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Ageing society and evolving wage systems in Japan**

The objective of this discussion is to explain the evolution of the wage system in Japan in response to population ageing. Though focussing on the evolving situation in Japan, the nature of the policy responses discussed here are relevant for comparison to other nationally-defined contexts for wage and other employee compensation systems in, for example, Germany. Starting from the historically closed nature of labour markets and HRM systems in Japan, differences are observed from company to company and sector to sector in respect of management philosophy, industrial relations, and HRM policy and practice. Key to these developments is the role of government as a law-making body and of related institutions as sources of regulatory or advisory influence. The examples presented in this discussion reflect the idiosyncratic features of Japanese wage systems. However, common tendencies are observed in many organisations – both private and public sector - and thus can be considered representative of a general evolution. Each aspect of the wage systems discussed here points towards constant adjustments to respond to and cope with population ageing and subsequent changes in the regulatory environment related to pension eligibility and mandatory age of retirement, the evolving status of older workers both in and out of employment, and to the continued opening generally of the Japanese economy and labour markets to global influences. The discussion concludes with the insight that Japanese employers are moving towards the retention and rewarding of skill-specialists – often regardless of age - rather than of senior-aged generalists, as in previous years.

Key words: **compensation packages, retirement, retirement policies, pension reform, Japan** (JEL: J31, J33, M12, M52)

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