Japan

Highlights from OECD *Pensions at a Glance 2009*

- Japan is the OECD's 'oldest' country, with just 2.6 people, of working age for every person aged over 65. This compares with an average of 4 for OECD countries.
- Older people in Japan are much more reliant on income from work than most OECD countries. Earnings self-employment income make up 44% of the income of households in which older people live, compared with an OECD average of 20%.
- Public pensions in Japan are projected to provide the second lowest pensions relative to individual earnings of OECD countries.

Financial crisis and pensions

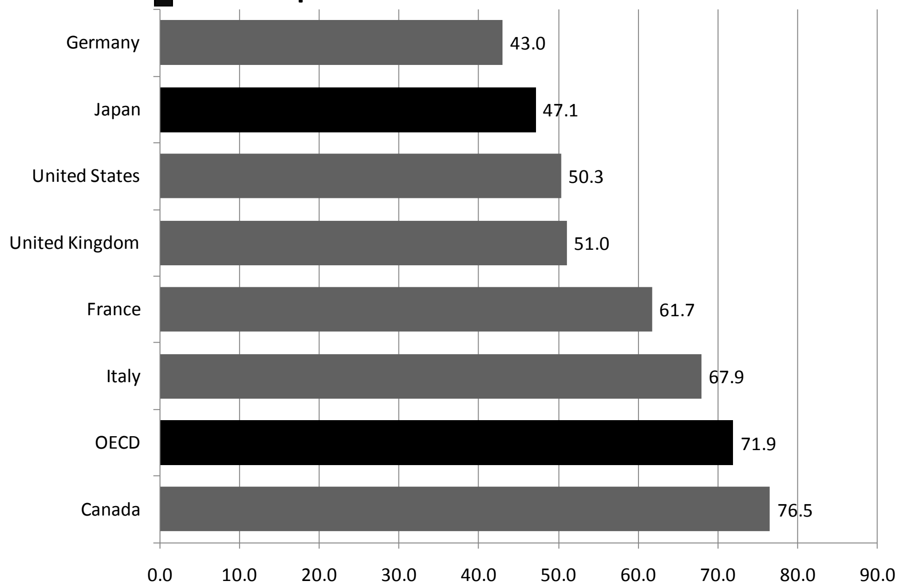
Private pensions are an important part of retirement-income provision in Japan, covering 45% of the workforce. The financial crisis has results in investment losses in 2008 of 20% for private pensions. This is above the unweighted average loss for OECD countries of 17%, but less than in the United States, for example, where losses were 26%.

Low pension replacement rates

The pension replacement rate – pensions relative to earnings when working – for new labour-market entrants from the Japanese public pension schemes is low compared with mandatory retirement provision in other OECD countries. For example, low earners (with half of economy-wide average earnings) can expect a pension of 47% of their earnings: only in Germany is the replacement rate lower. The OECD average gross replacement for low earners is 72%.

Japan also has the second lowest gross replacement rate for average earners, this time after the United Kingdom.

1 Gross replacement rates for low earners

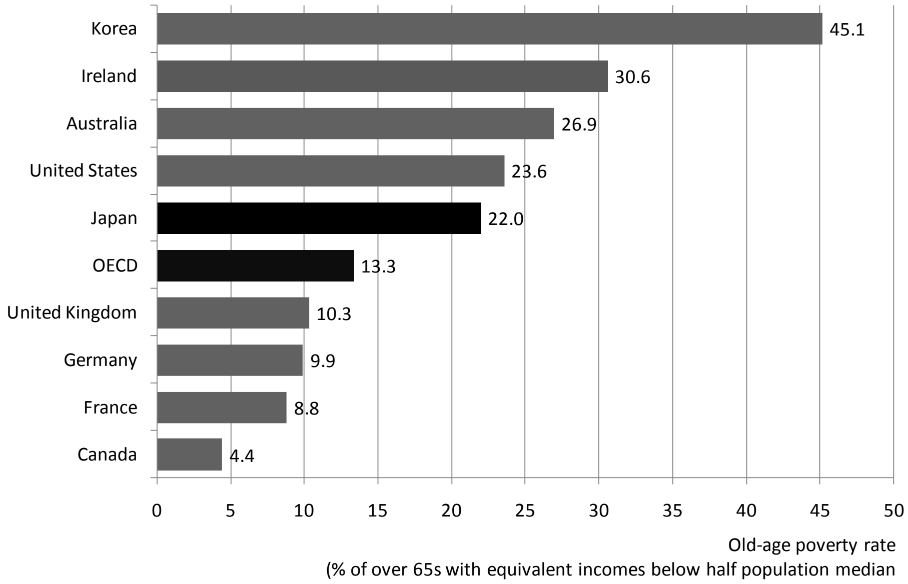


Source: OECD (2009), *Pensions at a Glance: Retirement-Income Systems in OECD Countries*

Old-age income poverty

The risk of income poverty for older people is comparatively high in Japan. Some 22% of people aged over 65 in Japan had incomes below the OECD poverty threshold (half of median household income) in 2005. But Australia, Greece, Ireland, Korea and the United States have higher old-age poverty rates.

2 Old-age income poverty rates



Source: OECD (2009), *Pensions at a Glance: Retirement-Income Systems in OECD Countries*, Figure 2.5

3 Key facts

		Japan	OECD
Pension replacement rate	Average earner (%)	33.9	59.0
	Low earner (%)	47.1	71.9
Public pension spending	% of GDP	8.7	7.2
Life expectancy	at birth	82.4	78.9
	at age 65	86.0	83.4
Population over age 65	% of working age population	34.4	23.8
Average earnings	JPY (million)	4.99	4.17

Note: replacement rate is pension entitlement from all mandatory sources of retirement income relative to individual earnings. Calculations for a full-career worker entering the labour market in 2006. Low earner is assumed to earn 50% of the average.

Source: OECD (2009), *Pensions at a Glance: Retirement-Income Systems in OECD Countries*

Notes to editors

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Retirement Income Systems in OECD Countries

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