

The effect of Japanese social security system on retirement behavior

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Abstract

This research is third analysis in Japan to analyze the effect of social security system in Japan to retirement behavior by using dynamic model which is not option value model. In this analysis, a basic model to analyze how Japanese older man behaves under current social security system is provided. In other words, I show some estimated exogenous data processes, a basic model and estimated parameters of utility function to analyze the effect of Japanese social security reforms. Under this analysis, some reforms of social security system in Japan does not so much influence the participation rate of Japanese older man. For example, the reform that the eligibility age of basic pension is changed to age 70 increases Japanese labor participation rate of older men by about 0.4 percent in average between 63-66. In addition to the change of eligibility age, if the full amount of basic pension is cut in half, the reform increases Japanese labor participation rate of older men by about 3 percent in average between 63-83. In Japan, the estimated consumption weight is very large. This estimated consumption weight largely influences the effect of reforms of social security system.

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