
Labor Market Policies in the Era of Population Aging: Japan's Case

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October 2003

Introduction

This report comprises: Chapter 1-Rapid Aging in Japan; Chapter 2-Aging in the Labor Force and Corporate Management of Employment; Chapter 3-Policies Promoting the Employment of Older People in Japan.

In Chapter 1, the rapidly aging population is described. Even more so than other countries, Japan needs to take the initiative in pursuing “active aging”.

In Chapter 2, older people's attitudes to employment and retirement are described. Older Japanese are highly motivated to work. Employers' HRM policies for older workers are also discussed. Corporations must abandon their low opinion of older workers, especially those aged 60 and over.

In Chapter 3, the employment and other related policies for older workers are described. The employment policy is discussed in sections such as: promoting continued employment up to 65; promotion of reemployment for middle-aged and older workers; securing employment opportunities to suit diverse work motivations and degrees of physical fitness. Policy stance balancing job guarantees with age-free employment opportunities are also discussed. Next, policies and assistance to encourage good practice strategies are introduced. Finally, the system reform of public pension system and unemployment insurance is described.

Chapter I. Rapid Aging in Japan

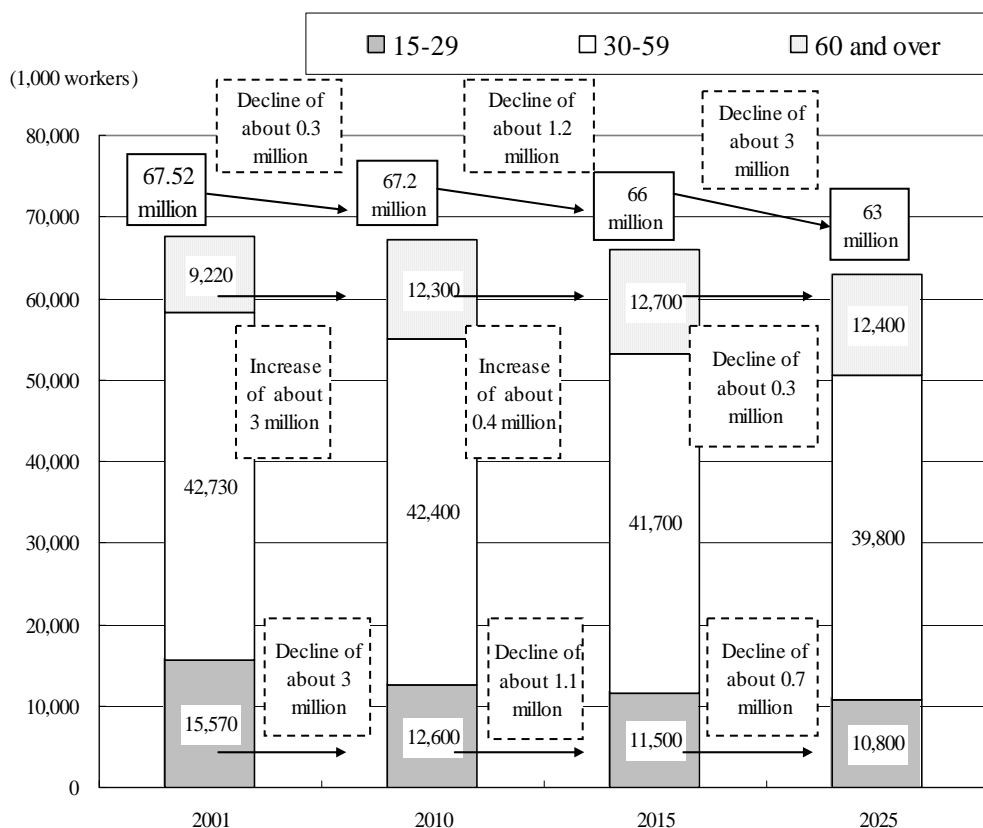
1. An aging labor force

In January 2002, the National Institute of Population and Social Security Research released new projections for Japan's future population. Because of such factors as the falling fertility rate (the average total number of children per woman of childbearing age was 1.36 in 2000), the Institute projected that: (1) Japan's population will age at a rate even faster than previously estimated; (2) by around 2010, the baby boom generation^{*Note} (those born between 1947 and 1949) will be in their early 60s, and those aged 60 or older will make up about one-third of Japan's total population.

Comparing the labor force in 2001 with the estimate for 2010 shows a decrease of about 3 million workers aged 15 to 29, and an increase of about the same number aged 60 and over. In 2010, almost one worker in five (12.6 million out of 67.2 million) will be 60 years old. (Figure 1 shows projections of the Employment Security Bureau, Ministry of Health, Labour and Welfare.)

* Note : Japanese baby boomers were born between 1947 and 1949. In the United States and Europe, the baby boom lasted from the end of World War II until the early 1960s, but in Japan, the term refers to those born in these three years.

<Figure 1>



Source: Labour Force Survey and Estimation by Employment Security Bureau, Ministry of Health, Labour and Welfare.

2. Support ratios: An international comparison

Figure 2 shows support ratios for Japan, the EU and the United States. Support ratios are often used to indicate the relationship between a society's aging population and its economic activity. The support ratio is calculated by dividing the number of people in the working age population by the number in the elderly dependent age population. Thus, the ratio indicates the number of workers per supported elderly person.

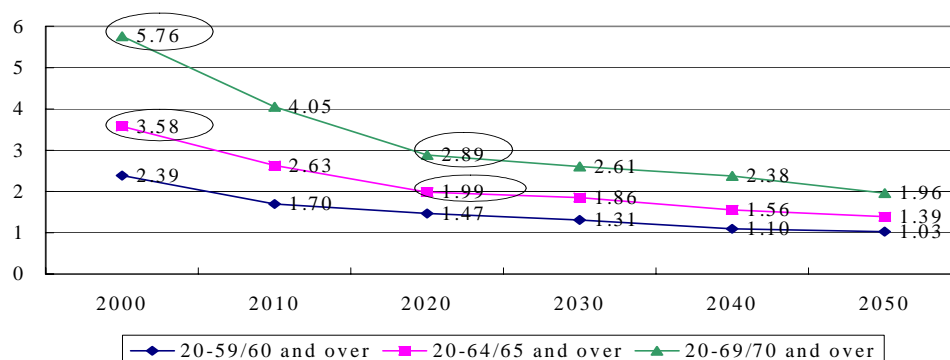
Depending on whether the average retirement age is set at 60, 65 or 70, the support ratio varies considerably for the over-20 working population. When we compare support ratios in Japan, the EU and the US for the years 2000 through 2050, we see that, because of Japan's lower birthrate and more advanced aging population, its support ratios are less favorable. This indicates that there is a need in Japan for as many elderly as possible to be supporting society, rather than being supported by society.

In 2020, even if the Japanese working population includes those between the ages of 20 and 69, 2.89 workers will have to support 1 elderly person. In the same year in the EU, almost the same number of workers – 2.78 – will have to support 1 elderly person, but in this case the retirement age is 65 (in other words, 5 years less than in the scenario for Japan). Thus, the Japanese would have to work 5 years longer to obtain the EU's support ratio. The American population is younger than that of the EU, so the spread is even greater.

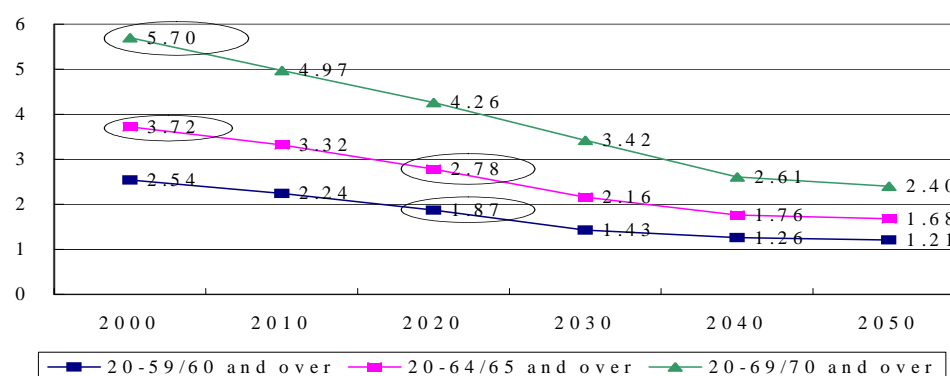
Many “active aging” proposals have been put forward at international conferences in recent years. The aim of these proposals is to ensure that older persons can participate fully in society, through employment and in other ways. Even more so than other countries, Japan needs to take the initiative in pursuing such efforts.

Figure 2 International Comparison of Support Ratios
(Working Age Population / Elderly Dependents Population)

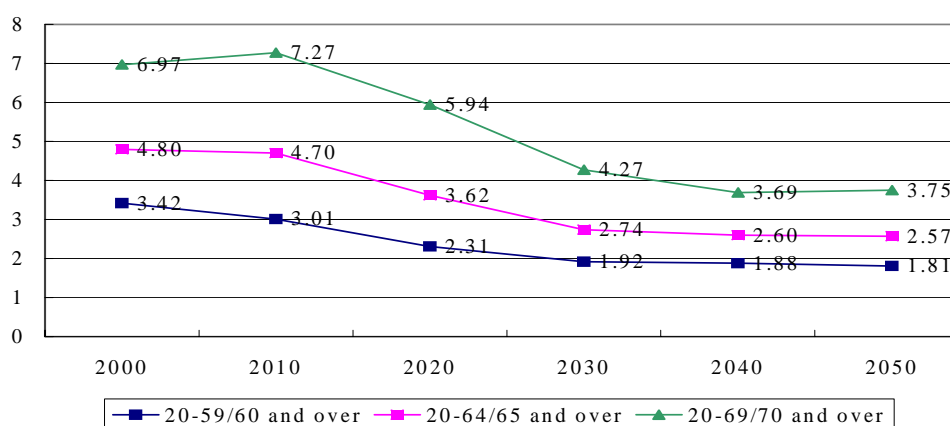
(1) Japan



(2) EU



(3) US



Sources: (Japan) *Projection of Japanese Population* (January 2002), National Institute of Population and Social Security Research.
(EU) (US) *World Population Prospects: the 1998 Revision*, United Nations

Chapter II. Aging in the Labor Force, and Corporate Management of Employment

1. Labor force participation rates and retirement practices in Japan, the US and the EU: For Japan, the challenge is to promote gradual retirement while reducing disparities in working conditions

Japan, the US and the EU have policies promoting gradual retirement, but their approaches have been different, especially in the case of Japan and the EU.

In the EU, labor force participation rates and employment rates fall significantly at the age where people become eligible for public pension payments and early retirement benefits. Policies promoting the employment of older people vary widely within the EU. For example, the Netherlands and Germany have revised early retirement promotion policies that were applied from the late 1970s to the mid-1990s, in an attempt to expand employment rates among those in their late 50s. Sweden is trying to expand employment among those in their 60s, by revising its public pension system and by raising the mandatory retirement age (collective agreements setting the mandatory retirement age at 67 or younger became invalid at the end of 2002). However, in France, where people become eligible for public pension benefits at 60, it is still considered usual to retire even before that age. Each country is taking up the challenge of promoting gradual retirement. For example, some countries are encouraging partial retirement schemes that promote part-time employment.

Statistics for Japan give the impression that gradual retirement is already being practiced, at least among males. Figure 3 shows the relationship between work status and receipt of benefits, by age group, for males in selected countries. Of the six countries shown, Japan has the largest percentage of men working throughout their 60s while receiving pension benefits. This is probably because the old-age pension system permits workers to receive partial benefits while holding down a job.

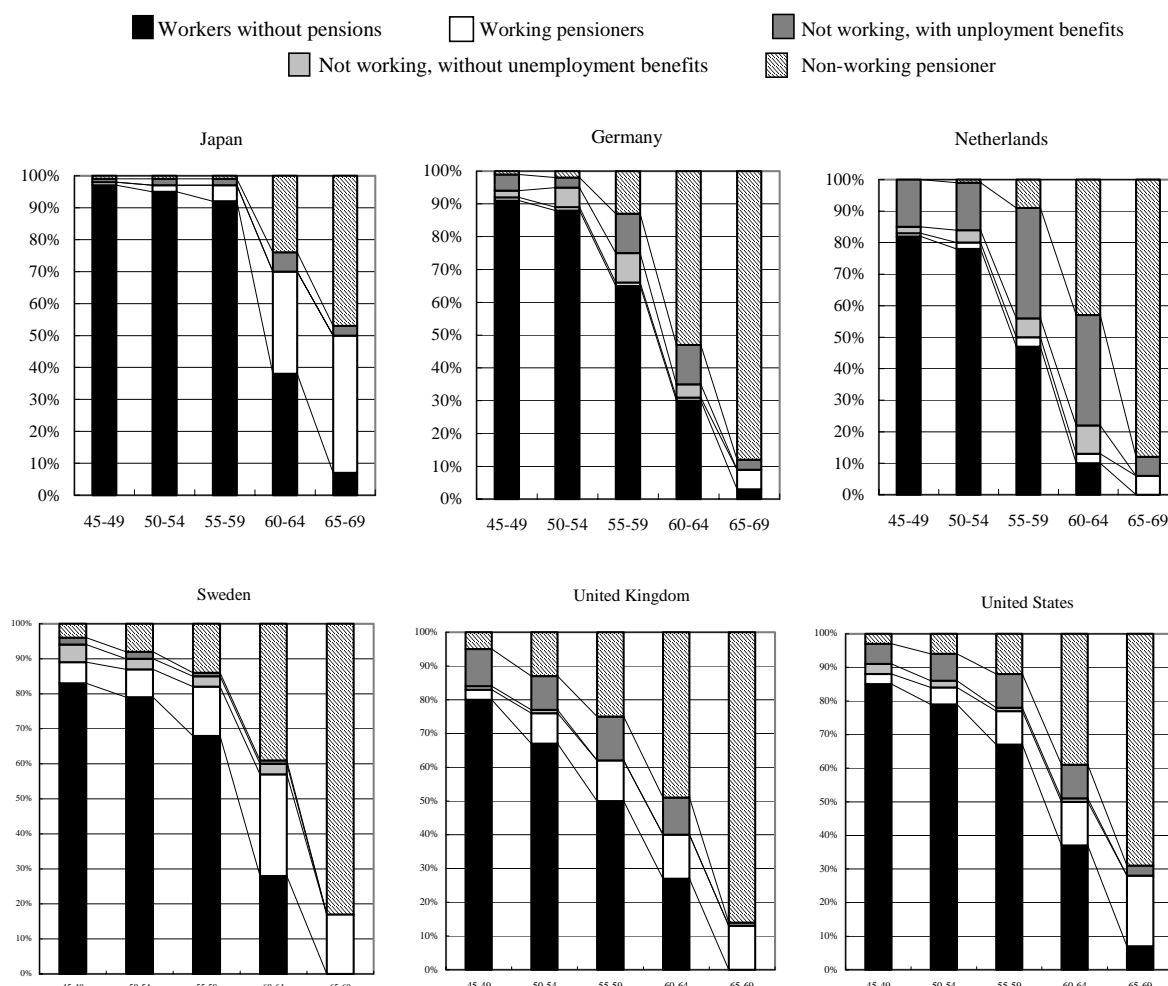
In Sweden, too, a fairly large percentage of men in their 60s are working pensioners, but the percentage drops for those aged 65 to 69. In the United States, a relatively large percentage of workers in their early 60s are not receiving pension benefits. In Germany and the Netherlands, a fairly large percentage of older males do not work, regardless of whether they have a pension or not. Also noticeable for Germany and the Netherlands is that a relatively large proportion of men in their late 50s and early 60s are not working, while receiving unemployment benefits.

For Japanese people under 60, there is a great difference in wages, job types, and employment patterns, compared with those aged 60 or more. Income, asset and pension benefit disparities within and between age groups are quite pronounced, and reducing these disparities, as part of policies promoting gradual retirement policies, is seen as a challenge facing Japan. This challenge is on a par with promoting employment opportunities for all women. It is important to promote employment opportunities for those in their 60s, taking into account the employment needs of each individual, including measures that permit workers to continue working for the same employer.

Figure 3 shows that the United States falls somewhere between Japan and the European countries: many men retire abruptly from their career jobs, but a fair number take part-time jobs after retirement, then retire fully at a later date. Part-time work has growing appeal in the

United States, and some companies are considering the introduction of structured, phased retirement programs.

Figure 3. Work and Benefit Status of Men, Older Age Groups
(Percentage of population, mid-1990)



Note: "Pension" includes private pensions.

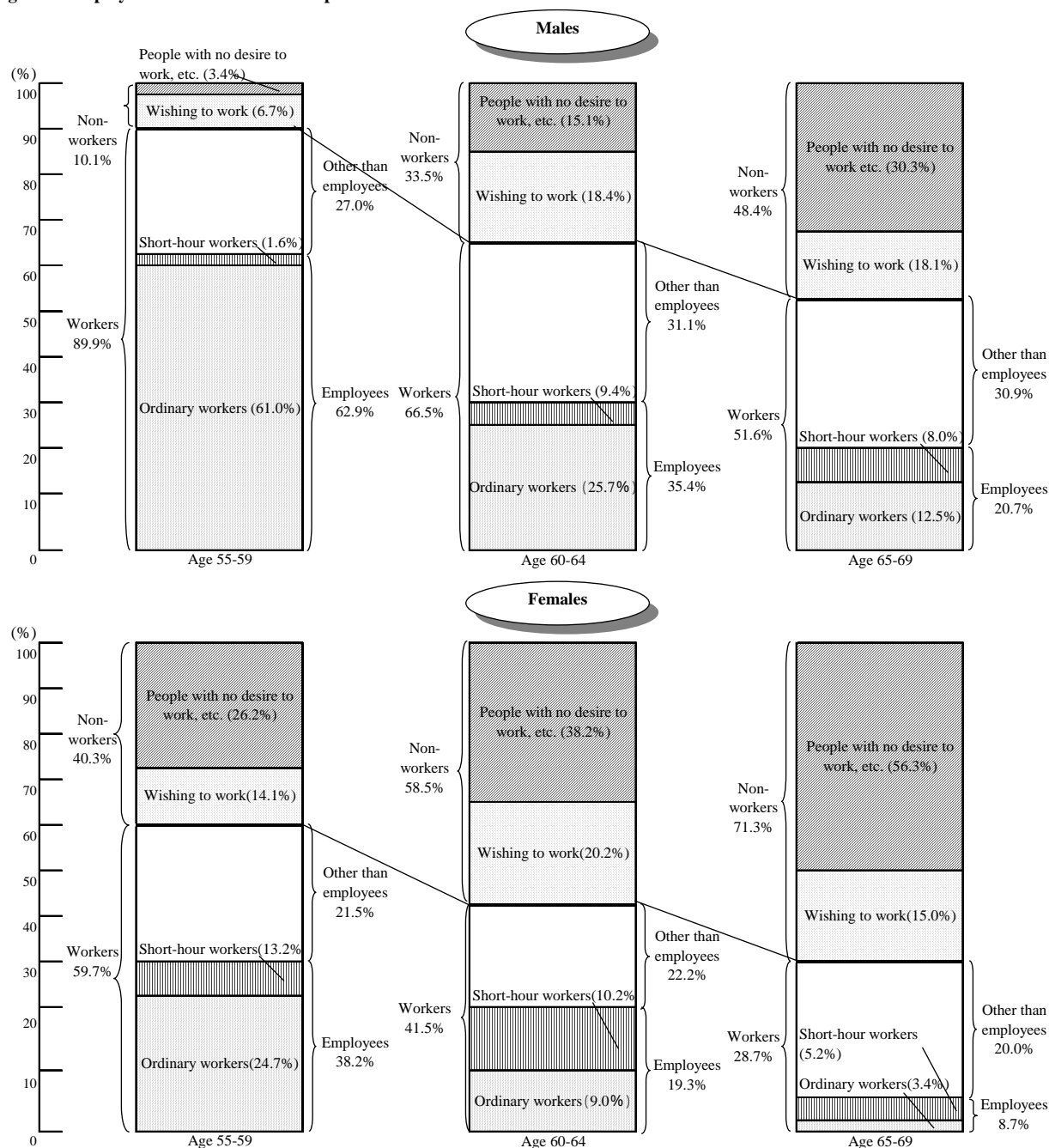
Source: *Ageing and Income: Financial Resources and Retirement in 9 OECD Countries (2000)*.

2. Employment status of older Japanese people: Strong motivation sets the stage for successful active aging policies

Older Japanese are highly motivated to work. Two in every three men in their early 60s continue to work, as do more than half of those in their late 60s. One in ten men in their early 60s do not work because of health problems, suggesting that, provided they are healthy, older men believe it is natural to work and earn a living at least to the age of 65. Indeed, those in their late 60s are still motivated to work, although the labor force participation rate for this age group is lower. However, there are greater individual differences in this age group, with about 20% not working because of health reasons. We can assume, though, that men want to work until they are 70, provided they are healthy and have varied employment opportunities.

More than 40% of women in their early 60s in Japan are employed. Among women not working, about 40% say they are not working because of “health reasons” or “no suitable job.” Even among women in their late 60s, almost 30% are employed. The work motivation of older Japanese women is considerable, although lower than that of men. (See Figure 4.)

Figure 4. Employment Status of Older People



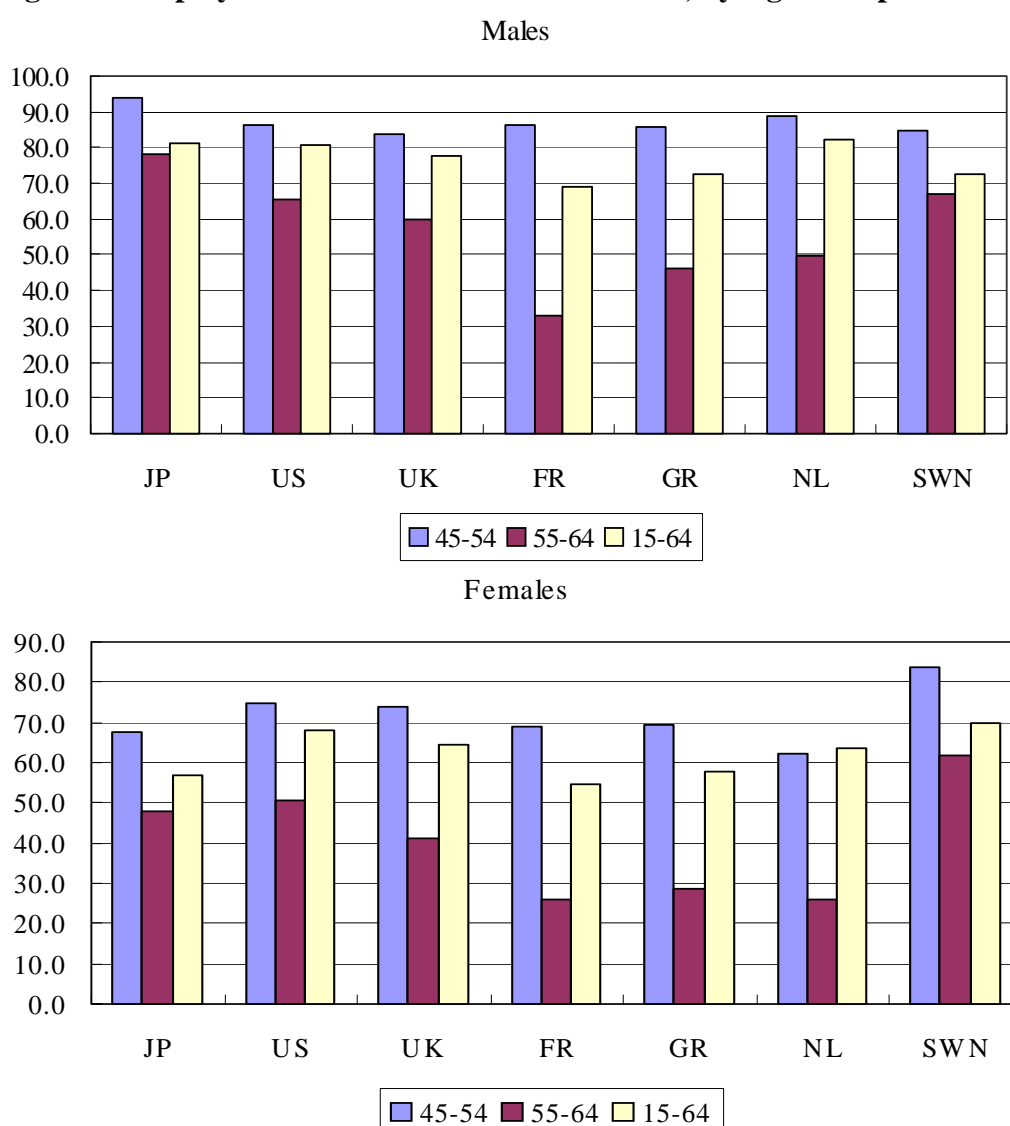
Source: Survey on Employment Conditions of Older Persons (2000), Ministry of Health, Labour and Welfare

Notes: 1. "Other than employees" includes "Company executives," "Self-employed," "Family business workers," "Side work," and "Unknown."

2. "People with no desire to work, etc." includes "People with no desire to work" and "Unknown."

Figure 5 indicates employment rates (number of workers / population) in selected countries, by age group and gender. For males, there is little difference among countries in the 45 to 54 age bracket. However, in the 55 to 64 age bracket, Japan exhibits a high employment rate, while the rate for France is far lower: it is the lowest among the seven countries, followed by Germany. For females, Sweden has the highest employment rate among those between 45 and 54, and for women between 55 and 64 as well. For this latter age group, the US and Japan are the second and the third, respectively. In France, Germany and the Netherlands, the employment rate for women is comparatively low. Japan's elderly, especially males, have a very strong desire to work, and this may make it easier than in other countries to achieve active aging policies.

Figure 5. Employment Rates in Selected Countries, by Age Group and Gender



Sources: (Japan) *Labour Force Survey 2000*, Statistics Bureau, Ministry of Public Management, Home Affairs, Posts and Telecommunications

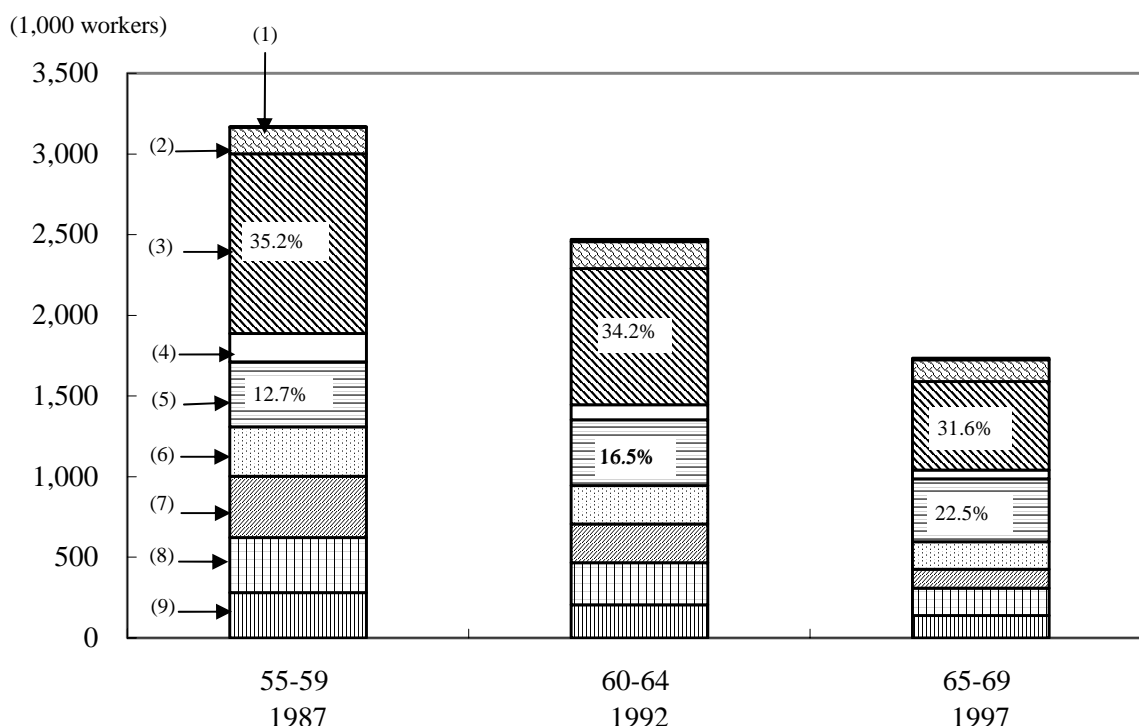
(EU) *Labor Force Survey 2000*, Eurostat

(US) *Employment & Earnings 2001*, U.S. Department of Labor

Note: For the US, the "45-54" age group is actually 46 to 54.

What changes occur in the number and percentage by occupation of Japanese older workers, as they age? The 5-year cohorts in Figure 6 show that, in all three age groups, the numbers of older workers in agriculture, forestry and fisheries remain relatively stable. As workers age, categories where their presence increases include: agriculture, forestry & fisheries workers; and security service & service workers. Conversely, with age their presence declines in the categories of: craftsmen, mining, production process and construction workers & laborers; workers in transport & communication operations; and clerical & related workers.

Figure 6. Number and Percentage of Employed Older Workers, by Occupation: 1987, 1992 and 1997 (Males)



- (1) Not classifiable
- (2) Security service workers & service workers
- (3) Craftsmen, mining, production process and construction workers & laborers
- (4) Workers in transport and communication occupations
- (5) Agriculture, forestry & fisheries workers
- (6) Sales workers
- (7) Clerical & related workers
- (8) Managers and officials
- (9) Professional & technical workers

Source: *Basic Survey of Employment Structure*, Statistics Bureau, Ministry of Public Management, Home Affairs, Posts and Telecommunications.

Notes:

1. Figures in bar columns indicate percentages.
2. "Not classifiable" indicates employment sectors difficult to classify.
 In this group: 1987, 0.1%; 1992, 0.5%; 1997, 0.5%
 Security service workers & service workers: 1987, 5.2%; 1992, 6.8%; 1997, 7.8%
 Workers in transport & communication occupations: 1987, 5.6%; 1992, 3.8%; 1997, 3.1%
 Sales workers: 1987, 9.7%; 1992, 9.7%; 1997, 9.9%

Clerical & related workers: 1987, 12.0%; 1992, 9.7%; 1997, 6.7%

Managers and officials: 1987, 10.8%; 1992, 10.6%; 1997, 9.7%

Professional & technical workers: 1987, 8.9%; 1992, 8.3%; 1997, 8.1%

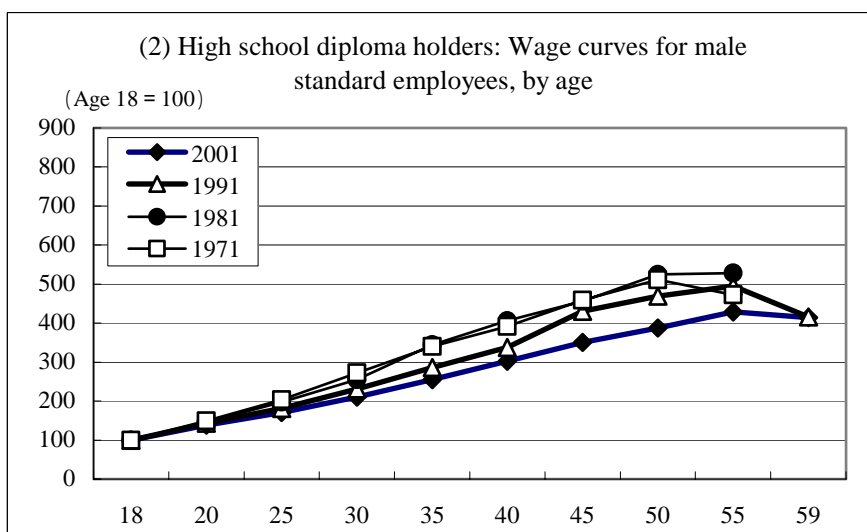
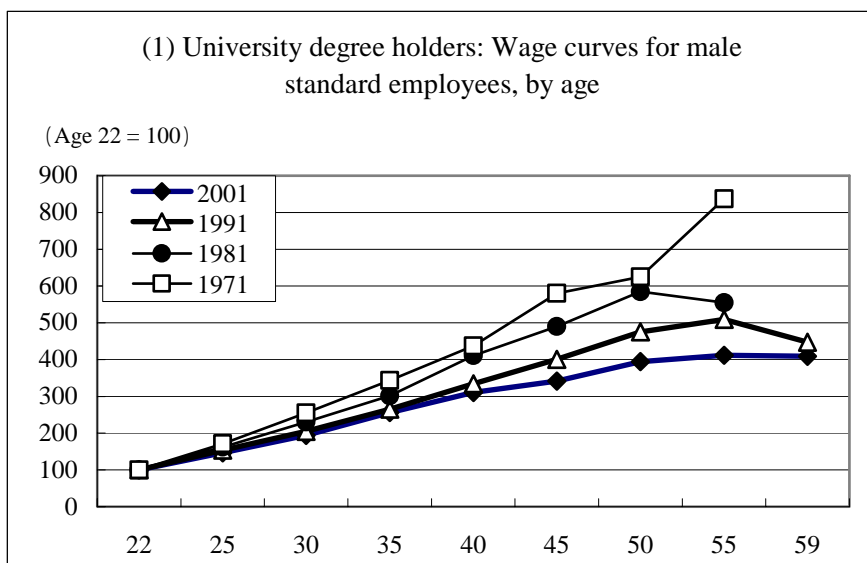
3. Employers' Human Resource Management Policies for Older Workers and Corporate Good Practices

At the present time, Japan's companies have few systems permitting continued employment for all workers over 60 who want to continue working for the same company. 71.8% of companies permit some employees to continue working until 65, but only 28.8% offer employment until that age for all who want it. Many companies apply their own criteria when making decisions on this issue. The main criteria are the ability, qualifications and health of workers hoping to continue employment.

In large corporations, many employees are transferred to or re-employed by affiliated companies before the mandatory retirement age of 60. Older workers aged up to 65 need the option of choosing, at an early stage, from a wide variety of employment patterns, so that as many as possible can work until that age.

If Japan is serious about ensuring active employment until 65, it must change the system of seniority-based wages and benefits, which assumes a pyramid-shaped organization. Indeed, many companies are now changing their wage and retirement allowance systems, and one of the results of these changes is a flatter wage curve (see Figure 7). Wage curves for male regular employees (those who joined a company immediately after graduation and have continued working for the same company), indicate that over the last 20 years or so wages for middle-aged and older workers have tended to flatten out. (This information is based on 1971, 1981, 1991 and 2001 statistics in the Ministry of Health, Labour and Welfare's *Basic Survey on Wage Structure*.)

Figure 7. Wage Curves for Male "Standard" Employees



Source: *Basic Survey on Wage Structure*, Ministry of Health, Labour and Welfare

Notes: 1 "Standard" employees are persons who entered a company immediately after graduating from school at the usual age, and who were still employed at that company at the time of the research

2. Wage = Scheduled cash earnings \times 12 + Annual special earnings

There is also a need to revise personnel management practices controlling remuneration and assignment of positions, and to revise job content so that the health and career experiences of each individual worker are taken into consideration. Indeed, these goals are now being tackled by many companies. According to the Ministry of Health, Labour and Welfare's *Employment Management Survey 2003*, companies with a mandatory retirement system (92.2% of all companies) state that if they decide to raise the mandatory retirement age to the early 60s,

they will introduce a new wage system (75.5%), modify their retirement allowance system (44.0%), take employee health into consideration (51.4%), revise personnel management practices, especially with regard to remuneration and position assignment (48.6%), and adjust job content and working environment (35.5%).

It is important to eliminate the biased concept that those aged 60 and over can be removed from their current jobs and assigned auxiliary roles or light work. In other words, corporations must abandon their low opinion of older workers.

It is now common in Japan for businesses to be regarded as good corporate citizens if they extend employment beyond the age of 60, and if they make an active effort to use the abilities and experience of workers in their 50s and 60s.

Chapter III. Policies Promoting the Employment of Older People

1. Proactive policies for older people

(1) Fix the mandatory retirement age at a minimum of 60, and promote continued employment up to 65

Under the mandatory retirement system implemented by many Japanese companies, the employment contract is terminated automatically when an employee reaches a specified age. The system has two primary characteristics:

- (a) guaranteed employment until the mandatory retirement age is reached;
- (b) an employment adjustment rule, which workers find easy to accept. (One aspect of employment adjustment involves the mass recruitment of new graduates. Under this system, skills more or less decline, the older the worker. Therefore, unless the seniority-based wage and benefit system is fundamentally changed, personnel costs could balloon out of control. Because this retirement system is based not on a worker's skill or other individual attributes, but on a uniform age of retirement, employees tend not to oppose their mandatory retirement.)

Japan's mandatory retirement system began at the end of the 19th century, and spread later throughout the country. Major corporations began using it as one way to manage personnel and labor in the 1920s and 1930s. Smaller companies began introducing it rapidly in the late 1950s. In January 2003, more than 90% of companies (92.2% of companies with 30 or more employees) had such a system.

For a long time after World War II, the mandatory retirement age was generally 55, but because of the gap between that age and the age at which people could start receiving public pension benefits (at that time it was 60), the government has since promoted extension of the minimum mandatory retirement age to 60, fulfilling one of its most basic employment policy goals. (This move was embodied in one of the basic policy targets of the secondary basic employment measures plan, adopted by the Cabinet in January 1973, for fiscal 1972 through 1976). The government strongly urged companies, especially large corporations, to push back the retirement age, and encouraged them to do so through assistance measures. During this time, labor and management increasingly recognized the merits of the government plan and, beginning in the late 1980s, there was a rapid drive to increase the retirement age to 60.

Legislation was amended in tandem with the retirement age extension. In 1994, the Law for Employment Stabilization for Older People was revised to prohibit the setting of retirement ages under 60, after April 1998.

Anticipating that the low birthrate and aging population would boost demand for labor, in fiscal 2001 the eligible age for public pension benefits began to be raised. This is being done in increments, from 60 toward 65. (See Chapter III, Section 6 for the increment schedule and employment incentives.) One important challenge facing Japan today is the achievement of a society in which people can be fully employed until age 65.

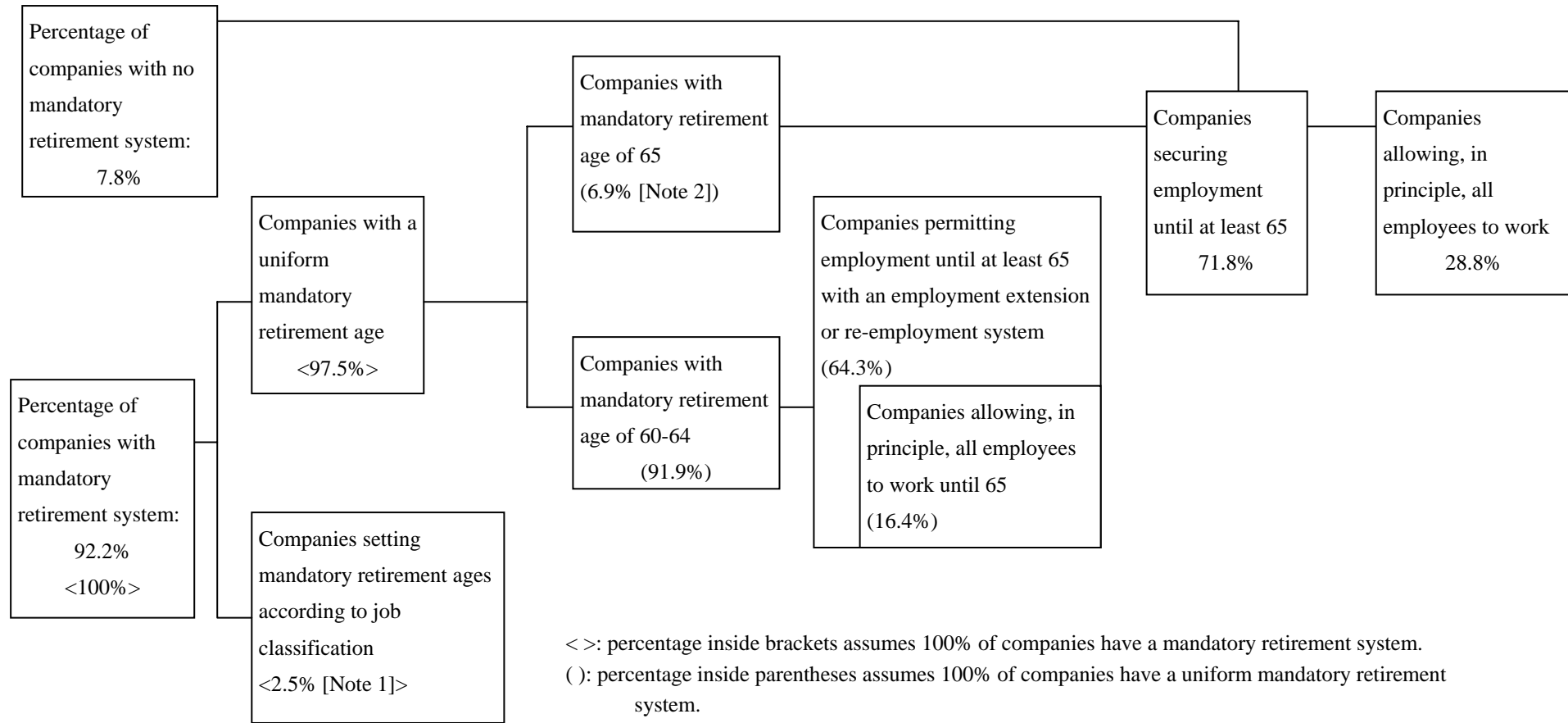
Those who debate this issue tend to promote one of three approaches:

- (a) the 60 plus approach involves maintaining the mandatory retirement age at 60, but adding number of years to working life, in order to promote continued employment until age 65;
- (b) the 65 minus approach involves raising the mandatory retirement age to 65 but permitting individual workers to decide whether they want to retire number of years earlier than that;
- (c) the age-free approach.

At present, the 60 plus approach has been widely accepted, since it does not force a company to fundamentally change its personnel management system.

Among companies surveyed in January 2003, a mandatory retirement age of 65 had been adopted by 6.9% of them, 7.8% set no retirement age, and 71.8% had a system in which some employees would be able to continue working for the same company at least until 65, after taking mandatory retirement. 28.8% of companies allowed all employees to work until age 65, in principle. (See Figure 8.)

Figure 8. Percentage of Companies Ensuring Employment up to 65



Source: Calculations based on statistics from *Employment Management Survey (2003)*, Ministry of Health, Labour and Welfare.

Note 1: Among these companies with mandatory retirement ages set according to job classification, a few ensured employment up to 65.

Note 2: A few companies had mandatory retirement ages over 65.

The Law for Employment Stabilization for Older People was amended again in 2000 to require that employers endeavor to devise measures for ensuring employment up to 65, either by raising the retirement age enforced at their company (if the age is under 65), or introducing a continued employment system. To promote acceptance of these stipulations, the government is taking steps to provide: (1) guidance and case-specific advice for employers; and (2) assistance to employers who have raised the retirement age or introduced continued employment schemes.

(2) Promotion of reemployment for middle-aged and older workers

If employment is interrupted in middle age or older, opportunities for reemployment become slim. It is important that older workers who lose their jobs are able to find reemployment as soon as possible, and this means that they need a great deal of job-seeking support before they leave their current employment.

When deemed advisable, government-run Public Employment Security Offices ask employers to prepare reemployment support plans, and pay subsidies to employers who introduce such plans, to associations of small and medium-sized enterprises that are promoting the reemployment of workers covered by such plans, and to companies that accept older workers covered by such plans. In addition, since fiscal 2000 the Offices are providing a special subsidy for urgently needed job creation programs. The subsidy, 300,000 yen per worker, is paid to employers hiring middle-aged (45 to 59) workers who have either become unemployed involuntarily or have taken public vocational training. The Public Employment Security Offices are also enhancing their information and guidance services.

2. Skill development: Raising the employability of older people

Japan's economy continues to stagnate at the same time as working lives become potentially longer, because the population is aging. Two major challenges facing the nation are reforming the industrial structure, and encouraging labor mobility.

Job skill mismatches between employers looking for workers and people looking for work also need to be addressed. Toward this aim, the government is calling on workers to consider their own career development and hone their own skills, in addition to taking advantage of existing long-term, systematic skill-development programs established by corporations. Japan is entering an era in which workers need to realize the importance of their own employability, or the need to have skills that are in demand within a company and elsewhere.

The government is placing strong emphasis on:

- (a) the encouragement of rapid reemployment by linking job referrals to vocational training;
- (b) the development of systems that encourage individuals to hone their own skills (career counselors now work at Public Employment Security Offices and various educational and training institutions, and over five years, the government aims to train about 50,000 career counselors for mainly middle-aged and older people who have left white-collar jobs);
- (c) the promotion of effective job skill development programs using a wide variety of educational and training resources, including private training institutions, universities,

graduate schools and non-profit organizations, in order to help middle-aged and older people, who have left white-collar jobs, find employment.

3. Balancing job guarantees with age-free employment opportunities

(1) The mandatory retirement system, and regulations regarding dismissals

As mentioned above, Japan's mandatory retirement system offers an implicit guarantee of employment until mandatory retirement age. Until recently, job dismissals were not covered by legislation. The only standard was precedent set by the Supreme Court. Its ruling was: a dismissal that has no objective rational, or that has an objective rational but still cannot be judged socially acceptable, is an abuse of the employer's right to dismiss an employee and is invalid.

Over the last few years, the long recession has forced some companies to restructure their operations, and this has led to an increase in dismissal-related conflict. In an attempt to resolve this problem, the government enacted revisions to the Labour Standards Law on June 27, 2003, setting out for the first time rules governing dismissals. Like the precedent explained above, the amended Law states that a dismissal that has no objective rational, or that cannot be judged socially acceptable, is an abuse of the employer's right to dismiss an employee and is invalid.

(2) The quest for age-free employment

Japan's socioeconomic environment is undergoing considerable change. Economic growth has stalled, industries are losing their international competitiveness, and workers increasingly favor more flexible employment conditions. As a result, there is a need to modify the long-term employment system and the seniority-based wage and benefit system. Government, labor and management are all fully aware of the changes affecting Japan's overall economic and employment systems, and are engaged in extensive efforts to achieve a society in which anyone with ability and will can work regardless of his or her age.

In Japan today, age is still a determining factor at every stage of the employee management system, from hiring to promoting to enforcing retirement. Trying to immediately prohibit any form of age discrimination, however, would disrupt the labor market. Rather, a major, overall review of employment systems should be conducted from the medium- to long-term perspective, along the following lines:

- (a) work responsibilities should be clearly defined, and socially acceptable worker ability evaluation mechanisms should be introduced;
- (b) salaries and other employee benefits should place greater importance on ability and job function;
- (c) the labor environment should permit a wider variety of working ways(patterns) that respect individual ability;
- (d) hiring and retirement conditions should be modified (for example, further steps should be taken to loosen age restrictions when recruiting and hiring, the compulsory retirement age should be raised, or systems should be introduced or improved to permit employees who reach retirement age to continue working for the same employer).

The first major step in this direction was taken by the stipulation in the Employment Measures Law, amended in October 2001, by which employers must endeavor to relax age restrictions when recruiting and hiring. The *Age Guidelines* (the guideline for employers to appropriately provide equal opportunities regardless of age in recruitment and job placement) have been adopted to ensure that the Law is effective. Their aim is to abolish age restrictions when recruiting and hiring. The *Age Guidelines* are publicized through public awareness campaigns, and by counselors at Public Employment Security Offices. The government has indicated, as one of its objectives in this regard, that 30% of all help-wanted notices accepted at Public Employment Security Offices by fiscal 2005 (April 2005 to March 2006) should be non-age specific, up from 12.8% as of November 2002.

It should be noted, however, that age restrictions are permitted when recruitment and hiring fall under any of ten exceptions, provided that the employer explains this fact to the relevant public or private employment agency and to job applicants. Three of these ten exceptions are:

- (a) When new graduates and others are recruited and hired for the purpose of career development based on long tenure;
- (b) When people below a specific age are recruited and hired for jobs where older workers, even if hired, would not be able to manifest their abilities sufficiently and would have to face mandatory retirement before they had acquired the necessary job skills;
- (c) When people below a specific age are recruited and hired because physical fitness, eyesight and other functions, which generally decline with age, are vital to the work for which personnel are being recruited.

Realizing that there are not enough reemployment opportunities for older workers, the government is currently studying further measures including the idea of the obligation of employers to explain why they are imposing age restrictions when recruiting and hiring.

In November 2000, the EU adopted a Directive promoting equal employment opportunity. The Directive establishes a general framework prohibiting employment discrimination based on religion, belief, disability, age or sexual orientation. The EU calls on member countries to translate the Directive's provisions into legislation by December 2003. However, member countries can postpone implementation of age and disability provisions for an additional three years. The EU Directive contains some provisions justifying differences in age-based treatment, and Japan is watching with great interest to see how the governments of EU-member countries establish a balance between long-term employment practices and the prohibition of age discrimination.

4. Securing employment opportunities to suit diverse work motivations and degrees of physical fitness

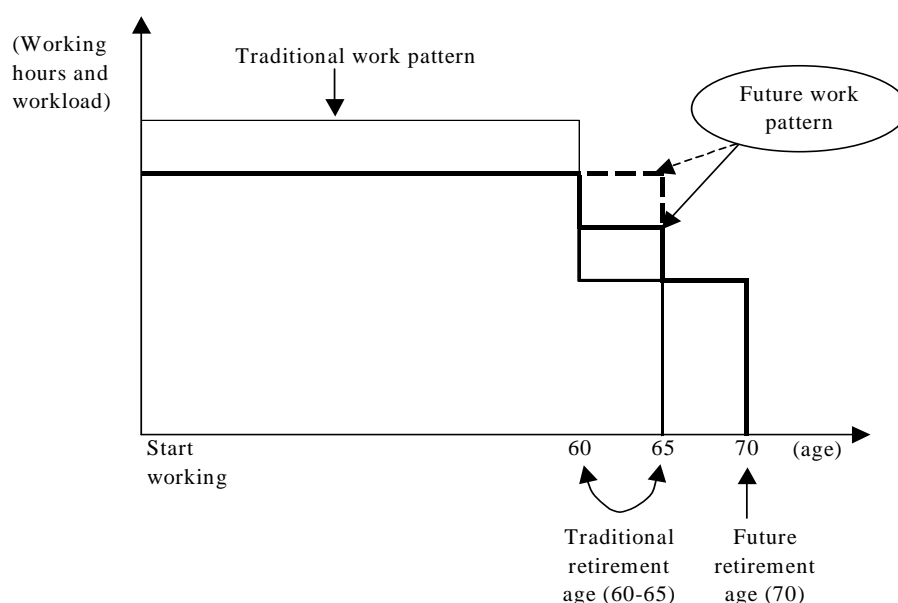
Older people in Japan generally have a desire to work until they are 70, provided they have the opportunity to do so. However, some find it difficult to work in exactly the same way as they did until the age of 60, because of health and other problems. It is therefore important that a variety of job options be available to them, such as working a few hours a day, or home-based work. In other words, employment options should not be limited to a full-time, conventional job.

The government is promoting the activities of Silver Human Resource Centers^{Note}, to provide elderly people, who are in the process of retiring, opportunities for temporary, short-term and other kinds of community-oriented work. The government also offers assistance to elderly people who join together to establish and manage a business venture that provides opportunities for continued employment. This assistance includes subsidies for operating expenses, guidance and information.

On another front, a growing number of elderly are participating in volunteer activities. According to *Elderly Lifestyles and Attitudes*, published by the Ministry of Public Management, Home Affairs, Posts and Telecommunications, in fiscal 1980 only 20.1% of those 60 or older participated in local volunteer efforts, but the proportion had risen to 46.0% in fiscal 1996. To ensure this trend continues, the government needs to provide even more assistance, including information on volunteer opportunities.

Inter-generational work sharing is another issue requiring further study. Younger people, too, desire a satisfactory work life, and further thought is needed to find ways to satisfy the work ambitions of both younger and older people. Shorter work hours for younger, hard-working people would give them more time for education, housekeeping and recreation, and would at the same time increase job opportunities for the elderly, thereby maintaining, indeed raising, their labor force participation rate. (See Figure 9.)

Figure 9. Future Work Life Pattern for Elderly



Source: *Toward a Lifetime Workforce*, Atsushi Seike, Professor of Keio University, NHK Human University Lectures, June and July 2003, graph on page 109, modified by the author of this report.

^{Note} Silver Human Resource Centers:

Silver Human Resource Centers offer temporary or short-term community-related work to elderly people, such as retirees. Membership in the Centers is generally open to people in good health over the age of 60. The Centers establish contractual agreements with households, private offices, and government institutions, which pay the Centers to arrange temporary and short-term jobs benefiting the local community. The jobs are offered to registered members, and are generally related to their expertise and past experience. Members receive a fixed wage for their work. In March 2001, total membership stood at 640,000.

5. Policies and assistance to encourage good practice strategies

The Association of Employment Development for Senior Citizens, an association of employers' groups receiving financial support from the government, has been commissioned by the government to encourage employers to develop good practice strategies. The Association's activities include:

- (a) offering of counseling and advice by management-labor consultants at prefectural branch offices to encourage corporations to employ elderly workers; these consultants/advisors promote the development of work conditions that will permit the continued employment of older workers, and encourage the modification of personnel management systems;
- (b) the development of concrete policies to ensure that personnel management systems encourage the employment of elderly people, and policies to ensure the improvement of working environments.

Whenever required, the Association also publishes booklets on job models indicating examples of good practice. In 2002 it compiled the following types of job models:

- (a) home-based jobs;
- (b) jobs that are better performed by middle-aged and elderly workers, because of the difficulty of hiring younger people;
- (c) short-term jobs that can take advantage of the special skills of elderly people;
- (d) jobs that permit the know-how of elderly professional specialists to be passed on to the younger generation;
- (e) jobs created by venture companies established by older people;
- (f) jobs created for middle-aged and older workers, which are designed in accordance with local economic conditions.

6. Pension system reform, and employment incentives

Japan's public pension system for private sector subscribers and civil servants has two tiers. The first tier offers payment of a fixed-amount base pension, while the second tier offers payment of a pension linked to prior earnings. (Private sector subscribers receive employees' pensions, while civil servant subscribers receive mutual aid association pensions.) All other subscribers receive only the first tier of payments. (See Figure 10.)

The eligible age for payment of the first tier fixed basic pension is being raised gradually from 60 to 65. At the present time it is 61. By 2013, it will be 65 for male subscribers who worked in the private sector, and for male and female former civil servants. For female subscribers who worked in the private sector, it will be 65 in 2018. The monthly "model" benefit for the first tier fixed pension benefit is presently ¥67,000 per pensioner.

The eligible age for payment of the second tier earnings-linked pension was changed in a 1999 amendment. For male subscribers who worked in the private sector, and for male and female former civil servants, the eligible age will rise gradually from 60 to 65, starting from 2013 and ending in 2025. For private sector female employees this will be delayed by five years.

The monthly benefit amount (including first and second tiers) for a "model" case (a man who made 40 years of employee's pension contributions, and his spouse who is a full-time

housewife, with both husband and wife aged 65 or older) is presently ¥238,000: this amount was set in 2000.

For self-employed, farmers, and students aged 20-60, the eligible age for payment of the first tier fixed basic pension remains unchanged, at 65.

Payments from the public pension system are adjusted to promote the employment of older people:

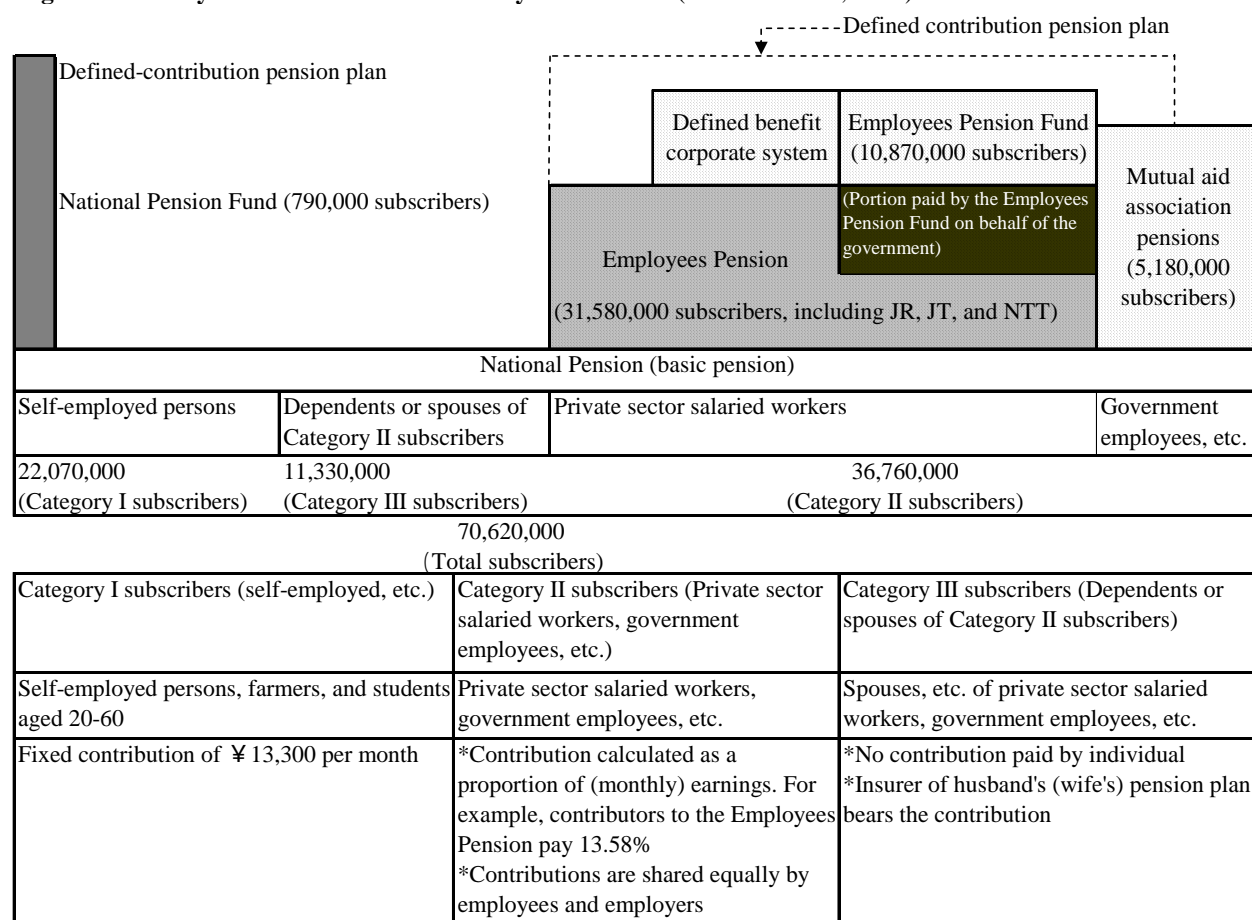
- (a) the number of months of contributions is considered when calculating the fixed and earnings-linked portions;
- (b) those in the 60 - 64 age bracket who continue to work still receive the old age pension (however, [a] the pension is reduced by 20%; and [b] if the remaining 80% of the total pension payment exceeds ¥220,000, the pension payment is reduced by 1 yen for every 2 yen earned);
- (c) if the monthly wage exceeds ¥340,000, the pension is reduced by 100% of wages over ¥340,000.

In addition, since April 2002, for those in the 65 - 69 age bracket, if the combined total of monthly wage and earnings-linked Employee Pension benefit exceeds ¥370,000, the pension payment is reduced by 1 yen for every 2 yen earned.

In anticipation of the next change in Japan's public pension system, to take effect in 2004, debate is underway on what type of system would best serve the public, what financing method is most suitable, and where the funds should come from. One important element in this debate is how to harmonize these factors with the policies further promoting employment opportunities for the elderly.

The number of days of basic unemployment insurance payments was increased in April 2001 for workers, especially those middle-aged or older, who are either dismissed or forced to leave their jobs because of their employer's bankruptcy. The system was revised again, in May 2003, to provide more incentives for the early reemployment of unemployed people, to promote a wider variety of work patterns, to give greater priority to those experiencing difficulty in becoming employed again, and to ensure a more stable management of the system. Revisions include:

- (a) Changes in the upper and lower basic allowance rates;
- (b) Introduction of an incentive to encourage people to give up unemployment benefits by finding employment;
- (c) Revised payment schedules, providing for regular unemployed workers and part-time unemployed workers to receive the basic allowance for the same number of days.

Figure 10. Policy Outline 4. Public Pension System Scheme (as of March 31, 2002)

Source: *White Paper on Health, Labour and Welfare (2003)*, etc., Ministry of Health, Labour and Welfare

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