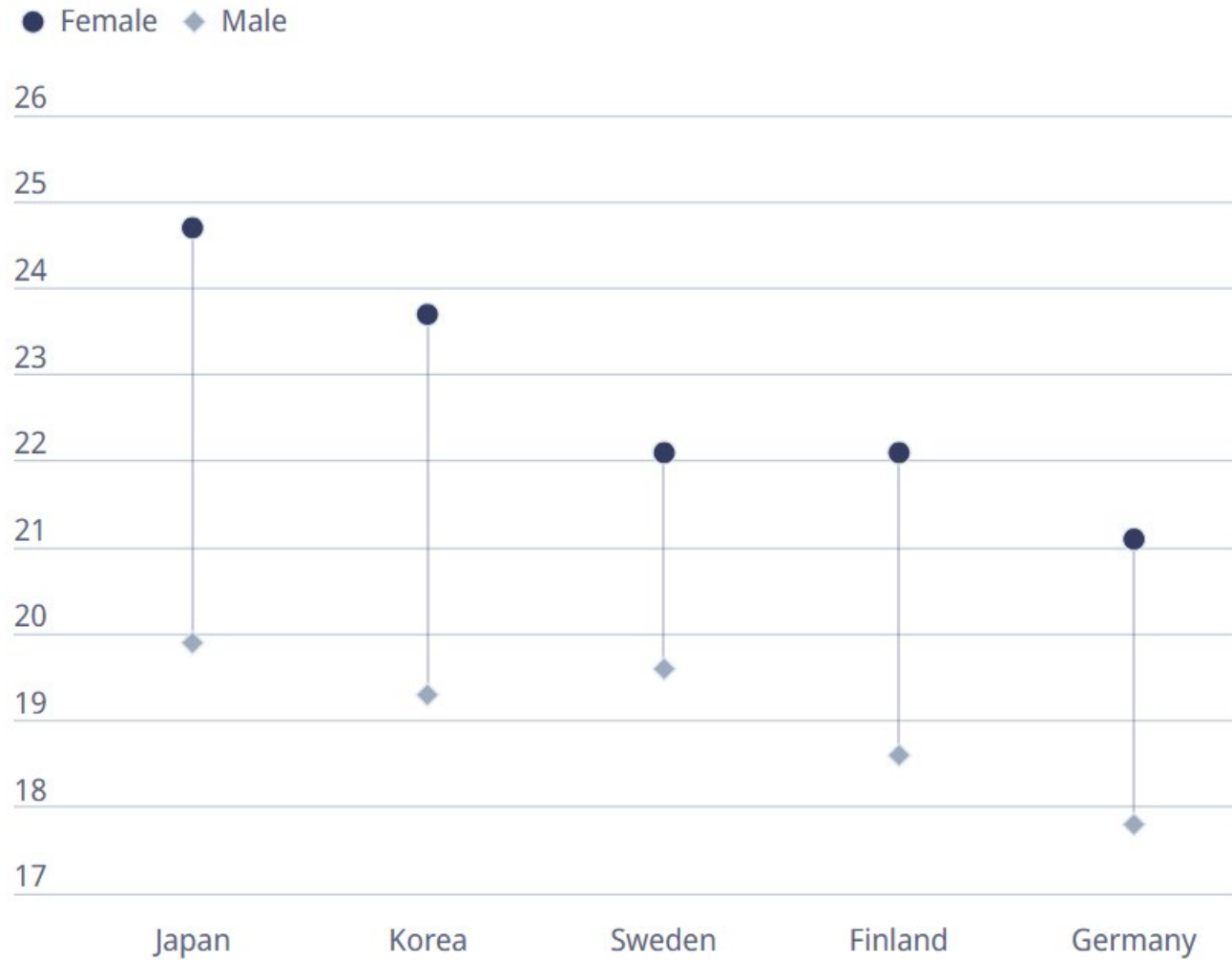


Fertility rates

Total, Children/woman, 2019

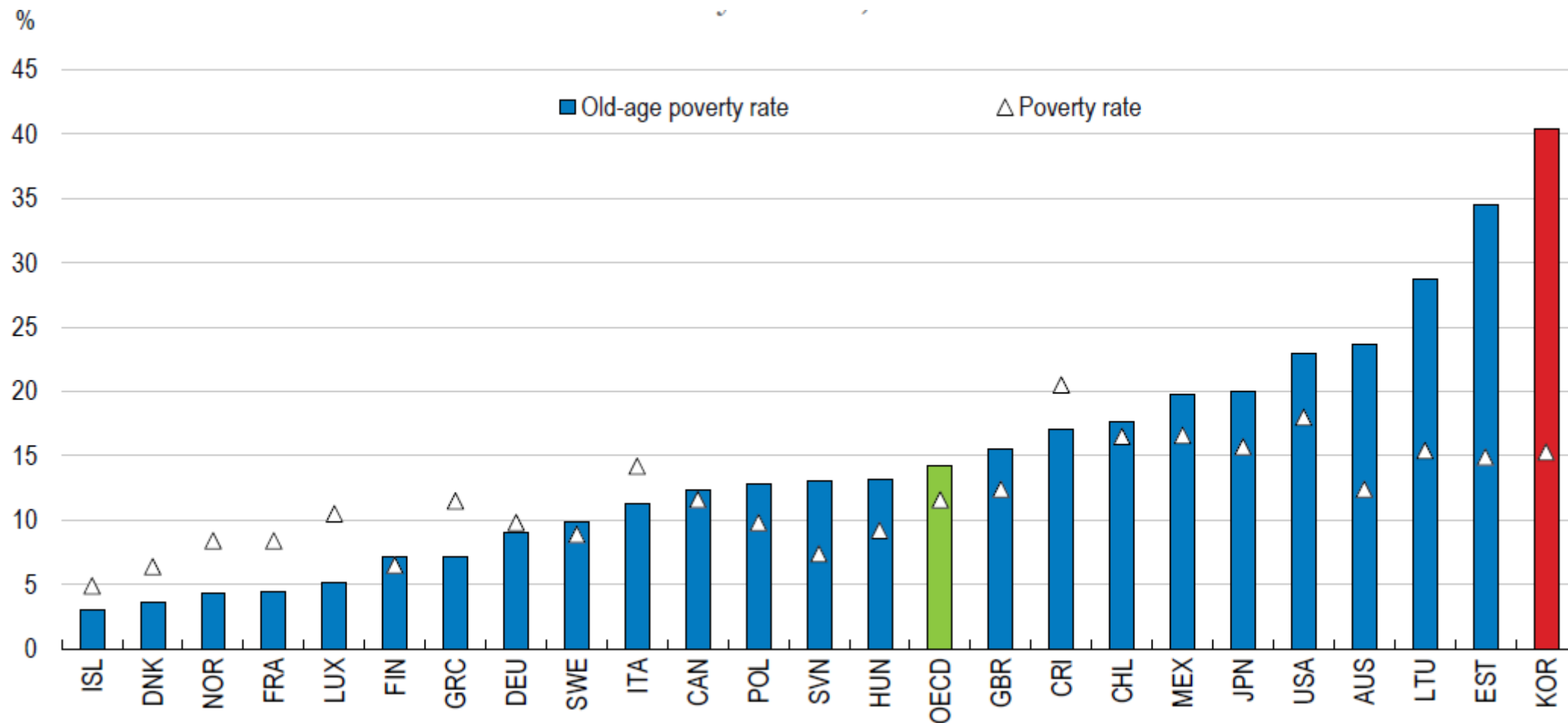


Life Expectancy at 65 (Number of Years, 2021)



Source: OECD Statistics

The Poverty Rate Is **High**, Notably for **The Elderly**



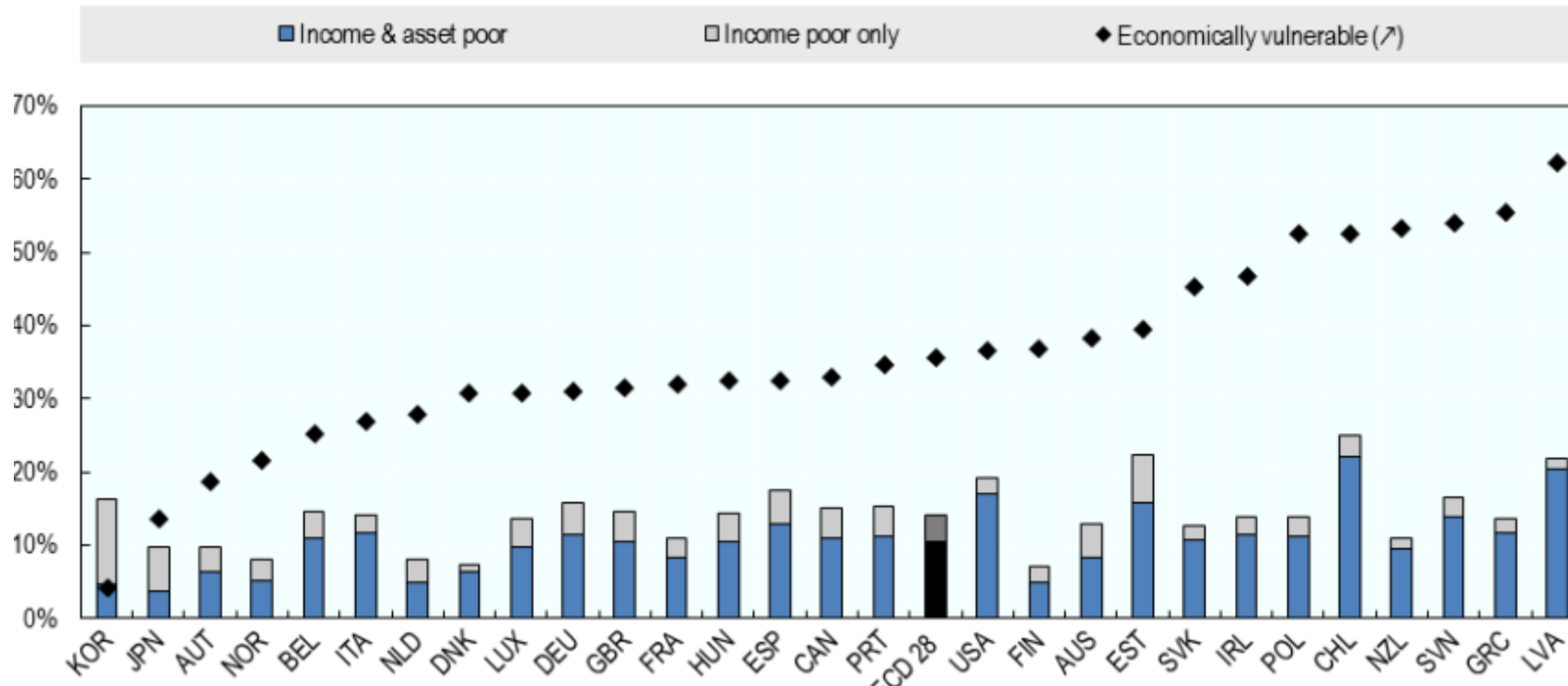
Note: The poverty rate(2020) is the share of the number of people living with less than half of the median disposable income. **Wealth**, which increases consumption possibilities and is typically higher among older generations, is **not reflected**.

Source: OECD Income distribution (database). 2022 OECD Economic Survey of Korea.

The Poverty Rate Is High → Need to Reexamine

Percentage of individuals experiencing income and/or asset-based poverty

2015 or latest available year



Note:

An individual is **classified as being in income poverty** if their equivalised household disposable income is **less than 50% of the national median** (income poverty line).

An individual is **classified as economically vulnerable** if they are **not income poor but their liquid financial wealth is less than 3 months of the national income poverty line.**

The OECD average is the simple country average.

- In a seminar among Korea, Chinese and Japanese experts,
 - **A Japanese official** wondered,
 - How **could Korea pay more in pensions than Japan** when Koreans **pay much less premiums (9%) than the Japanese (18.3%)?**” (Cited from **Risky pension politics, Korea JoongAng Daily** Column by **Yun Suk-myung**. Nov. 3, 2021)

日本の年金制度の特徴 (3) 最近の動向

• 最近の改正

• 2004年改正

(1) 保険料固定方式の導入

- 従来は給付水準を決定し、それに見合う保険料(率)を設定。
- 2004年以降、国民年金は毎年280円、厚生年金は毎年0.354%引き上げ、国民年金は2017年4月に16,900円(2004年度価格)、厚生年金は2017年9月に**18.3%**で固定。

(2) マクロ経済スライドの導入

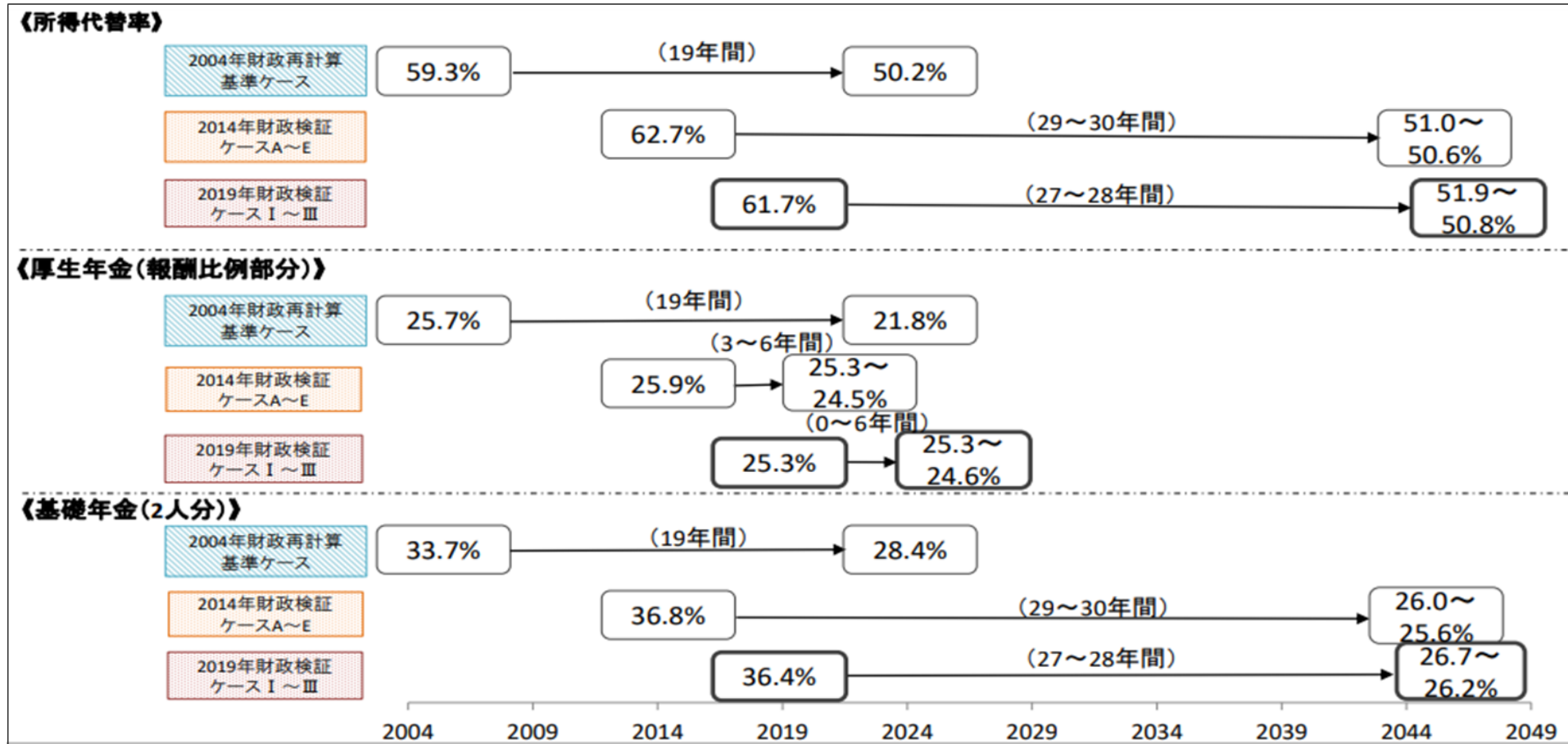
- 保険料を固定したことで、収入を増加させる方法の1つが失われた。
- その中で、給付と負担のバランスを確保することが必要。
- 物価や賃金の上昇に連動した給付水準の上昇について、経済社会の状況をもとに一部抑制する方法。

(3) 有限均衡方式の導入

- 約5年分の給付をまかなうだけの額があった年金積立金を、約**100年**間かけて、約1年分の給付をまかなう水準まで取り崩す。
- ただし、5年に1回行われる財政検証のたびにその後約**100年**で計算するため、実際に今から**100年後**に約1年分の給付しか残らないというわけではない。

※ 財政検証では、パラメータによっては積立金が枯渇するケースも想定。

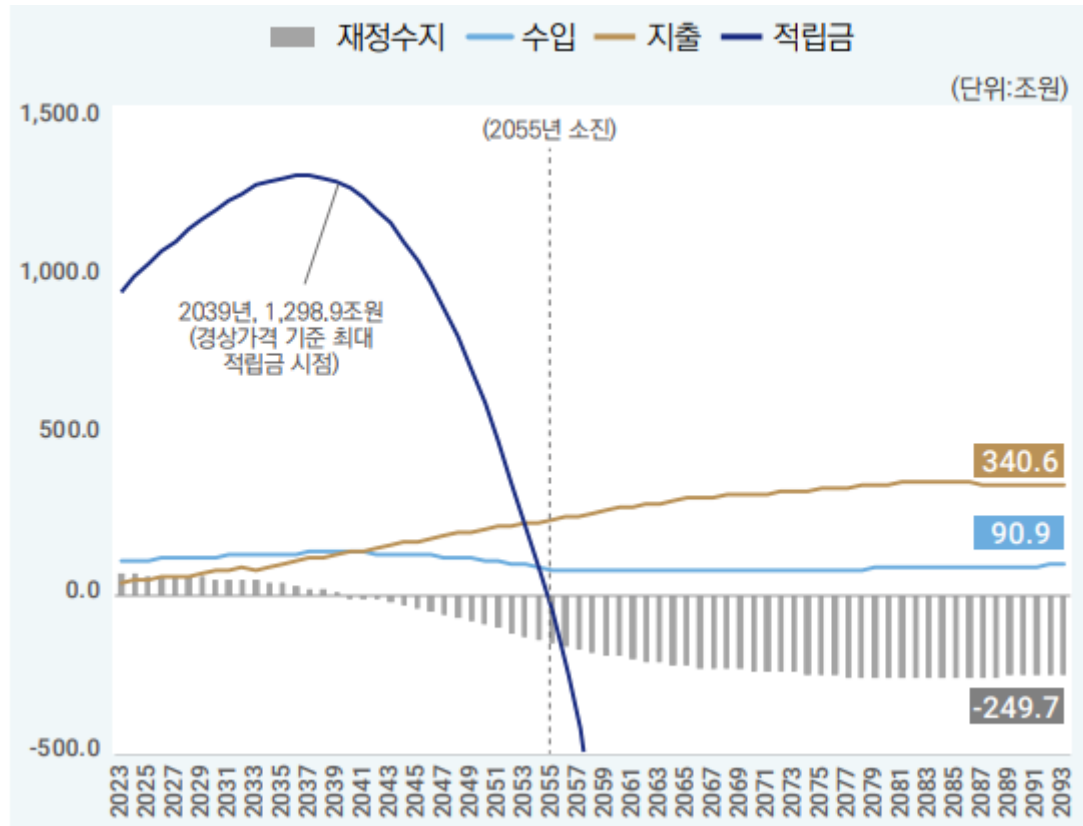
The operation of the automatic adjustment mechanism after the Japanese pension reform in 2004



자료: 2021년 한국 연금학회 주관 국제 세미나에서, 일본 후생노동성 연금국의 Hironobu Ueda 관리관이 발표한 자료에서 인용하였음.

Long-term Projection of NPS & the negative effects of increasing the income replacement rate

Long-term Projection of NPS (Baseline): 2023~2093



Changes in Case of **2%pt Increase in Replacement Rate** (from 40 to 42%) of the NPS



— Need to share the Challenges and Principles **Beyond Micro Politics**

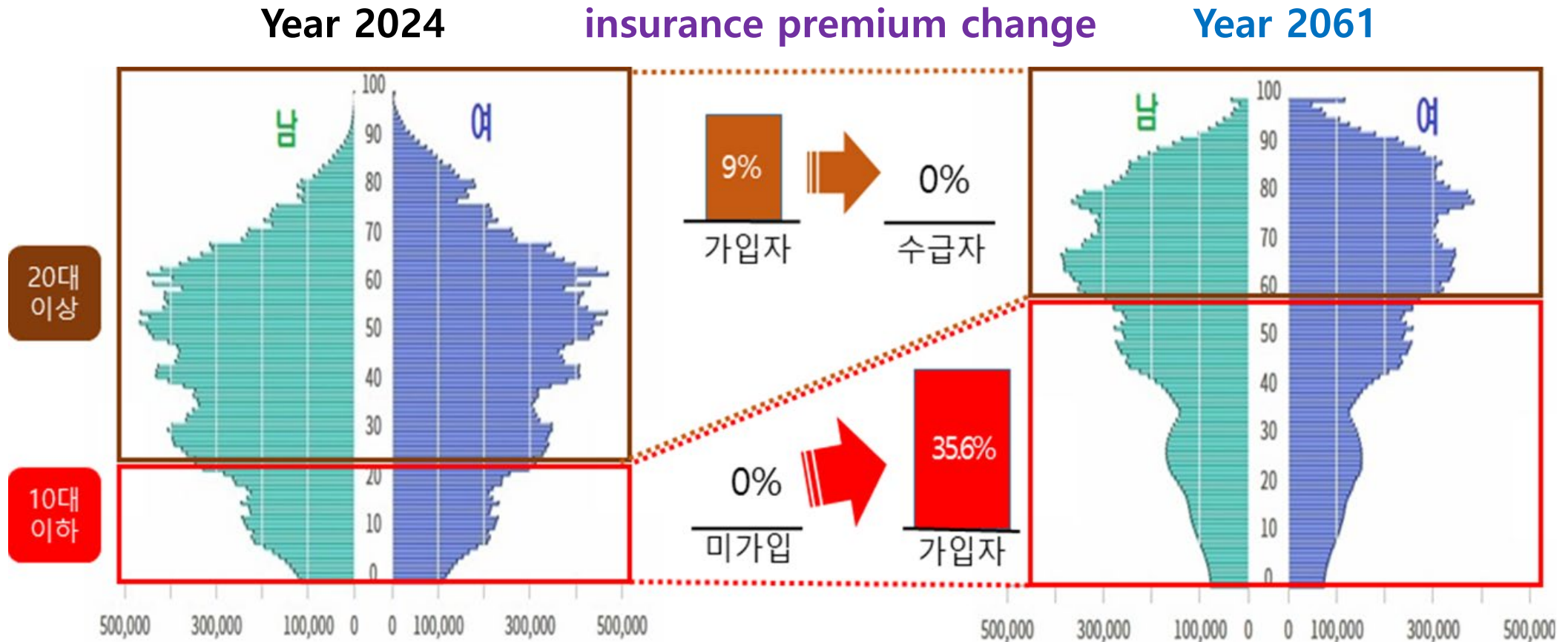
- Building a shared sense of urgency **among the public**.
- In essence, the real challenge may be **how to achieve democratic governance** of a complex, expert driven pension system.

A public opinion committee was formed in the National Assembly.

A 500-member citizen representative group decided on the direction of pension reform **through democratic procedures**.

The result was that **more than half of the citizen representatives agreed to raise the pension income replacement rate to 50%** at the cost of further increasing the burden on future generations.

Changes in Insurance Premium Rates by Generation (Plan A 13%-50%)



Age Group in 2024	Insurance Premium rate (Now)	Insurance Premium rate (2061)	Insurance Premium rate (2078)
20s or Older	9%	0% (Beneficiary)	0% (Beneficiary)
Under 10s	0% (Non-subscriber)	35.6% (PAGO Cost rate)	43.2% (PAGO Cost rate)

Protest in front of the National Assembly building by stakeholders including labor unions and civic groups



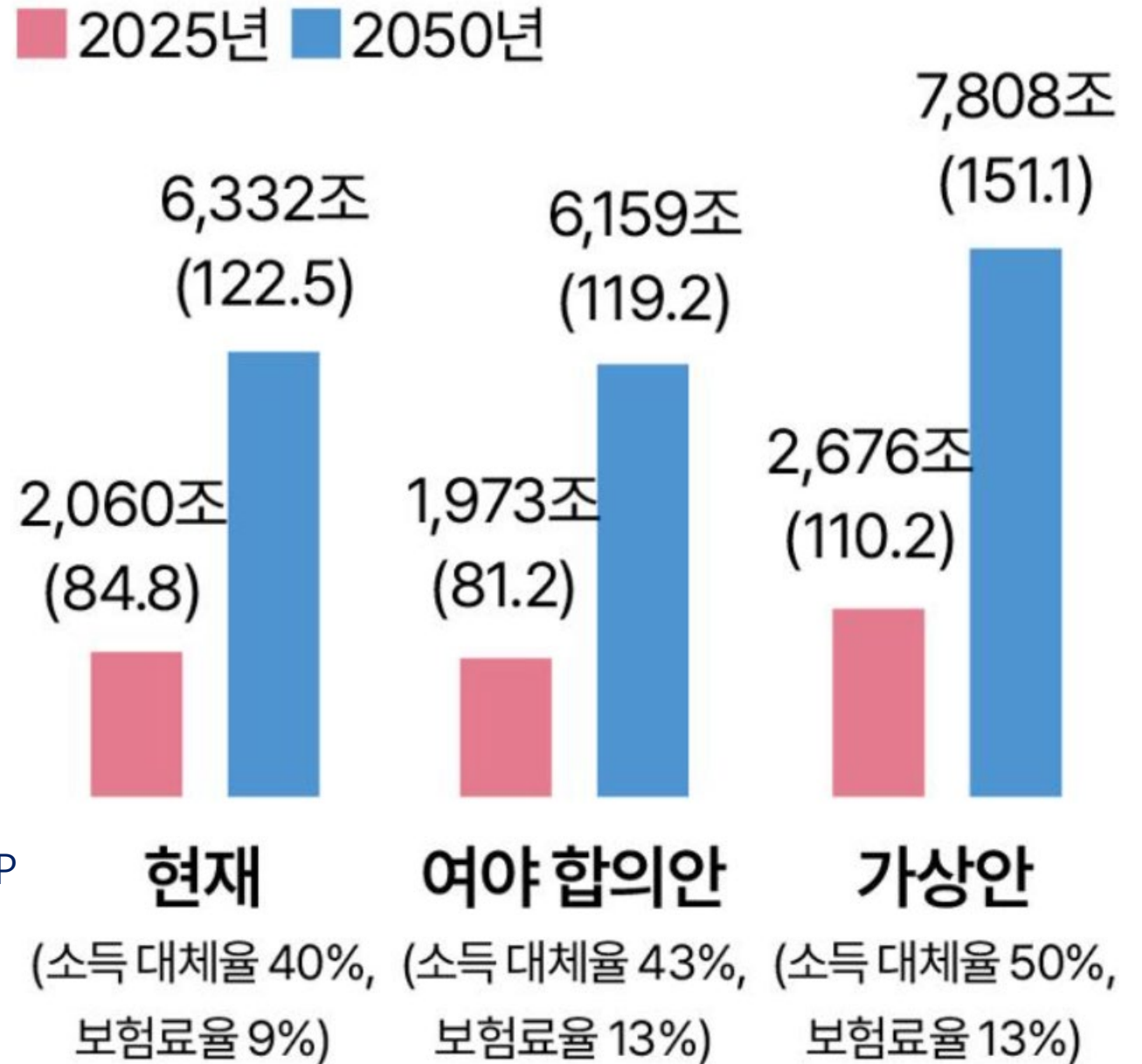
Follow the decision of the Citizens' Representative Group of the National Assembly Public Opinion Committee!!



Implicit Pension Liabilities under various scenarios

Source: Pension Research Association

Unit : Trillion KRW
IPD (implicit Pension Debt) as % of GDP
in parenthesis



Various Policy Objectives of Old-age Pension Scheme



Need to strengthen a well-targeted social safety net

- ➤ Pursue **a well-targeted pension reform** to secure adequate old-age income.
 - In a situation where **many of the vulnerable (especially for employment Ice Age in Japan)**, such as low-income subscribers, would be excluded from the national and Income-related pension schemes.
 - **Increasing the benefit level to better target those with the highest needs.**
- ➤ **Option 1: Strengthen Social Assistance Program (S.S.P.)**
 - Expanding the scope of recipients and benefits
 - Strengthened S.S.P. + Well-managed Contributory National Pension for the Vulnerable
- ➤ **Option 2: Introduce Minimum Income Guarantee (M.I.G.)**
 - Well-targeted Basic Pension (National Pension in Japan) + Top-up well-designed M.I.G.



K I H A S A
한국보건사회연구원
KOREA INSTITUTE FOR HEALTH AND SOCIAL AFFAIRS

People
with People
in Mine

Thanks a Lot !

감사합니다 !