

# Employment of Older People after the Amendment of the Act Concerning Stabilization of Employment of Older Persons: Current State of Affairs and Challenges

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## I. Introduction

With the progress of the declining birthrate and aging, there are rising concerns about maintenance of the social security system, transfer of skills and technique to the next generations, and decrease of the labor force<sup>1</sup> in Japan. Against this background, securing employment opportunities for older people is recognized as an important, urgent social issue in recent years. What will probably play a major role in securing employment opportunities for older people is the framework for continued employment in which workers will be employed for a longer period at a company that they have been working for. For many years in Japan, a law called the Act Concerning Stabilization of Employment of Older Persons has had a significant impact on firms' mechanisms for continued employment.<sup>2</sup>

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<sup>1</sup> According to estimates published by the Ministry of Health, Labour and Welfare in July 2005, the labor force would, even when various measures for work support increase labor force participation of women and older people, shrink from 66.42 million in 2004 to 65.35 million in 2015 and 61.09 million in 2030. Of this, the labor force of the ages between 15 and 29 is expected to decline from 13.89 million in 2004 to 11 million in 2030, down slightly less than 3 million in 25 years, and the labor force of the ages between 30 and 59 is expected to decrease from 42.92 million in 2004 to 39.33 million in 2025, a decline of some 3.6 million.

<sup>2</sup> The Act on Stabilization of Employment of Older Persons developed out of the Act for Promoting Employment of Middle-aged and Older Persons, Etc., which was enacted in 1971. At a time when the Act for Promoting Employment of Middle-aged and Older Persons, Etc. was enacted in 1971, it was provided for as a regulation for setting targets on the percentage of middle-aged and older employees of age 45 and over in each job category. Later, the system of setting targets in each job category was abolished in 1976, and, instead, employers were obligated to meet the uniform target of 6% or more as a percentage of older employees of ages between 60 and 65 among all employees.

In 1986 the Act for Promoting Employment of Middle-aged and Older Persons, Etc. was amended and became the Act on Stabilization of Employment of Older Persons. At this time, the act provided for an obligation of firms to make an effort to set the mandatory retirement age at 60, in addition to the target on the percentage of older

The Act Concerning Stabilization of Employment of Older Persons was reviewed in 2004. Before the review, Japanese firms were prohibited from having a mandatory retirement age system<sup>3</sup> that set the mandatory retirement age at under 60. After the review, firms were additionally obligated to introduce measures for continued employment of employees beyond the age of 60 as from April 2006. In this paper, we first touch on how the Act Concerning Stabilization of Employment of Older Persons was amended in relation to the framework for firms' employment of older people and see how much the new framework for employment of older people is established. Secondly, we examine the state of employment of older people after the amendment, based on the results of a large survey conducted by the Japan Institute for Labour Policy and Training (JILPT) on firms. In the last section, we examine, based on the findings of the survey, the future issues concerning employment of older people in Japan.

## **II. Amendment of the Act Concerning Stabilization of Employment of Older Persons: Obligation on Firms to Implement Employment Security Measures and the State of Implementation**

### **1. Obligation on Firms to Implement Employment Security Measures**

Implementation and expansion of a system that will allow workers to continue to be employed for as long as possible by the firm they have worked for will improve on the situation of middle-aged and older workers who find re-employment very difficult, as well as contribute significantly to securing employment opportunities until older age. The Basic Policy for Stabilization of Occupation for Older People, etc., which was drawn up by the Ministry of Labour (today's Ministry of Health, Labour and Welfare) in September 1998, set a policy goal of spreading, in the next 10 years or so, a system where everyone who wished to work, in principle, could do so up until the age of 65

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employees. In the amendment of 1994, the mandatory retirement age of 60 became an obligation for employers, and as of April 1998, it became illegal to set the mandatory retirement age at below 60.

<sup>3</sup> The "mandatory retirement age system" is a system where a firm will terminate employment relation with a worker once that worker reaches a certain age. According to the Survey on Employment Conditions of Older Persons, conducted by the Ministry of Health, Labour and Welfare in 2004, the mandatory retirement age system was introduced in 74.4% of 7,787 firms that responded to the survey.

in accordance with their motivation and ability. In the same year, the Act Concerning Stabilization of Employment of Older Persons, which was designed to increase employment opportunities for older people, was amended, and firms were obligated to make “an effort” towards implementing measures for securing employment (hereafter called the “employment security measures”) until the age of 65. According to the Survey on Employment Conditions of Older Persons of 2004, however, although 67.5% of the business establishments that employed the mandatory retirement age system had implemented a system of continued employment after the mandatory retirement age, only 15.7% of the business establishments with the mandatory retirement age system continued to employ, in principle, all those who wished to be employed beyond the mandatory retirement age. Therefore, with the purpose of promoting establishment of the employment security measures by firms up to the age of 65, the Act Concerning Stabilization of Employment of Older Persons was amended in June 2004, and firms were obligated, as of April 2006, to implement the employment security measures up until the pensionable age for the basic pension,<sup>4</sup> the pensionable age which was to be raised step by step (Table 1).<sup>5</sup>

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<sup>4</sup> Japan’s public pension system is composed of three pension plans of the national pension scheme, to which all Japanese citizens who are 20 years old and over contribute, the employees’ pension insurance scheme, to which employees of firms contribute, and the mutual aid pension scheme, to which public employees contribute. Upon reaching a certain age, self-employed people become eligible to receive pensions based on the national pension scheme, and employees of firms and civil employees become eligible to receive pensions based on the national pension scheme as well as the employees’ pension scheme or the mutual aid pension scheme.

The pension paid based on the national pension scheme is called the “basic pension.” To strike a balance between the contribution and pension, it was decided in the review of the public pension system of 1994 that the pensionable age would be raised in stages from 60 starting in 2001. In the review of the public pension system in 2000, it was also decided that the pensionable age for the employees’ pension insurance scheme and the mutual aid pension scheme would be raised in stages from 60 starting in 2013.

<sup>5</sup> The amendment of 2004 provided, among others, for obligation of firms to implement employment security measures for older people as well as for firms to prepare and issue a document for assisting in the job search activities of older people who had been severed from their jobs because of dismissal, etc., which have to be issued to the older people who so wish as a measure to improve the situation of middle-aged and older workers for whom reemployment is difficult (Article 17, Paragraph 1), and for any firm that set the upper age limit of 65 or under in the firm’s recruitment to clearly state the reasons for setting the age restriction (Article 18-2).

**Table 1. Schedule for raising the pensionable age of public pension**

Basic pension		Earnings-related component	
2001	61	2013	61
2004	62	2016	62
2007	63	2019	63
2010	64	2022	64
2013	65	2025	65

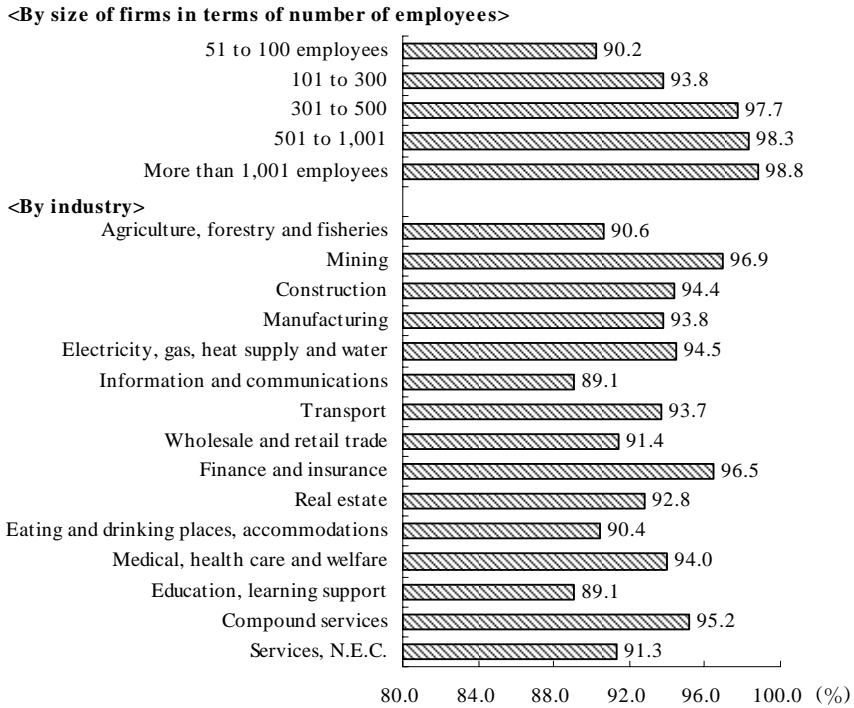
*Note:* Women's pensionable age will be raised five years behind the above schedule.

The “employment security measures” provided for in the act refer to one of (i) raising the mandatory retirement age, (ii) introducing a continued employment scheme, or (iii) abolishing the mandatory retirement age (Act Concerning Stabilization of Employment of Older Persons, Article 9). As for the continued employment scheme, although firms are required, in principle, to introduce a scheme whereby all those who wish to be continually employed are eligible, firms may, if they introduce a scheme in which they set, in a labor-management agreement, a certain standard on the eligibility of older people, not employ older people who do not meet the standard. If, despite the effort made by an employer to conclude a labor-management agreement, an agreement cannot be reached, firms may also set a standard on the eligibility of older people for a continued employment scheme in a work rule and introduce the scheme, as a special measure that will be applicable for large firms until March 31, 2009 and for small- and medium-sized firms until March 31, 2011. As for the standard, the Ministry of Health, Labour and Welfare has indicated that criteria such as “limited only to those deemed necessary by the firm” and “limited only to those with a recommendation by one's superior” are tantamount to having no standard at all and may be in contravention of the spirit of the amendment. It is desirable that the standard is set taking into consideration such requirements as that the standard measures motivation and abilities as specifically as possible (specification) and that it objectively sets the required abilities, etc. the applicability of which can be predicted (objectivity).

## **2. State of Implementation of Employment Security Measures**

The Act Concerning Stabilization of Employment of Older Persons obligates firms with 51 or more employees to report on the state of implementation of

**Figure 1. Percentage of firms implementing employment security measures for older people**



Source: Ministry of Health, Labour and Welfare (2007).

employment security measures for older people as of June 1 of each year. A summary of the firms' reports, as of June 1, 2007, shows that out of 88,166 firms with 51 or more employees, 92.7% (81,762 firms) had implemented some form of employment security measures, an increase of about 9% from the survey taken on June 1, 2006. Among large firms with more than 300 employees, the rate of implementation is close to 100%. Among firms with 51 to 100 employees, the rate of implementation is more than 90%. By industry, the rate of implementation is slightly higher in mining, finance and insurance, and compound services, while it is slightly lower in information and communications, education and learning support, and eating and drinking places and accommodations (Figure 1).

Of the firms that had implemented employment security measures (81,762

firms), 85.8% introduced a continued employment scheme, 12.1% raised the mandatory retirement age, and only 2.1% abolished the mandatory retirement age. The age limit on the employment security measures was set at 65 or over at 77.5% of the firms, as many firms set the age limit ahead of the schedule set by law. Of 70,126 firms that had introduced a continued employment scheme, 38.8% employed all who wished to continue in employment, and the remaining 61.2% had set a standard on eligibility. Of those firms that had set a certain standard, about 70% did so through a labor-management agreement, and about 30% did so in the work rule.

### **III. State of Employment of Older People after the Amendment of the Law**

#### **1. Data**

The Ministry of Health, Labour and Welfare's annual tabulation captures what kind of employment security measures firms have implemented after the amendment of the Act Concerning Stabilization of Employment of Older Persons. It does not, however, shed light on many aspects of employment of older people after the amendment of the act, such as how older people eligible for employment security measures are chosen and how eligible workers are treated. Therefore, in this and the following sections, we examine in greater detail Japanese firms' employment of older people and particularly of employment of older people past the mandatory retirement age, based on a large survey conducted by the JILPT in October 2006 (hereafter called the "JILPT 2006 Survey").

The JILPT 2006 Survey was conducted on 5,000 firms with 300 or more employees in industries other than agriculture, forestry, fisheries, and mining.<sup>6</sup> It asked the firms questions on (i) the mandatory retirement age system after the firms were obligated to implement the employment security measures, (ii) the continued employment scheme after the amendment of the Act Concerning Stabilization of Employment of Older Persons, (iii) the contents of programs implemented by firms in response to the obligation of implementing employment

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<sup>6</sup> The 5,000 firms were selected by stratified sampling in accordance with the ratio of number of firms by industry and size obtained from the Ministry of Internal Affairs and Communications, 2004 Establishment and Enterprise Census.

**Table 2. Industry and size of firms responding to the JILPT 2006 survey  
(n = 1,105, %)**

<b>Composition by industry</b>	
Construction	6.0
Manufacture of general machinery	4.3
Manufacture of transportation equipment	3.3
Manufacture of precision instruments and machinery	1.7
Manufacture of electrical machinery, equipment and supplies	4.9
Miscellaneous manufacturing industries	12.8
Electricity, gas, heat supply and water	0.5
Information and communications	2.5
Transport	9.9
Wholesale and retail trade	21.7
Finance and insurance	2.4
Real estate	0.5
Eating and drinking places, accommodations	4.0
Services	17.8
Others	4.8
No response	3.0
<b>Composition by size in terms of number of employees</b>	
Less than 300 employees	6.7
300 to 499	33.8
500 to 999	29.5
1,000 or more	26.7
No response	3.3

security measures, (4) firms' programs on employment, career, and treatment of older employees (50 and over), among others.<sup>7</sup> The number of firms that responded to the survey was 1,105 (effective response rate: 22.1%). The composition of the respondents by industry and size in terms of the number of employees is as shown on Table 2.

Of the 1,105 firms responding to the survey, 1,098 firms had a mandatory retirement age system, and only 7 firms did not have such a system. As regards the employment security measures of firms that had a mandatory retirement age system (multiple answers), the large majority of the firms, at 91.3%, were "firms that had introduced a reemployment scheme for people reaching the mandatory retirement age," 7.7% were "firms that had introduced a work extension scheme for people reaching the mandatory retirement age,"

<sup>7</sup> For details of the results and analysis of the results, see the Japan Institute for Labour Policy and Training (2007).

and only 2.4% were “firms that raised the mandatory retirement age to above 60 across-the-board.”

## **2. Basic Framework of the Continued Employment Scheme**

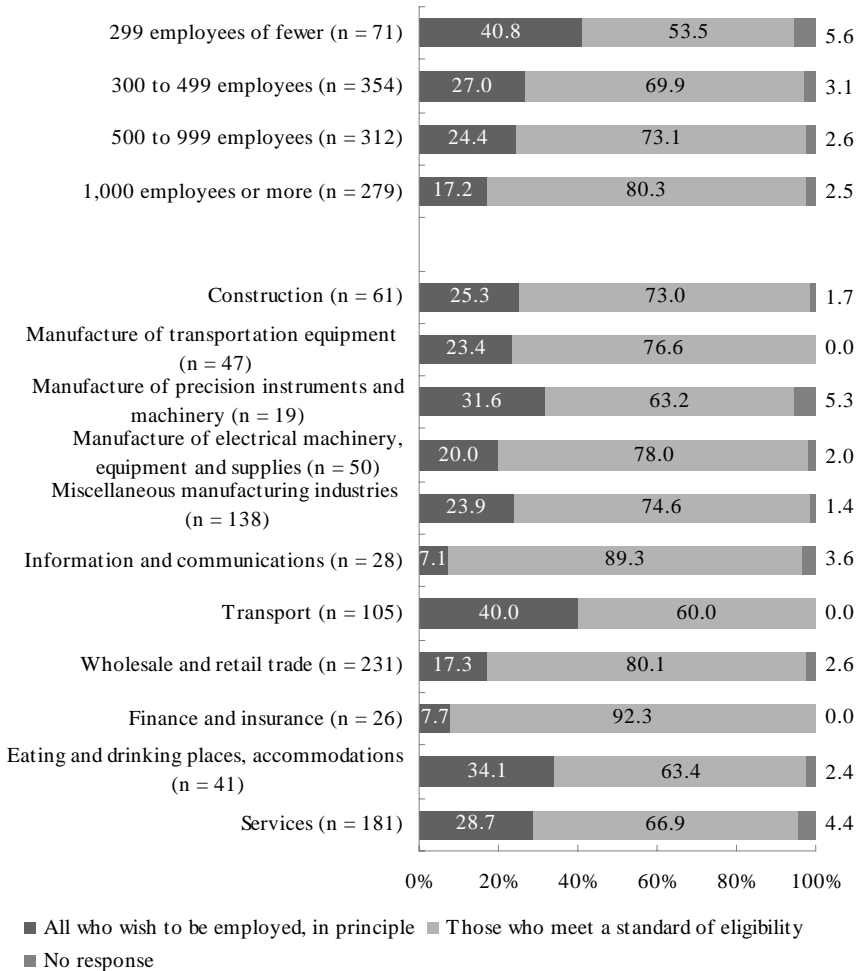
As mentioned above, 1,051 firms, which were almost all firms out of 1,105 firms that responded to the JILPT 2006 Survey, had maintained the mandatory retirement age system while introducing a continued employment scheme (reemployment scheme or work extension scheme) for people reaching the mandatory retirement age. In this and the following sections, we examine the state of employment of older people by firms that had introduced the continued employment scheme.

When the firms that had introduced the continued employment scheme were asked who were covered by the scheme, only 24.6% said all who wished to continue in employment were covered, in principle, and 72.2% said they had a certain standard of eligibility for continued employment. The percentage of firms that had set a standard of eligibility tended to rise among firms with large number of employees. The percentage of such firms with a standard was also particularly high in finance and insurance and information and communications. On the contrary, the percentage of firms that covered all who wished to be employed, in principle, was high in transport, manufacture of precision instruments and machinery, and eating and drinking places and accommodations, compared with in other industries (Figure 2).

What were the standards that the firms with a standard of eligibility for the continued employment scheme set for continued employment of older people? The criteria mentioned by 759 firms with a standard were, in the order of most answers given, “No health problems” (88.7% of 759 firms with a standard), “Willingness and motivation to work” (83.5%), “Attendance, attitude towards work” (62.7%), “A certain level of performance” (57.4%), and “Acceptance of job description presented by the firm for continued employment” (45.3%). In the JILPT 2006 Survey, the respondents were asked to state in greater detail about the standards of eligibility for the continued employment scheme. As a result, “No health problems” more specifically meant that medical exams prior to reaching the mandatory retirement age did not reveal any particular health problems and that there was no long-term leave lasting more than a month during two to three years prior to reaching the mandatory retirement age. Other criteria that many firms adopted as a requirement for continued employment



**Figure 2. Eligibility for continued employment scheme**



Source: JILPT 2006 Survey.

were “Attendance, attitude towards work,” which meant that there was no absenteeism during a certain period prior to reaching the mandatory retirement age, and “A certain level of performance,” which was obtaining performance appraisal of mid-level or above also during a certain period before reaching the mandatory retirement age.

The similarities and differences in the main criteria mentioned for eligibility

Table 3. Criteria for eligibility for continued employment (By industry and size, multiple answers, %)

	n	No health problems	Willingness and motivation to work	Attendance, attitude towards work	A certain level of performance	Acceptance of job description presented by the firm	Specific skills and expertise backed by experience
<b>Total</b>	759	88.7	83.5	62.7	57.4	45.3	17.5
<b>Industry</b>							
Construction	45	97.8	93.3	64.4	57.8	46.7	20.0
Manufacture of general machinery	34	100.0	91.2	67.6	70.6	52.9	29.4
Manufacture of transportation equipment	20	100.0	90.0	75.0	65.0	35.0	20.0
Manufacture of electrical machinery, equipment and supplies	36	94.4	80.6	69.4	58.3	52.8	16.7
Information and communications	24	95.8	75.0	70.8	62.5	29.2	8.3
Transport	48	100.0	93.8	72.9	52.1	43.8	20.8
Wholesale and retail trade	165	97.0	94.5	64.2	67.9	58.8	13.9
Finance and insurance	23	100.0	95.7	52.2	60.9	43.5	8.7
Eating and drinking places, accommodations	25	96.0	96.0	52.0	60.0	32.0	28.0
Services	110	95.5	87.3	78.2	65.5	44.5	21.8
<b>Size by number of employees</b>							
299 employees or fewer	34	97.1	97.1	79.4	67.6	52.9	23.5
300 to 499 employees	232	95.7	91.8	73.7	63.4	51.7	19.4
500 to 999 employees	206	98.5	94.7	70.4	64.1	50.0	18.4
1,000 or more employees	205	97.1	86.3	59.0	61.5	46.8	18.5

Source: JILPT 2006 Survey.

Note: Industries in which less than 20 firms had a standard of eligibility for the continued employment scheme are excluded from the above.

by industry and company size in terms of number of employees are summarized in Table 3. The percentage of firms that mentioned, “Willingness and motivation to work,” was higher in transport, wholesale and retail trade, finance and insurance, and eating and drinking places and accommodations compared with other industries. The percentage of firms that said, “Attendance, attitude towards work,” was particularly high in the services and transport industries. As for the percentage of firms that replied, “Acceptance of job description presented by the firm,” it was close to 60% in retail and wholesale trade. In terms of company size by number of employees, the percentage of firms that mentioned, “Attendance, attitude towards work,” tended to decrease as the size of firms grew larger.

### **3. Types of Employment Contract and Working Time System Applied to Employees in Continued Employment**

#### **(1) Types of Employment Contract**

What kind of employment or work contracts are firms using to employ older people beyond the mandatory retirement age? The firms responding to the survey were asked to list all types of employment contracts that they used. As a result, 83.4% of the firms said, “Limited-term contract employee,” 19.8% said, “Part-time employee,” and 12.0% said, “Full-time regular employee” (Table 4). The majority of older people who become eligible for continued employment after the mandatory retirement age are working, prior to the mandatory retirement age, as full-time regular employees, for whom there is no limit in the term of their employment contract and who are expected to work full-time. However, only a very small number of firms employ those employees who remain in employment after the mandatory retirement age as full-time regular employees. In employing older people who reached the mandatory retirement age, most firms used an employment contract for the “limited-term contract employee,” which is often used to employ full-time workers for a limited term. As it is generally the case in Japan, it is assumed that the employment contract for the “part-time employee” is used in cases where the working hours of older people who continue to be employed are shorter than full time.

There were hardly any differences, by company size in terms of number of employees, as regards the types of employment contracts used for continued employment (Table 4), except that the percentage on part-time employees was

Table 4. Employment or work contracts used by firms for continued employment (Multiple answers, %)

	n	Full-time regular employee	Limited-term contract employee	Part-time employee	Employment- type temporary employee	Others
<b>Total</b>	1051	12.0	83.4	19.8	1.8	3.1
<b>Industry</b>						
Construction	61	14.8	90.2	3.3	0.0	1.6
Manufacture of general machinery	47	10.6	80.9	27.7	2.1	6.4
Manufacture of transportation equipment	35	11.4	80.0	5.7	8.6	5.7
Manufacture of precision instruments and machinery	19	10.5	84.2	15.8	5.3	0.0
Manufacture of electrical machinery, equipment and supplies	50	6.0	88.0	6.0	0.0	6.0
Miscellaneous manufacturing industries	138	9.4	81.9	13.8	1.4	5.1
Information and communications	28	3.6	85.7	3.6	3.6	0.0
Transport	105	15.2	81.9	24.8	1.9	3.8
Wholesale and retail trade	231	11.3	84.0	26.4	1.7	0.0
Finance and insurance	26	3.8	69.2	23.1	7.7	15.4
Eating and drinking places, accommodations	41	26.8	78.0	41.5	0.0	0.0
Services	181	10.5	91.2	17.7	0.6	2.2
<b>Size by number of employees</b>						
299 employees or fewer	71	15.5	80.3	19.7	0.0	5.6
300 to 499 employees	359	10.0	85.0	17.5	1.4	2.8
500 to 999 employees	312	12.8	84.6	16.0	1.6	1.9
1,000 or more employees	279	10.4	83.9	26.5	2.5	4.3
<b>Eligibility for continued employment</b>						
All those who wish to be employed, in principle	259	16.2	80.3	22.4	1.2	2.3
Those who meet a standard of eligibility	759	10.1	85.6	19.4	2.1	3.4

Source: JILPT 2006 Survey.

slightly higher among firms with 1,000 or more employees. On the other hand, by industry (Table 4), there were marked differences in the percentages of firms employing older people as full-time regular employees and part-time employees. The percentage of firms employing full-time regular employees was extremely low in information and communications and finance and insurance at less than 5%, but it was close to 30% in eating and drinking places and accommodations. The percentage of firms employing older people as part-time employees was 42.5% in eating and drinking places and accommodations, which was more than twice the average among all the firms that had introduced a continued employment scheme. The percentage was also high, in comparison with other industries, in manufacture of general machinery and wholesale and retail trade at slightly less than 30%. However, it was less than 10% in construction, information and communications, manufacture of transportation equipment, and manufacture of electrical machinery, equipment and supplies. If we summarize the similarities and differences among industries as regards the types of contracts used for continued employment, there are a number of patterns: (i) industries that mainly use the employment contract of limited-term contract employee for continued employment of older people past the mandatory retirement age with exceptional use of other types of contracts; (ii) industries that almost exclusively use the employment contract of limited-term contract employee (information and communications and manufacture of electrical machinery, equipment and supplies); (iii) industries that mainly use the employment contract of limited-term contract employee but that also employ older people as full-time regular employees and part-time employees in more than a small number of cases (eating and drinking places and retail trade); and (iv) industries that employ a relatively high percentage of those who are limited-term contract employees and part-time employees (finance and insurance).

We also tabulated the figures for firms that continued to employ all those who wished to be employed and firms that only employed those meeting a standard of eligibility (Table 4). The results showed that the percentages on full-time regular employees and part-time employees were slightly higher among firms that employed all who wished to continue in employment. On the other hand, the percentage on limited-term contract employees was slightly lower among these firms. It is possible to interpret this as the tendency of firms employing all who wish to continue in employment to promote the use of

various types of contracts in response to the diversity in the older people that the firms continue to employ. The differences between these two groups of firms, however, were smaller compared with the differences among different industries.

## **(2) Working Time Systems Applied to Older People in Continued Employment**

As regards the working time system applied to employees who continue in employment past the mandatory retirement age, about 90% of the firms that had implemented a continued employment scheme adopted “full time.” For other systems, about 20% to 30% of the firms had systems where the working hours per day were shorter than full time or the weekly work days were shorter than full time. The percentage of firms adopting a flextime system where the number of work days and working hours could be set freely and a telecommuting system was very small (Table 5).

If we examine the similarities and differences among industries, almost all firms in manufacture of transportation equipment and manufacture of general machinery adopted full time. In the manufacture of transportation equipment, in particular, it is assumed that because of the low rates of introduction of working time systems other than full time, employees who continue in employment in this industry mostly work full-time. On the other hand, only about 80% of the firms in finance and insurance, eating and drinking places and accommodations, and information and communications had implemented the full-time working time system. In particular, the percentage of firms in information and communications that had a system of fewer weekly work days with full-time working hours per day and the percentage of firms in finance and insurance that had a system of fewer weekly work days and shorter working hours per day compared with full time were noticeably high in comparison with other industries. By company size in terms of number of employees, there were differences in the percentage of firms introducing systems with shorter working hours than full time. In particular, there was a clear trend where the percentage of firms introducing the system of same work days as full time but shorter working hours per day than full time rose with larger firms (Table 5).

There was no correlation between differences in eligibility for the continued employment scheme and the working time systems applied to employees who continue in employment.

**Table 5. Working time systems applied to older people in continued employment (Multiple answers, %)**

	n	Full time	Same work days as full time but shorter working hours per day	Fewer work days as full time but same working hours per day as full time	Fewer work days and shorter working hours per day compared with full time	Flexitime where work days and working hours can be set freely	Telecommuting	Others
<b>Total</b>	1051	89.1	22.2	26.3	18.7	3.2	0.5	4.0
<b>Industry</b>								
Construction	61	95.1	13.1	24.6	14.8	0.0	0.0	3.3
Manufacture of general machinery	47	97.9	27.7	23.4	14.9	2.1	0.0	0.0
Manufacture of transportation equipment	35	100.0	14.3	11.4	11.4	2.9	0.0	0.0
Manufacture of precision instruments and machinery	19	94.7	21.1	21.1	5.3	5.3	0.0	10.5
Manufacture of electrical machinery, equipment and supplies	50	88.0	24.0	18.0	14.0	2.0	0.0	6.0
Miscellaneous manufacturing industries	138	91.3	22.5	25.4	17.4	2.2	2.2	2.9
Information and communications	28	82.1	28.6	42.9	17.9	0.0	0.0	7.1
Transport	105	84.8	14.3	31.4	14.3	8.6	0.0	1.9
Wholesale and retail trade	231	90.9	26.8	29.0	21.6	2.2	0.4	4.3
Finance and insurance	26	80.8	26.9	30.8	38.5	3.8	0.0	0.0
Eating and drinking places, accommodations	41	80.5	29.3	14.6	26.8	4.9	0.0	9.8
Services	181	86.7	19.3	24.9	21.5	5.0	0.6	3.9
<b>Size by number of employees</b>								
299 employees or fewer	71	91.5	15.5	22.5	21.1	5.6	0.0	0.0
300 to 499 employees	359	91.1	16.2	21.7	14.2	2.8	0.6	3.9
500 to 999 employees	312	87.8	24.0	26.9	20.8	4.2	0.6	4.5
1,000 or more employees	279	87.8	29.4	33.0	22.6	2.5	0.0	4.7
<b>Eligibility for continued employment</b>								
All those who wish to be employed, in principle	259	87.3	22.8	24.3	18.1	3.1	0.4	2.7
Those who meet a standard of eligibility	759	90.4	22.3	27.5	19.4	3.2	0.5	4.6

Source: JILPT 2006 Survey.

#### **4. Jobs Assigned to Employees in Continued Employment**

What kind of jobs are firms assigning to employees who are in continued employment past the mandatory retirement age? The JILPT 2006 Survey asked the respondents to state the predominant patterns they adopted as regards the jobs of employees in continued employment. The largest percentage of firms, at around 70%, said that they assigned them the same job as the one they had at a point when they reached the mandatory retirement age. About 20% of the firms replied that the job assigned to employees in continued employment differed for each individual, and only 2% said that they were assigned a different job from the one they had at the mandatory retirement age (Table 6). The results show that as regards the continued employment scheme for older people in Japan, the majority of older people are continuing to do the same job as the one they had at the mandatory retirement age.

There were, however, large disparities among industries as regard the percentage of firms in which the predominant pattern was assignment of the same job as the one at the mandatory retirement age to employees in continued employment. Whereas the percentage was around 90% in manufacture of general machinery and manufacture of transportation equipment, it was around 60% in wholesale and retail trade and only around 40% in finance and insurance. In finance and insurance, the largest majority of firms replied that the situation differed by each individual. By company size in terms of number of employees, the percentage of firms assigning the same job as the one at the mandatory retirement age decreased with larger firms, while the percentage of firms that said that it differed by each individual rose with larger firms (Table 6).

The pattern of jobs assigned to older people in continued employment also differed somewhat between firms with different eligibility for continued employment. The percentage of firms in which the predominant pattern was assignment of the same job as the one at the mandatory retirement age was higher among firms that employed all who wished to continue in employment (Table 6).

#### **5. Treatment of Older People in Continued Employment**

How are Japanese firms addressing the question of treatment of older people in continued employment? The firms that had implemented the continued employment scheme were asked the annual income of people in



**Table 6. Job description in continued employment: Predominant patterns (%)**

	n	Normally the same job they had at a point when they reached the mandatory retirement age	Normally a job different from the one they had at a point when they reached the mandatory retirement age	It differs for each person	No response
<b>Total</b>	1051	71.9	2.0	23.3	2.8
<b>Industry</b>					
Construction	61	80.3	0.0	19.7	0.0
Manufacture of general machinery	47	87.2	0.0	12.8	0.0
Manufacture of transportation equipment	35	91.4	0.0	8.6	0.0
Manufacture of precision instruments and machinery	19	68.4	5.3	26.3	0.0
Manufacture of electrical machinery, equipment and supplies	50	66.0	2.0	30.0	2.0
Miscellaneous manufacturing industries	138	79.0	1.4	14.5	5.1
Information and communications	28	67.9	3.6	21.4	7.1
Transport	105	84.8	1.9	10.5	2.9
Wholesale and retail trade	231	60.2	3.5	33.8	2.6
Finance and insurance	26	42.3	7.7	50.0	0.0
Eating and drinking places, accommodations	41	70.7	2.4	22.0	4.9
Services	181	72.9	0.6	24.3	2.2
<b>Size by number of employees</b>					
299 employees or fewer	71	83.1	0.0	14.1	2.8
300 to 499 employees	359	74.7	1.4	21.4	2.5
500 to 999 employees	312	70.5	2.9	24.0	2.6
1,000 or more employees	279	68.5	2.5	26.9	2.2
<b>Eligibility for continued employment</b>					
All those who wish to be employed, in principle	259	80.3	2.7	14.7	2.3
Those who meet a standard of eligibility	759	69.8	1.6	26.4	2.2

Source: JILPT 2006 Survey.

**Table 7. Level of annual income of employees in continued employment: comparison with that at the mandatory retirement age (%)**

	n	More than the annual income paid at the mandatory retirement age	About the same as the annual income paid at the mandatory retirement age	About 80 to 90% of the annual income paid at the mandatory retirement age	About 60 to 70% of the annual income paid at the mandatory retirement age	About half of the annual income paid at the mandatory retirement age	About 30 to 40% of the annual income paid at the mandatory retirement age	Less than 30% of the annual income paid at the mandatory retirement age
<b>Total</b>	1051	0.1	6.5	14.8	44.4	20.4	8.2	0.9
<b>Industry</b>								
Construction	61	0.0	4.9	14.8	54.1	18.0	4.9	0.0
Manufacture of general machinery	47	0.0	2.1	21.3	44.7	17.0	8.5	0.0
Manufacture of transportation equipment	35	0.0	5.7	22.9	37.1	28.6	5.7	0.0
Manufacture of precision instruments and machinery	19	0.0	0.0	5.3	36.8	31.6	26.3	0.0
Manufacture of electrical machinery, equipment and supplies	50	0.0	2.0	12.0	56.0	16.0	14.0	0.0
Miscellaneous manufacturing industries	138	0.0	2.2	13.8	52.9	17.4	7.2	1.4
Information and communications	28	0.0	0.0	14.3	35.7	25.0	7.1	0.0
Transport	105	0.0	16.2	21.9	41.9	12.4	5.7	0.0
Wholesale and retail trade	231	0.4	3.0	11.7	40.7	31.2	10.4	0.4
Finance and insurance	26	0.0	7.7	3.8	26.9	11.5	30.8	11.5
Eating and drinking places, accommodations	41	0.0	19.5	12.2	53.7	9.8	0.0	0.0
Services	181	0.0	9.9	16.6	45.9	16.6	5.0	0.0
<b>Size by number of employees</b>								
299 employees or fewer	71	0.0	14.1	15.5	45.1	18.3	2.8	0.0
300 to 499 employees	359	0.3	6.7	15.9	49.6	18.1	6.4	0.3
500 to 999 employees	312	0.0	6.7	14.1	42.6	22.4	9.6	1.0
1,000 or more employees	279	0.0	4.7	13.3	42.3	21.9	10.0	1.4
<b>Eligibility for continued employment</b>								
All those who wish to be employed, in principle	259	0.4	10.8	16.2	45.6	16.6	5.8	0.0
Those who meet a standard of eligibility	759	0.0	4.7	14.5	44.5	21.9	8.8	1.2

Source: JILPT 2006 Survey.

continued employment, the income of which was composed of the wages paid by the firms as well as the corporate pension and public benefits (benefits for continued employment of older people<sup>8</sup>), as a percentage of the annual income paid at the mandatory retirement age (Table 7). The results show that the largest percentage of firms set the annual income at around 60% to 70% of the annual income paid at the mandatory retirement age (44.4%), followed by firms that set the annual income at about half of the annual income at the mandatory retirement age (20.4%). We can see from the results that many Japanese firms consider maintenance of about 50% to 70% of the annual income at the mandatory retirement age as a standard for treatment of older people when continuing to employ them.

By industry, close to 20% of firms in eating and drinking places and accommodations and transport replied that they set the annual income at around the same level as that paid at the mandatory retirement age, which was higher compared with other industries. On the other hand, the percentage of firms setting the annual income at around 30% to 40% of that at the mandatory retirement age, which was generally around 10% in most industries, was around 30% in manufacture of precision instruments and machinery and finance and insurance. In particular, the highest percentage of firms in finance and insurance set the annual income at around 30% to 40% of that at the mandatory retirement age. Although there were no large disparities among firms of different size, the percentage of firms that set the annual income at around the same level as that at the mandatory retirement age decreased with larger firms, while the percentage of firms setting the annual income at around half, at around 30% to 40%, and at less than 30% of that at the mandatory retirement age increased with larger firms. The disparities between firms with different eligibility for continued employment were also not very large. The percentage of firms setting the annual income at more than the 60% to 70% level was slightly higher among firms that employed, in principle, all who wished to continue in employment. On the other hand, the percentage of firms

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<sup>8</sup> With the objective of subsidizing older employees' wages, the "benefits for continued employment of older people" are paid to older workers based on the employment insurance system. As of today, if an employee between the ages of 60 and 65 who had been covered by an employment insurance for five years or more is working at a wage that is less than 75% of the wage the employee was receiving at 60, the benefits will be paid to the employee for up to 15% of the employee's wages.

setting the annual income at around half or less in comparison with that at the mandatory retirement age was slightly higher among firms that had a standard of eligibility (Table 7).

As mentioned above, the annual income of employees in continued employment past the mandatory retirement age is composed of wages paid by their firm (monthly wages and bonuses), corporate pension paid after the mandatory retirement age, and public benefits. How then is the system designed with respect to the composition of wages, corporate pension, and public benefits in the annual income? Responses were obtained from 744 firms on standard cases of employees in continued employment. As for the average figures of 744 firms, wages made up 72.9% of the annual income, corporate pension made up 8.1%, and public benefits, 19.0%. If we compare the average figures in each industry, wages made up close to 80% of the annual income in construction. On the other hand, in finance and insurance, wages made up less than 60% but the share of corporate pension was more than 20%. As for the average figures by company size, there was a trend where the share of corporate pension increased with larger firms. There was hardly any disparity between firms with different eligibility for continued employment (Table 8).

As mentioned above, the level of annual income of employees in continued employment past the mandatory retirement age declines compared with that paid at the mandatory retirement age. The annual income during the continued employment also includes other components besides the wages paid by firms. On the other hand, since we can assume that the annual income paid at the mandatory retirement age is composed almost entirely of wages paid by firms, it follows then that there is a reduction in the wages paid during the continued employment when compared with wages at the mandatory retirement age. Then how large is the reduction in wages? Based on the assumption that the annual income paid at the mandatory retirement age is composed entirely of wages paid by firms, we attempt to grasp the reduction in wages by multiplying the level of annual income during the continued employment in comparison with that at the mandatory retirement age by wages as a percentage of the annual income during the continued employment. As we have seen above, responses on the level of annual income during continued employment have already been obtained in the JILPT 2006 Survey in the form of category variables. Therefore, we substitute the responses on the level of annual income

**Table 8. Percentage of wages, corporate pension, and public benefits in annual income of employees in continued employment (Average values)**

	n	Wages and bonuses paid by the firm (%)	Corporate pension (%)	Public benefits (%)
<b>Total</b>	744	72.9	8.1	19.0
<b>Industry</b>				
Construction	50	78.2	8.5	13.3
Manufacture of general machinery	34	72.6	9.4	18.0
Manufacture of transportation equipment	23	74.8	3.0	22.1
Manufacture of precision instruments and machinery	14	68.6	12.9	18.5
Manufacture of electrical machinery, equipment and supplies	35	70.2	9.9	19.9
Miscellaneous manufacturing industries	104	70.9	8.7	20.4
Information and communications	13	69.7	5.1	25.2
Transport	81	73.4	5.3	21.3
Wholesale and retail trade	166	73.5	8.5	18.1
Finance and insurance	16	59.7	20.8	19.6
Eating and drinking places, accommodations	27	74.7	6.3	19.0
Services	125	74.4	6.5	19.1
<b>Size by number of employees</b>				
299 employees or fewer	50	74.0	5.8	20.2
300 to 499 employees	264	75.9	6.3	17.8
500 to 999 employees	228	71.3	8.7	19.9
1,000 or more employees	190	70.7	10.2	19.1
<b>Eligibility for continued employment</b>				
All those who wish to be employed, in principle	190	74.6	6.6	18.8
Those who meet a standard of eligibility	537	72.0	8.7	19.3

Source: JILPT 2006 Survey.

Note: Tabulation based on responses obtained from 744 firms regarding the composition of wages, corporate pension, and public benefits in the annual income of employees in continued employment.

during continued employment with appropriate numbers<sup>9</sup> and estimate the wage level during continued employment as a percentage of that at the mandatory retirement age.

The average wage level of 737 firms for which it was possible to make the estimate was 48.0%. If we calculate the average wage level in each industry, it was around 50% in many industries and particularly low in manufacture of precision instruments and machinery (37.6%) and finance and insurance (30.0%). By company size in terms of number employees, there were no significant differences in the average wage levels, but the wage level tended to decline, in other words, the reduction in wages compared with those at the mandatory retirement age grew larger, with larger firms. Comparison of firms with different eligibility for continued employment shows that the reduction was less among firms that employed all who wished to continue in employment (Table 9).

## **6. Response to the Obligation of Implementing Employment Security Measures**

We so far examined the details of the continued employment schemes adopted by Japanese firms after the amendment of the Act Concerning Stabilization of Employment of Older Persons. How did Japanese firms respond to the provision of the act that obligated them to implement employment security measures for older people so that it resulted in the implementation of the continued employment schemes we examined above?

The firms that had implemented the continued employment scheme were asked to state the measures they adopted after learning about the provisions of the amendment of the Act Concerning Stabilization of Employment of Older Persons of 2004. The results show that the responses were concentrated on the

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<sup>9</sup> The responses on the level of annual income during the continued employment in comparison with that at the mandatory retirement age were substituted with numbers as follows:

“More than the annual income paid at the mandatory retirement age” = 115, “About the same as the annual income paid at the mandatory retirement age” = 100, “About 80 to 90% of the annual income paid at the mandatory retirement age” = 85, “About 60 to 70% of the annual income paid at the mandatory retirement age” = 65, “About half of the annual income paid at the mandatory retirement age” = 50, “About 30 to 40% of the annual income paid at the mandatory retirement age” = 35, and “Less than 30% of the annual income paid at the mandatory retirement age” = 20.

**Table 9. Wages during continued employment as a percentage of those at the mandatory retirement age (average)**

	n	Wages during continued employment as a percentage of wages at the mandatory retirement age (%)
<b>Total</b>	737	48.0
<b>Industry</b>		
Construction	49	50.7
Manufacture of general machinery	33	47.3
Manufacture of transportation equipment	23	50.3
Manufacture of precision instruments and machinery	14	37.6
Manufacture of electrical machinery, equipment and supplies	35	44.5
Miscellaneous manufacturing industries	101	45.3
Information and communications	13	44.8
Transport	81	53.9
Wholesale and retail trade	166	45.8
Finance and insurance	16	30.0
Eating and drinking places, accommodations	27	54.8
Services	123	52.7
<b>Size by number of employees</b>		
299 employees or fewer	50	53.0
300 to 499 employees	262	51.5
500 to 999 employees	226	46.0
1,000 or more employees	187	44.8
<b>Eligibility for continued employment</b>		
All those who wish to be employed, in principle	188	52.3
Those who meet a standard of eligibility	532	46.3

Source: JILPT 2006 Survey.

Notes: <sup>1</sup> The level of annual income at the mandatory retirement age was assumed to be equal to the level of wages at the mandatory retirement age, and the level of wages during continued employment was calculated as a percentage of the level of wages at the mandatory retirement age (the level of wages at the mandatory retirement age = 100%).

<sup>2</sup> The responses to the question on the level of annual income set for employees in continued employment in comparison with the level of annual income at the mandatory retirement age (see Table 7) were substituted by numbers in making the calculation (see note 9).

**Table 10. Response to the obligation of implementing employment security measures (Multiple answers, %)**

	n	The requirement was already met prior to the amendment	Creation of a reemployment scheme	Adjustment of an already existing reemployment scheme	Creation of a work extension scheme	Adjustment of an already existing work extension scheme	Raising the mandatory retirement age	Others	Nothing in particular
<b>Total</b>	1051	18.5	44.9	33.7	2.1	3.0	1.0	0.5	1.1
<b>Industry</b>									
Construction	61	14.8	39.3	47.5	1.6	1.6	0.0	1.6	0.0
Manufacture of general machinery	47	4.3	34.0	57.4	0.0	10.6	4.3	0.0	0.0
Manufacture of transportation equipment	35	31.4	28.6	37.1	0.0	2.9	2.9	0.0	2.9
Manufacture of precision instruments and machinery	19	10.5	36.8	57.9	0.0	0.0	0.0	0.0	5.3
Manufacture of electrical machinery, equipment and supplies	50	12.0	36.0	50.0	4.0	0.0	0.0	0.0	0.0
Miscellaneous manufacturing industries	138	15.2	42.8	37.7	0.7	2.2	0.0	1.4	1.4
Information and communications	28	10.7	64.3	21.4	3.6	0.0	0.0	0.0	0.0
Transport	103	42.7	27.2	32.0	1.0	3.9	4.9	1.0	1.9
Wholesale and retail trade	229	12.7	55.5	31.9	2.2	2.2	0.0	0.4	0.9
Finance and insurance	26	19.2	61.5	26.9	0.0	0.0	0.0	0.0	0.0
Eating and drinking places, accommodations	41	12.2	46.3	29.3	7.3	12.2	0.0	0.0	0.0
Services	181	23.2	51.4	19.9	2.8	4.4	1.1	0.0	2.2
<b>Size by number of employees</b>									
299 employees or fewer	71	22.5	43.7	29.6	4.2	2.8	2.8	0.0	0.0
300 to 499 employees	359	18.1	46.5	34.0	1.4	2.8	1.4	0.6	1.7
500 to 999 employees	312	17.0	46.2	34.0	2.2	3.2	1.0	0.6	0.6
1,000 or more employees	279	18.3	43.4	35.5	2.5	3.6	0.4	0.4	1.4
<b>Eligibility for continued employment</b>									
All those who wish to be employed, in principle	259	32.0	34.0	27.8	3.1	3.5	1.5	0.0	1.9
Those who meet a standard of eligibility	759	13.8	48.5	36.2	1.8	3.0	0.9	0.7	0.8

Source: JILPT 2006 Survey.



three answers of “Creation of a reemployment scheme” (44.9%), “Adjustment of an already existing reemployment scheme” (33.7%), and “The requirement was already met prior to the amendment” (18.5%) and that only a very small number of firms chose other answers (Table 10). This means that among the Japanese firms with a relatively large number of employees that became the subject of the survey, a certain number of firms had adopted the contents of the amendment in their systems prior to the actual amendment and that most of the firms that did not take action prior to the amendment either created or adjusted a reemployment scheme in order to meet the requirement of the amendment.

While the above shows the general trend, the responses to the amendment differed significantly by industry. The percentage of firms that had met the requirement prior to the amendment was noticeably high in transport and manufacture of transportation equipment when compared with other industries, whereas the percentage of such firms was very small in manufacture of general machinery. The majority of firms in manufacture of general machinery, manufacture of precision instruments and machinery, and manufacture of electrical machinery, equipment and supplies made adjustments to their reemployment schemes to prepare for the amendment,<sup>10</sup> whereas more than a

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<sup>10</sup> It is assumed that this result of the survey reflects the fact that active efforts were made, prior to the amendment of the Act on Stabilization of Employment of Older Persons, for employment extension of blue-collar workers working in manufacturing sites to the age of 65 in such industries as manufacture of general machinery, manufacture of precision instruments and machinery, and manufacture of electrical machinery, equipment and supplies. Denki Rengo (the Japanese Electrical Electronic and Information Union), to which many of the enterprise unions organized within the firms in the above industries belong, determined, at its convention in 1996, that systems for employment continuation should aim at “extension of the mandatory retirement age (full-time regular employees and union members)” and confirmed, at its 1997 convention, that “to allow older people to work as active employees up to the age of 65 in our society, the mandatory retirement age should be extended in stages in a direct link with the pensionable age of the employees’ pension insurance scheme.” At the 1999 convention, Denki Rengo determined to prepare, in the immediate future, the conditions for realizing “employment extension until the age of 65” with a goal of breaking the deadlock in labor-management talks and of “establishing an employment treatment system consistent with the building of an ageless society of the future, with an eye to extending the mandatory retirement age to 65.” Moreover, during the organization reinforcement month in the fall of 1999, it set down the Three Principles of Employment Extension as industrial guidelines, which were (1) if an employee wishes to work, the firm will provide opportunities for work, (2) employment extension will be directly linked to the pensionable age of the employees’ pension insurance scheme, at the least, and (3) their status will be as

half of the firms in information and communications, finance and insurance, wholesale and trade industry, and services newly created a reemployment scheme to meet the requirement (Table 10). By company size in terms of number of employees, there were hardly any differences in the firms' response to the amendment that obligated them to implement employment security measures.

If we compare firms with different eligibility for continued employment as regards their response to the obligation of implementing employment security measures, the percentage of firms that had met the requirement prior to the amendment was 32.0% among firms that employed all who wished to continue in employment, which was close to twice as many as among firms that employed those who met a standard of eligibility. There were, however, no differences between firms with different eligibility for continued employment in the respect that both types of firms responded to the amendment mainly by creating or adjusting a reemployment scheme (Table 10).

The response of 346 firms, which corresponded to a third of the firms that had implemented a continued employment scheme, to the obligation of implementing employment security measures was to make adjustment to an already existing reemployment scheme or work extension scheme. When the firms that made these adjustments were asked what those adjustments were, 39.8% said they opened the scheme to more employees by abolishing or relaxing the standard of employees who could take advantage of the scheme, and 50.6% replied that they raised the upper limit on the age of employees who could use the scheme. The response with a much higher implementation rate, however, was to newly set or change the standard of eligibility for the scheme, with the implementation rate of 80.3%.

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stable as that of regular employees (the employees must be a union member, in principle, but they may be treated as special union members with special rights and obligations).

In the spring labor offensive of 2000, *Denki Rengo*, based on the above industrial guidelines, set "employment extension to 65" as a unified goal. Of 183 labor unions participating in the labor-management bargaining offensive, about 90% of the unions worked on the issue of employment extension, including 106 unions submitting demands and 54 unions continuing with negotiations without submitting demands. As of the spring of 2004, 116 unions reached labor-management agreement. For more details on these developments, see Nakao (2005).

## IV. Conclusion

The employment security measures for older people of 60 and over, which became an obligation for firms to implement by the amendment of the Act Concerning Stabilization of Employment of Older Persons of 2004, were actually implemented by most firms in about a year since the amendment took effect. As for the employment security measures, the amended act provided for one of the three measures of abolishment of the mandatory retirement age, extension of the mandatory retirement age, or continued employment scheme (reemployment scheme or work extension scheme). The majority of the firms implementing the measures adopted the continued employment scheme. Moreover, the majority of the firms adopting the continued employment scheme set a certain standard of eligibility for the scheme.

It appears that the obligation to implement the employment security measures has increased employment opportunities for older people. In the JILPT 2006 Survey, two thirds of the firms that had implemented a continued employment scheme replied that they employed almost all those who wished to continue in employment, and around 20% of the firms said they employed from 70% to 90% of all who wished to continue in employment. According to the Ministry of Health, Labour and Welfare's survey conducted as of June 1, 2007, the number of regular employees of ages between 60 and 64 and of 65 and over increased by 26.9% and 46.5%, respectively, compared with when implementation of the employment security measures was still not an obligation.

Turning our attention to the working conditions and treatment of older people who continue to be employed past the mandatory retirement age, we see that although there were some differences by industry, by company size in terms of number of employees, and by how firms set the eligibility for continued employment, the jobs given to older people were, in many cases, the same jobs as they had before reaching the mandatory retirement age, and their working hours were mostly full time, the same as before the mandatory retirement age. On the other hand, their employment contracts changed, at many firms, from being employed as a full-time regular employee to being employed as a limited-term contract employee. Their annual income, including wages as well as corporate pension and public benefits, was mostly set at about the level between 50% and 70% of the annual income at the mandatory

retirement age. If we consider wages only, the wages were generally reduced to about the level between 40% and 50% of the wages at the mandatory retirement age.

It can be said that the working conditions and treatment of older people in continued employment discussed above, in other words, the job and working hours remaining the same as before the mandatory retirement age, the employment contract changing from employment as a full-time regular employee to other types of contracts, and substantial reduction in the wage level, remained unchanged from before the amendment of the Act Concerning Stabilization of Employment of Older Persons of 2004. According to the Association of Employment Development for Senior Citizens (2002), which made a detailed survey on the state of continued employment beyond the mandatory retirement age prior to the amendment, about 80% of the firms responding to the survey said that the employees in continued employment were engaged in roughly the same jobs as before the mandatory retirement age, and about 90% of the firms said that the working hours for the employees were about the same as before the mandatory retirement age. Moreover, as for the employment contract of employees in continued employment, about 70% replied that they were employed as limited-term contract employees. As for salaries and wages, the largest number of firms, about a half of the firms surveyed, answered that they set the salaries and wages at about the level between 60% and 80% of those at the mandatory retirement age.

If continued employment past the mandatory retirement age can be realized in ways that will keep the employees in roughly the same job with the same working hours as before the mandatory retirement age but with a lower level of treatment, it would have significant merit for firms since firms would have no need to implement various measures that might be necessary for continued employment, such as development of suitable jobs for older people and introduction of new work methods, and firms could also expect the same level of output with less personnel cost. This form of personnel management of older people in continued employment is considered to have been kept intact before and after the amendment obligated firms to implement employment security measures. This kind of personnel management, however, is likely to cause dissatisfaction among older employees in the future. According to a survey conducted by JILPT in February 2007 on employees of ages between 57 and 59 working for the firms that were the subject of the JILPT 2006

Survey, only about 30% wished to work as a limited-term contract employee, and about 60% wished to work as full-time regular employees. However, only about 10% had prospects of working as a full-time regular employee in continued employment after the mandatory retirement age. On the annual income, whereas about 50% replied that they hoped to receive at least 80% or more of their present annual income, only about 15% had prospects of maintaining 80% or more of their present annual income in continued employment (Fujimoto 2007). In other words, if we examine the views of employees, we see that there is a substantial gap between the current practice of personnel management of older people in continued employment and the needs of employees who are subjected to such personnel management.

The gap between firms' personnel management of older people in continued employment and the needs of older employees is expected to become even more manifest than now as employment security measures become established and the number of older employees in continued employment increases. As it becomes more manifest, it is considered that the awareness that doing something about this gap is important in promoting employment of older people will spread among firms. Actually, a firm has begun on a project to set the wage levels in accordance with the performance appraisal of or duties assigned to employees in continued employment.<sup>11</sup> It is expected that more firms will begin to explore how they can employ or treat older people in ways that will better match older people's performance and needs, while considering the responsibility and roles played by individual older employees within the firm and changes of the social security system as regards pension and benefits for continued employment of older people.

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<sup>11</sup> See The Nikkei, February 5, 2007, morning edition, front page.

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