
Introduction

Employment of Older Persons

Japan now has the largest proportion of elderly in the world. The present issue of the *Japan Labour Review* focuses on the employment situation and challenges of elderly people, which Japan is currently facing.

The declining birthrate and the growing elderly population are advancing faster than estimated. Today, the number of 65 year-olds and older exceeds 20% of the total Japanese population. The total population has shown a decrease since 2005. Demographic changes have resulted in shifts in the labor force—the bearers of economy. The aging of the labor population is in progress, and a decrease in the labor force is expected unfortunately.

These social changes have resulted in a major shift in social and employment systems. Companies and workers are required to respond to this new environment. Four studies found in this issue provide research analysis of the current situation and challenges. Before introducing each study, let us briefly explain the recent system changes and social movements which are in the context of the research analysis.

(1) Changing public pension eligibility

Partly due to financial issues along with the declining birthrate and growing elderly population, the eligible age for public pension has been raised one year at a time in every 3 years from 60 to 65 years old. For men, the basic pension component began to change from 2001, and the earnings-related component of pension will begin to change in 2013. Changes for women follow 5 years later. As of 2008, men receive the basic pension component from age 63; women from age 61. Since the mandatory retirement age for most companies is 60, there is a gap between the retirement age and the eligible age for a pension, thus employment issues for elderly people have become serious challenges. While elderly Japanese have a stronger will to work compared to other advanced countries, the active job opening ratio is low and employment environment is difficult, but securing employment at least until 65 years old has become essential. To deal with this issue, Act Concerning Stabilization of Employment of Older Persons was revised in 2004.

(2) Act Concerning Stabilization of Employment of Older Persons

The revision of Act Concerning Stabilization of Employment of Older Persons, implemented in April 2006, stipulates that companies must ensure employment for those 65 years and younger by any of which: (i) to increase the mandatory retirement age to 65 or older, (ii) to introduce a continuous employment system, and (iii) to abolish mandatory retirement. How companies responded to this act is analyzed in detail in Fujimoto's paper. Many companies still maintain a mandatory retirement age of 60, but have introduced a continuous employment system, where they set the standards and then only re-employ those who meet the standards. This means that those who do not meet the standards might not be re-employed in spite of their wish to work.

(3) Mandatory retirement of the *dankai no sedai* or Japanese baby-boom generation (hereinafter referred to as JBB generation).

In addition to the insufficient employment environment for those in the early 60s as described above, the first baby-boom generation reached the age of mandatory retirement in 2007. Large number of retirees have not only caused challenges regarding their employment, but also largely affected Japanese companies and society, which was named as the *Issue of 2007*. For example, due to the retirement of a large number of skilled workers, there was the concern that companies would lose technology and skills and the transfer of such skills would thereby be inhibited. On the other hand, the retirement of a large number of workers would have a positive effect on the employment of the younger generation to complement the lost labor force, but this trend as a whole is expected to result in a decrease in the labor force in the mid- and long-term.

The studies in the current issue identify the status of companies and workers in the midst of this change of social environment, based on the authors' analysis. Let us briefly introduce each study.

Mitani focuses his analysis on the status of companies, particularly their responses to changes in the work environment. He analyzes companies' human resource strategies and management from the viewpoint of economics in response to the retirement of the JBB generation, and to the low birthrate and longevity trends which are expected to advance further. The effect of issues

regarding transferring skills due to the JBB generation's retirement was relatively small for companies, while the reduction of labor costs and the increase of lump-sum retirement payments were substantial. It was identified that companies with issues regarding transferring of skills limit their employment to highly-skilled elderly technical experts. As for employment of the younger population, since some companies have strict employment policies such as regarding *freeters* (Young part-time workers who have been engaged in temporary works since leaving or graduating from schools), the retirement of a large number of workers does not necessarily result in an expansion of employment for the younger population at large. Generally, companies are planning human resource strategies including utilizing elderly workers in the face of an even greater dwindling birth rate and expanding elderly population, from long-term point of view.

On the other hand, Sato focuses on active middle and older workers and elderly workers including the JBB generation. One of the characteristics of his research is that it identifies differences among work styles, public and private sectors, and male and female, in regards to the prospect for employment after retirement and life plan at the elderly stage. Generally, employment needs later in life are high; approximately half of the respondents would like full-time employment up until 65 years old on average. In case of employed workers, though, the number of those who wish to be involved in volunteer activities after age 66 shows a significant increase, and the turning point of employment to retirement is between ages 65 and 66. This shows a remarkable difference from self-employed workers; many of them continue to work even beyond age 70. Furthermore, it was identified that the respondents basically intended to support themselves by their own income into their early 60s, but half of them responded that they did not know if there would be a prospect of employment for them at their current workplace, although the responses varied depending on if they had a particular expertise or if they were in management positions. The author indicates that therein lies a major issue.

Fujimoto analyses the response of companies to the revision of Act Concerning Stabilization of Employment of Older Persons and the status of elderly employment. Within a year of execution of the Act, most companies took measures to ensure employment of workers in their early 60s. The

majority of them introduced a continuous employment system by re-employment, and established standards on elderly employment. Elderly workers who are reemployed continue to work as full-time employees engaging in similar work as before, but retirees tend to be employed as temporary or contract workers. In many cases, their wages are set to approximately 40% to 50% of their wages at retirement age and their annual income, including a pension, to about 50% to 70% of their annual income at retirement age. Companies find major advantages in continuous employment, since they can expect the same output with lower labor costs. This system, though, does not necessarily match the elderly employees' needs. The author points out that employment which match the work style of the elderly workers and their needs should be examined.

Kajitani presents highly indicative analysis to see how elderly people who cannot find jobs or are not employed can be employed. Generally, there are various arguments regarding the effectiveness of skill development for the elderly people, and the author proves its effectiveness in this paper. First, he reveals that the unemployment period of 55 to 64 year-old-males in and after the 1990s has become longer, the ratio of long-term unemployed among the mandatory retirees is high, and the employment environment for elderly people continues to be bleak. The author then proves that one of the effective measures to promote elderly employment is skill development, such as job training and self-development. In order for elderly people to work after retirement, it is important that they look back their career and develop skills that are required in the labor market. He also points out that older workers need to be prepared as early as possible considering how they would like to work after their retirement.

We hope that the current issue of the *Japan Labour Review* will contribute to readers' better understanding of the status and challenges of elderly employment in Japan faced the declining birth rate and aging population.

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