Competition Schemes in New Circumstances around the Defined Contribution Pension Market

Korea’s population is rapidly aging due to both increasing life expectancy and low facility rate. Since the implications of population ageing in Korea cannot be dismissed, the economic agents such as the government, firms and individuals pay attention to preparing enough income for whole life time, especially after retirement. For this reason, a new retirement pension plan was introduced on December, 2005.

Since the retirement pension plan was introduced, the size of the pension market in Korea has been rapidly enlarging based on the defined benefit pension plan. Thus, all business enterprises in the retirement pension market has been trying to boost their market share in the defined benefit pension market and relatively idle in the defined contribution pension market. In most countries that adopted the retirement pension plan a long while ago, however, the size of the defined contribution pension market overwhelmed the size of the defined benefit pension market even if the defined benefit pension market was the main player in the retirement pension market in the initial phase of the retirement pension plan. It is an important question for the business enterprises what if such phenomenon happens in Korea as well.

This research investigates various changes of circumstances that might affect the retirement pension market and examines the growth potential of the defined contribution pension market. Furthermore, we suggest a broad variety of strategies for business enterprises in order to strengthen their competitiveness in the retirement pension market after investigating the
defined contribution market of United States and Japan and performing various empirical analyses.

Business enterprises should be cautious about entering the defined contribution pension market since it requires enormous investment in the long term. Once they decide to enter the market, it is important to excavate differentiated strategies to attract and maintain employees and also maximize their profit. Especially, we propose that insurance companies can utilize insurance products as the products of the retirement pension.