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A Cross-national Comparative Study of Employment Support Policies for the Older Workers

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I. Introduction

This study explores the cases of employment promotion policies for older ones in major countries. Germany, Finland, the UK, the Netherlands, and Japan were selected for cross-national comparison. Germany and Japan have already become super-aged before Korea, while Finland, the Netherlands, and the UK are countries that have recently made remarkable achievements in employment of older ones. In terms of welfare regime, this study compares employment policies for the older people of a conservative country (Germany), a social democratic country (Finland), a liberal country (the UK), a country emphasizing flexicurity (the Netherlands), and a country with similar socio-cultural and institutional characteristics to Korea (Japan).

II. Employment Support Policies for Older Workers in Germany

1. Utilization of Gradual Retirement Options

Germany has implemented a part-time work program for the older people since the early 2000s. Working hours are reduced by half from the age of 55 until the age of starting pension benefits, and if the shortened working hours are 18 hours or more, the Federal Employment Agency guarantees the receipt of 70% of the prior salary by providing a supplement payment of 20% of the prior net salary. Employees are given two options: a schedule in which working hours were gradually shortened (continuity model) and a schedule consisting of a full-time work schedule in the first half and a leave of absence in the second half (block model). Since most of the older ones in this program preferred the block model, this program

resulted in earlier retirement of older ones. The Federal Employment Agency abolished the supplement payments in 2010, and the number of older ones using the part-time work program dropped sharply from 670,000 in 2009, and has remained around 240,000 since 2015. The program is still maintained, and thus those who use the block model are eligible for early retirement before the age of 63.

2. The “Initiative 50Plus” Policy

In mid-2007, in the midst of the Hartz Reforms, the German government drafted the Act to Improve Employment Opportunities for Older Workers, represented by the “Initiative 50Plus” program. By introducing this program, the government expanded and reorganized the existing policies that had previously been focused on employment-vulnerable groups or the low-income older people, promoting the labor market entry of older ones. The “Initiative 50Plus” program consisted of four key policy measures. First, by lowering the age limit at which the conditions of fixed-term employment contracts can be relaxed from 58 to 52, older employees were given opportunities to integrate back into the labor market through fixed-term employment. Second, if workers with at least 120 days of entitlement to unemployment benefit accepted employment that pays less than their previous job, they were eligible to receive wage supplements (“Kombilohn” or “combined wage”), equivalent to the difference between the previous wage and current wage, for two years (now abolished). Third, when an employer hires older workers meeting specific conditions (unemployed for 6 months, recipient of the short-time work allowance, participant in public work, etc.) for more than one year, 30 to 50% of their

wages were paid to the employer as a wage subsidy for employment of older ones for 12 to 36 months. Although this was introduced as a temporary subsidy, the subsidy payment period was extended to 2023 due to the recent revision of the guidelines. Fourth, the Federal Employment Agency was asked to relax the requirements for vocational competency development and expand re-education. The eligibility requirements were expanded from being at least 50 years old and working in companies with fewer than 100 employees to being at least 45 years old and working in companies with fewer than 250 employees. Overall, the “Initiative 50Plus” program has been recognized for its outcome in reducing the unemployment rate, but criticized at the same time for not guaranteeing the quality of jobs.

3. Utilization of Mini-jobs

A mini-job takes the form of a part-time job as defined in the act on part-time and fixed-term work. Recognized as a symbolic tool of Germany’s employment flexibility policy, the mini-job was considered an effective policy tool to reduce unemployment and create employment opportunities for low-income and low-skilled workers. In March 2003, when the system was first implemented, the number of mini-jobs was 5.6 million, but increased to 7.9 million in 2018. Two-thirds of workers in mini-jobs are women, and these women often have their spouse working full-time. As for men who work in mini-jobs, they often have a separate main job and engage in mini-jobs as a side job.

22.4% of those working in mini-jobs are older pensioners, and many of the older ones entering the labor market after the age of eligibility of old-age pension are engaged in mini-jobs. As of 2020, there

are 730,000 pensioners engaged in mini-jobs, which is a 25% increase compared to 2012. Some criticize the mini-job as a means of making individuals bear the burden of reduced old-age pension caused by changes in the labor market structure. There is also a concern that if an income decline of people of working age leads to a reduction in old-age pension, old-age poverty may become a permanent problem.

4. Adjusting the Pension System

In Germany, the “partial pension” system, which had been in operation from 1992, was reformed into the “flexi-pension” system in 2017. Under the partial pension system, older workers had to select the proportion of pension accessed early from two-thirds, half, or one-third of their full pension. In contrast, the flexi-pension system allows individuals to set the proportion from a minimum of 10% to 99%. The ceiling on income from work for those who retired before the statutory pension age and claiming a full pension was increased to EUR 6300 a year (an average of EUR 525 a month). If an individuals’ income from work exceeds the limit, 40% of the income is subtracted from the pension. There are no income limits for pension benefit recipients having reached statutory retirement age, and it is possible not only to postpone the retirement date of old-age pension but also to make voluntary contributions to the public pension scheme while receiving the pension, which will yield a higher pension accrual. This can be seen as a measure to supplement Germany’s insufficient public pension plans and address the stagnant state of pension benefits of older ones at the same time.

III. Employment Support Policies for Older Workers in Finland

1. Employment Support Programs for Older Ones

The Finnish National Programme on Ageing Workers (FINPAW), the most well-known employment support program for the older people, was implemented nationwide from 1998 to 2002 with an aim to reverse the early retirement trend. The main policy goals were: 1) raising the employment rate of older workers, 2) increasing the average effective retirement age, 3) increasing the share of aging-related issues in the labor administration, 4) maintaining the working capacity of older workers, 5) improving working time flexibility, and 6) reducing age discrimination and spreading favorable attitudes toward the older people.

The purpose of the Noste Program (2003~2009) was to provide educational opportunities to adults with low education or no vocational education—one of the most vulnerable groups in the labor market—to facilitate their labor participation and career development. It mainly offered education and training services to low-educated middle-aged workers (30-59 years old) to help them obtain certifications. In 2004, 35% of the program participants were 50 years or older.

2. Vocational Education and Training for Older Ones

Since 2014, employers have been obligated to establish vocational training plans for their employees in accordance with laws and regulations. The Act on Cooperation in Workplaces requires that employers formulate vocational training plans for their employees

every year in workplaces with 20 or more employees. If an ombudsman finds that an employer does not establish and implement a vocational training plan, he will impose a compulsory performance fee until the problem is corrected. Vocational training plans are established through negotiations between employers and employee representatives.

In the Noste program, education and training information services were strengthened to increase the participation rate of middle-aged and older workers, and efforts were continued to enhance accessibility. In 2011, the Ministry of Education and Culture created a task force for lifelong career management and promoted the development of the education and training information system. In addition, a legislative bill to change the technology recognition/certification mechanism was implemented so that the value of informal education and training in the field can also be recognized. Employers were given tax deductions in proportion to the number of employees who participated in vocational training and the hours they participated in training.

The government also introduced the education allowance system for adults so that those who voluntarily participate in learning while finding employment (or starting a business) can receive allowances. The purpose of this system is to guarantee income for those who are not paid wages or paid below a certain level during the learning period, although most workers are paid wages even during educational leave.

3. Employment Subsidies for Older Workers

From 2006 to 2010, a wage subsidy system for older ones was temporarily operated. When an employer hired a low-wage worker aged 55 or older full-time, 16% of their pre-tax wage (or 13% of the total labor cost) was

paid as a subsidy. However, this system was abolished in 2010 because the employment effect was evaluated to be insignificant. Currently, subsidies are provided to all job seekers who are in need of employment subsidies, regardless of age, at the discretion of the TE-Office. A person registered as a job seeker in the TE-Office can apply for a wage subsidy if the following two conditions are met: 1) his/her unemployment must be due to lack of vocational competency, and 2) at the same time, his/her receiving employment opportunities is expected to improve vocational competency and further raise the possibility of being employed in the labor market in the future. The size of the subsidy is quite big at 30, 40, and 50% of the required labor cost, and the exact amount is determined by the TE-Office.

4. Changes in the Social Security System

The 2005 pension reform changed the standard retirement age so that people between the ages of 63 and 68 could choose to retire; and the 2017 pension reform extended the pension contribution period and shortened the pension benefit period. It was decided that the standard retirement age will be extended by 3 months every year to reach 65 in 2027, and will continue to be adjusted in line with life expectancy after 2030.

The benefit level of the old-age pension was also adjusted. Before 2005, the target income replacement rate of the earnings-related pension scheme was 60% of the maximum lifetime earnings, but with the pension reform in 2005, the existing standard of using income just before retirement was changed to the average lifetime income.

The early pension system was also reformed. The Finnish part-time pension scheme was introduced in 1987 as an alternative to the disability pension that

had been used as an early retirement route. However, it served as a mechanism to encourage older ones to choose part-time jobs. This scheme paid 50% of the difference between a full-time earned income and a part-time earned income as part-time pension benefits, but it was criticized for not conforming to the insurance principle. Accordingly, the part-time pension was replaced with a partial old-age pension in 2017. The labor requirement was removed from the entitlement requirements, and the benefit is based on the entitlement but it is possible to choose between 50% and 25% of the old-age pension. The main beneficiaries of the partial old-age pension are the self-employed and the unemployed.

In the case of unemployment insurance, through a social agreement in 2012, the minimum age of eligibility for extended unemployment benefits was extended from 60 to 61 for persons born in 1957 or later. In addition, to ensure that this system would not be used as an early retirement route, the eligible recipients of the job alternation compensation were limited to those with at least three years to reach their old-age retirement age.

IV. Employment Support Policies for Older Workers in the Netherlands

1. Prohibition of Age Discrimination and Easing of Protection Level for Older Workers

Through the Equal Treatment Act, the Netherlands strictly prohibits direct/indirect discrimination based on age, type of employment contract, and working hours. It is stipulated that dismissal or discrimination related to working conditions or recruitment based on age is prohibited.

In 2015, an adjustment was made so that, if an employer continues to employ older ones as wage workers after they reach the statutory pension age, the period during which the employer has to pay wages in the event of an illness was shortened from the previous maximum of 24 months to 13 weeks, reducing the burden on employers. Temporary employment contracts can be extended up to a maximum of 4 years for a maximum of 6 times per employee. In addition, a number of collective agreements stipulate that older workers are excluded from certain types of work, such as overtime and weekend work, but there is a recent trend to phase out additional support for older workers in order to improve the employability of the working age population.

2. Improving Vocational Training and Employment Services

In January 2016, APL-EVC began to be used to verify job competency in the job search and recruitment process. APL means formally verifying prior learning, and verification is carried out according to the given procedures on education and vocational programs, academic degrees, and qualifications that individuals have experienced so far. EVC is verified by experts according to systematic procedures not only for nationally recognized qualifications but also for non-formal and informal education, and it takes about three months to acquire EVC.

The employment assistance program of the Netherlands focuses on supporting job seekers of all ages, not just certain age groups. All unemployment benefit recipients are required to fill out a workprofiler, which is used as a basis for distinguishing between groups at low / high risk of long-term unemployment.

Low-risk groups are provided with online employment assistance, while high-risk groups receive the help of caseworkers in promptly analyzing possible barriers to finding a job, and develop an action plan that mutually defines the obligations of a job seeker and the support obligations to be performed by the UWV.

Additional assistance is provided for older unemployed people. Talent 45+, which was implemented between 2007 and 2009, was aimed at reducing the number of recipients of unemployment benefits and social assistance over the age of 45. Since 2010, Talent 55+, which reduced the number of recipients to those over 55, has been implemented. Education is being provided to strengthen the work competency, presentation ability, and networking ability of old job seekers.

Dutch employers are obliged to comply with occupational safety and health laws and to report the use of protective equipment or hazardous situations. According to the Working Hours Adjustment Act introduced in 2000, workers can request for adjustment of working hours and working space, and the employer must accept the requests, except for special circumstances.

3. Provision of Employment Subsidies and Tax Credits for Older Ones

Until 2014, the mobility bonus was implemented to relieve the burden of social security contributions by up to 7,000 euros per annum for a maximum of three years for employers who hire the unemployed aged 50 and over as regular workers. From 2015, the eligible age was raised to 56 and the upper limit of subsidy for small businesses with fewer than five employees was lowered to 6,000 euros. In 2018, this was replaced with a wage subsidy (Loonkostenvoordeel, LKV), which provides

a subsidy of 3.05 euros per hour, up to 6,000 euros per annum for up to three years when an employer hires older ones over the age of 56 as regular employees. Since a flat-rate wage subsidy is provided to employers regardless of the level of social security contributions, small businesses with low wages can receive more subsidies.

Older ones aged 61 to 65 who are salaried workers or self-employed are eligible for an additional tax credit of 1,750 euros per year for up to three years. However, if the working hours are less than 35 hours per week, the deduction amount is reduced. From 2015, tax credits were limited to newly hired older ones.

4. Adjustment of the Social Security System

The Netherlands has provided tax benefits to pension benefits. The lower the income level and the later the starting age of pension and retirement age, the lower the tax benefits to pension benefits. From 2005, if individuals retire before the age of 65, tax benefits are not applied to both the basic pension and the corporate pension. Even if individuals continue to engage in paid labor while receiving the basic pension, they can still continue to receive pension benefits, and incentives are being given to lower the tax rate.

V. Employment Support Policies for Older Workers in the UK

1. Abolition of the Statutory Retirement Age

The UK set the retirement age at 65 for men and 60 for women in the National Labor Relations Act of 1971, but it was more of a recommendation similar to

a soft law rather than an order of forced retirement. With the enactment of the Employment Equality (Age) Regulations in 2006, age discrimination was banned in the entire process from recruitment to contract termination. The Regulations provided for a national default retirement age of 65 years, strictly regulated compulsory retirement below 65, and guaranteed the right of workers to request to continue working if they wish to. With the enactment of the 2010 Equality Act, it was forbidden to set the basic retirement age unless exceptions were granted.

2. Banning Age Discrimination

With the enactment of the Employment Equality (Age) Regulations in 2006 and the Equality Act in 2010, age discrimination was formally prohibited at all stages from recruitment to termination of employment contracts. However, there are still many cases of complaints of age discrimination in the hiring process, and age discrimination is cited as the biggest factor hindering the re-employment of older workers.

3. Expansion of Flexible Working Arrangements

The UK introduced a flexible working system in 2003. Initially, it started as giving the right to request flexible working for parents of young children, but since 2010, it has been expanded to a general right that applies to all workers, including middle-aged and older ones. The UK's flexible working system is characterized by the fact that workers may request their employer not only to reduce working hours but also to change the overall working conditions, such as the work location, and that it is focused on procedural matters rather than definitive rights. Although employers' right to refuse

a request for flexible working is stipulated relatively broadly, the actual approval rate is quite high. In the case of older workers, several companies are discussing the employment model of hiring older workers because flexible working arrangements ranging from reduced working hours to working from home can widely be used.

In this regard, the Fuller Working Lives program was introduced and is currently implemented as a measure to revitalize the employment of older workers with an aim to create an employment environment where older workers can work as much and as long as they could. After the abolition of the basic retirement age system, the Fuller Working Lives program was initiated to introduce the desirable working method for older ones by utilizing various flexible working arrangements. It serves to maintain the existing employment, promotes re-employment at workplaces tailored to older ones, and seeks to establish a senior-friendly working environment through consulting on a flexible working system for older ones. Recently, the program name has been changed to "50 PLUS: Choices".

4. Adjustment of the Social Security System

In 2010, the starting age for receiving public pensions was 65 for men and 60 for women, but the country began to have the same retirement age for both genders in 2018. As of 2012, the retirement age is 66 for both men and women. It is expected to be raised to 67 by 2028 and 68 by 2046. A review of the pension entitlement age is underway, taking into account demographic changes of every five years.

The starting age for receiving pension credit for those on the 0th floor (beneficiary who receives livelihood benefits) has been decided in conjunction with women's

retirement age (currently 60). Thus, until 2018, older unemployed men aged 60 and over received pension credit, but the early retirement route was blocked when the state pension age was adjusted in 2018. In addition, as the existing disability-related benefits were replaced with the Employment Support Allowance, the selection criteria for recipients became stricter, and if the degree of disability was not serious, the beneficiaries were obliged to find employment.

After the national pension income restrictions were abolished in 1989, national pension beneficiaries were able to participate in paid labor without a reduction in their benefit level. In the case of the corporate pension, since 2006, it has been possible to receive the corporate pension while maintaining the existing employment status. From April 2015, the UK introduced the pension freedom rules, allowing workers who have reached the pension age to access their pension pot by taking the whole pot as a lump sum, by taking a number of lump sums, or by receiving pension benefits. The pension freedom policy supports people to continue working while receiving pension benefits.

VI. Employment Support Policies for Older Workers in Japan

1. Measures to Secure Employment for Older Ones

Japan has maintained the statutory retirement age of over 60 years of age since 1998, and made it compulsory to secure employment for those over 65 in 2013. The employment security policy for older workers regulates employers to continue hiring older ones who have passed the retirement age. Employers must implement

one of the following options: extend the retirement age to 65, introduce a continuous employment system until age 65, or abolish the retirement age. The duty of effort was already imposed in 2000, and it was made mandatory in 2004, but certain exceptions were recognized. In 2013, a law that allowed exceptions to be granted only until 2025 was enforced, and accordingly, employment security measures for older ones up to the age of 65 will be fully implemented.

As of 2019, 99.9% of all companies are implementing employment security measures for those up to the age of 65. Among them, 20.8% have set the retirement age at 65 or older, and 2.7% abolished the retirement age. The remaining 76.4%, taking up the majority, are using the re-employment method through the continuous employment system, and it is known that the wages of re-employed older workers are reduced by 30% compared to the previous one.

In April 2021, policies were adjusted to extend the age for guaranteeing jobs for older workers to 70 years, and in order to expand employment opportunities for the older people, employers were imposed one of the following duties of effort: extend the retirement age, introduce a continuous employment system, or abolish the retirement age (same as the existing options but the base age has been adjusted to 70); and additionally, introduce a work entrustment contract system up to the age of 70, or implement a system (directly or by entrusting) that allows workers to engage in social contribution jobs until the age of 70.

Recently, a plan to extend the retirement age of civil servants was announced. From 2023 to 2031, the retirement age of civil servants will be extended by one year every two years. After the statutory retirement age (60 years old), a positional retirement system, in which individuals cannot take on a managerial position, is

implemented, and the wage will be reduced to 70% of the existing level.

2. Employment Subsidies for Older Ones

The Japanese government operates an employment development fund for certain groups of job seekers to provide the subsidy to employers who continue to hire older ones over 60 years of age through Hello Work (the Japanese government's Employment Service Center) or private employment agencies as the insured of employment insurance for more than one year. The subsidy is paid in two different ways: the "Course for Certain Groups Facing Employment Difficulties" is for older ones between the ages of 60 and under 65, and provides 400,000 yen to part-time workers and 600,000 yen to other types of workers for one year, and the "Lifelong Active Duty Course" is for those aged 65 and over, and pays 500,000 yen to part-time workers and 700,000 yen to other types of workers.

When an employer hires worker up to the age of 65 or older, he is provided with the employment promotion subsidy. This subsidy is paid in three different ways: the "Continuous Employment Promotion Course for Over 65" is for extending the retirement age to 65 and over, introducing a continuous employment system until the age of 65 or over, or abolishing the retirement age; the "Employment Management and Improvement Course" subsidizes part of the cost (45-75%) when an employer newly introduces or improves vocational competency assessment, a personnel system, a part-time work system, a work-from-home system, a training program, or a health care management system; and the "Conversion to Employees on Non-Fixed Term Contract Course" is for employers who convert their existing contract workers aged over 50 years and under

the retirement age to employees on a non-fixed term contracts (480,000 to 600,000 yen for SMEs, 380,000 to 480,000 yen for large enterprises).

In addition, subsidies are operated to improve the treatment of older workers. Employers whose "basic continuous employment benefits for the older people" have been reduced after improving the wage level of older workers aged 60 to 64 are entitled to receive the subsidies.

3. Employment Support Services for Older Workers

Experts recognized by JEED (Japan Organization for Employment of the Older people, Persons with Disabilities and Job Seekers) (i.e. advisors specializing in employment of older workers) provide free consultation and advice to companies seeking to improve their employment management of older ones. They also offer a company diagnosis system free of charge to support the maintenance of the employment environment for older ones. If, according to the advice of the above advisors, an employer plans specific improvement measures or conducts training to improve employment awareness of middle-aged and older workers, half of the cost is subsidized.

By setting up a lifelong career support window at major Hello Work offices, senior job seekers over 65 years of age can receive assistance with re-employment and finding jobs. Older ones who want temporary and short-term employment after retirement can find jobs that are closely related to daily life in the community. The government also operates the Silver Talent Center to build a vibrant community, registers older ones over 60 who are highly motivated to find jobs as job seekers, and implements the Career Talent Bank program to

connect senior job seekers to businesses who want to utilize the abilities of older ones.

4. Improving the Social Security System

From April 2022, the threshold for reducing pension benefits for old-age pension beneficiaries aged 60 to 64 will be raised to 470,000 yen, the same as that for beneficiaries aged 65 and over. This can be seen as a policy change to encourage early old-age pension beneficiaries to increase their participation in the labor market. The government also adjusted the system to delay the start point of receiving the old-age pension. It is possible to defer receiving the old-age pension until the age of 75 if the insured person wishes to do so.

One of the noteworthy changes in the employment insurance sector is that, from 2017, older ones who are newly employed after the age of 65 can receive unemployment benefits when they leave jobs. Until 2016, unemployment benefits were paid only to those employed before the age of 65, and this standard was applied from 1984. At that time, most of those aged 65 and over chose to retire after reaching the retirement age, and even for older workers who were re-employed, their jobs may have been limited to part-time jobs. However, the above-mentioned change in the employment insurance sector can be interpreted as reflecting the growing need to support the re-employment of older unemployed people, following the recent increase in the employment rate of the older people and the delay in their complete departure from the labor market even after retiring from their career jobs.

VII. Conclusion

In conclusion, policy implications for Korea were presented based on the results of the comparative study of the employment promotion policies for older ones in major countries.

First, in order to reduce the period of income stoppage between the start of the statutory retirement age to receiving the old-age pension, Korea can refer to Japan's employment security measures for older ones. Japan has significantly improved the employment rate of older ones in their early 60s while maintaining the statutory retirement age of 60. Starting in 2000, certain duties of effort that had been imposed on employers were gradually strengthened to limited obligations, and they are expected to become fully mandatory in 2025. However, considering that Korea is aging at a faster rate than Japan, and that the period of income stoppage has already begun and is expected to be extended up to five years in 2033, policy expansion is more urgent for Korea.

Second, it may be helpful to utilize the flexible working system in order to support the gradual retirement of older workers who have passed the retirement age. Some of the good examples include Germany's gradual retirement system that actively utilized the reduction of working hours, the UK's expansion of the flexible working system in which employees can request an overall adjustment of working conditions, as well as the Netherlands' Working Hours Adjustment Act. The expansion of flexible working arrangements accompanied by a reduction in working hours has advantages such as reducing the labor cost burden of employers, enhancing the productivity of workers, and securing some time for workers to prepare for post-retirement.

Third, it is necessary to review policies to ensure a certain level of quality of jobs for older workers. Given the declining demand for older workers in the labor market, an increase in their labor supply can act as a factor lowering their working conditions, including wages. Lessons can be learned from the German case of supporting long-term employment of older workers with low employment capacity, the Dutch case of guaranteeing the quality of part-time jobs by law, and the Japanese case of providing unemployment benefits to the unemployed aged over 65.

Fourth, Korean education and training system and employment support services need to be reformed to increase the productivity of older ones and support their re-employment. The current training system for the older people is limited to the period before and after leaving job so it is difficult to see practical effects. Both the Netherlands and Finland have a system for accrediting the level of skills acquired informally. It would also be helpful to consider the possibility of providing the customized employment service support using caseworkers (the Netherlands) and introducing the education allowance system for adults to support the livelihood of workers during the learning period (Finland).

Fifth, in order for the extended employment period of older ones to become the norm in the long run, a reform into a reasonable wage system that compensates according to the job and performance is required. It is important to set the basic direction to gradually reduce excessive dependence on seniority, and to implement the reform while adjusting the detailed model in consideration of the characteristics of each sector and industry. It can be helpful to examine Japanese support system of subsidizing the cost of system improvement.

Sixth, taking a long-term view, it is necessary to review the reform of the pension system to overcome a dichotomous view towards labor market participation and pension receipt. Under the current pension system, individuals cannot access their pension except to receive an early old-age pension when they need additional income due to a decrease in their earned income after retirement. It is necessary to review the areas for improving the current system by referring to the Finnish case of the part-pension which allows early access of pension as needed by individuals and the German case of allowing older workers to make voluntary contributions to the public pension scheme while receiving the pension.