



独立行政法人 労働政策研究・研修機構
The Japan Institute for Labour Policy and Training

The Retirement Process of Older Workers in Japan: Perspectives from Legislative Frameworks and Human Resource Management

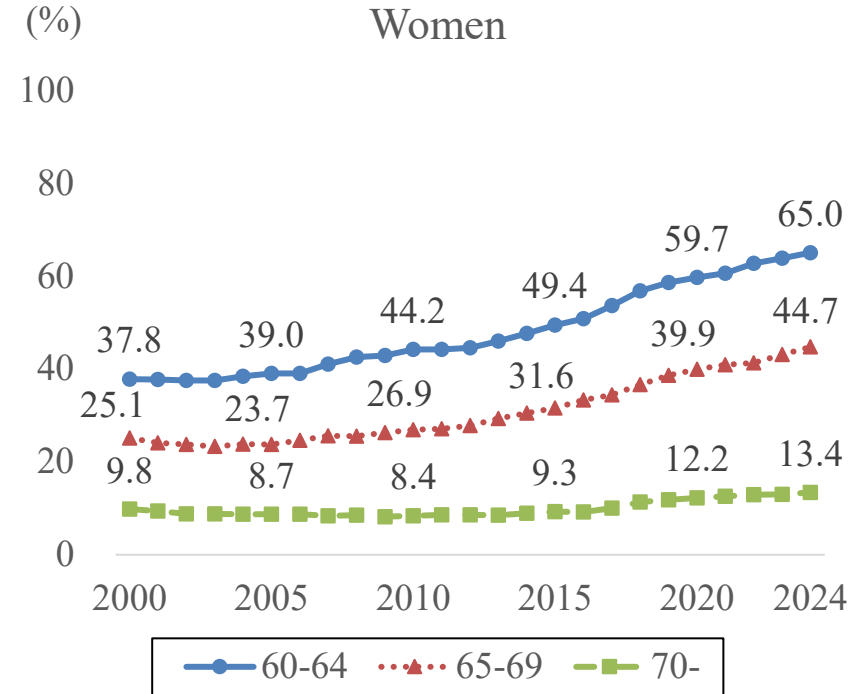
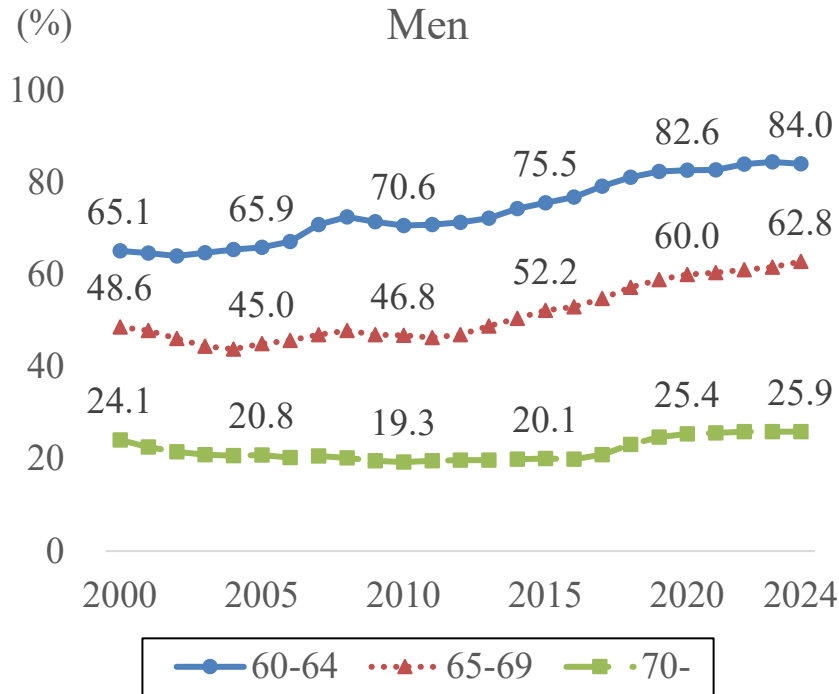
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Work and retirement trajectories of older adults

Employment rate among people aged 60 or older



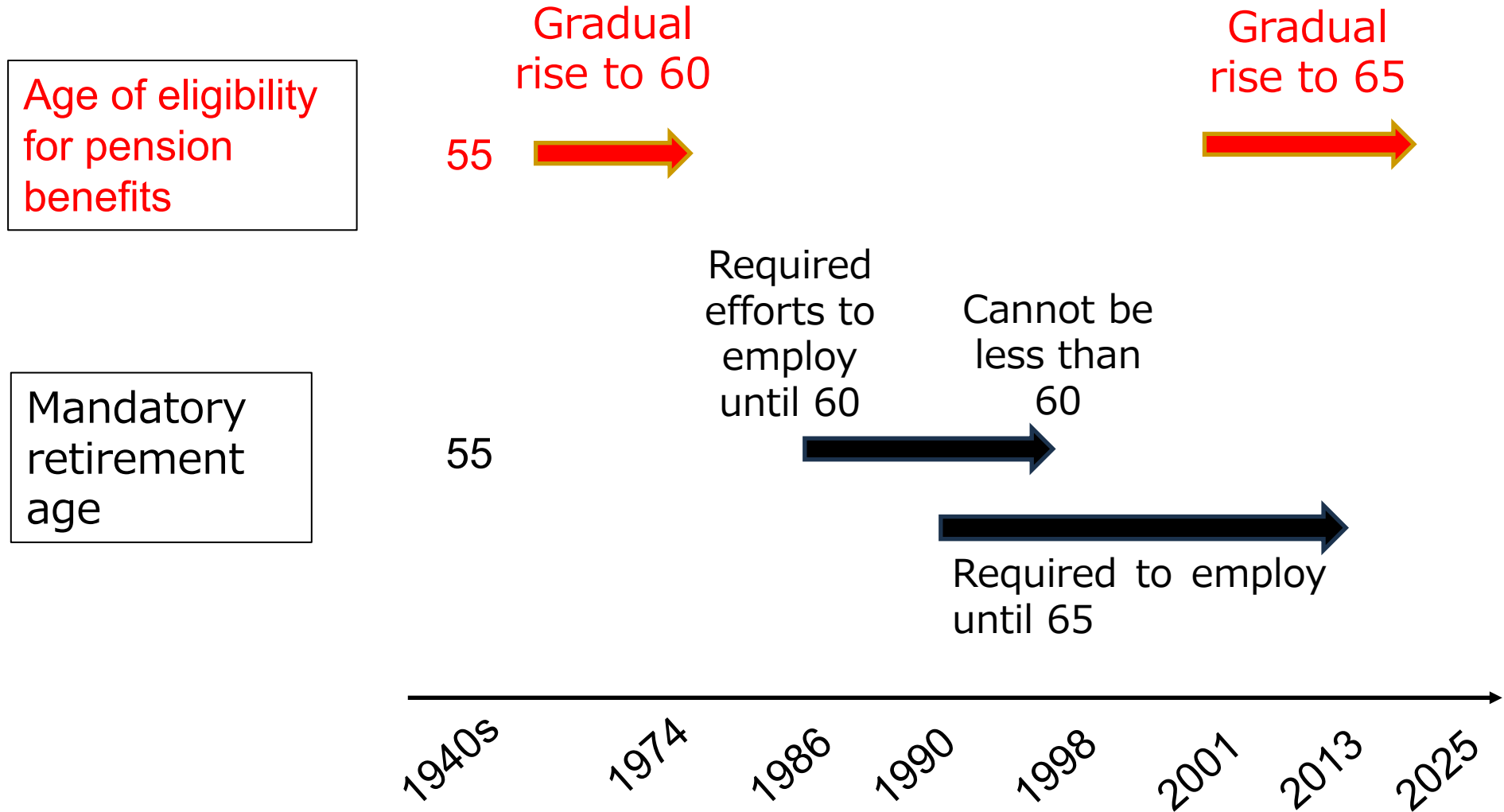
Source: Statistics Bureau, Ministry of Internal Affairs and Communications, *Labour Force Survey*.

- Japan's overall labor market exit pattern is characterized by a gradual transition.

Background and focus of employment policies for older people

- Background
 - Labor shortage
 - Rising social security costs
- Employment policies mainly focus on job security for regular employees in the internal labor market
 - Employment practices for regular employees
 - Working with the possibility of job transfer, overtime work, and job modification
 - Long-term stable employment, seniority-based wage
 - Mandatory retirement (generally at the age of 60)
- The mandatory retirement age system has the function of fulfilling the need of workers: guaranteed employment until the retirement age is reached.

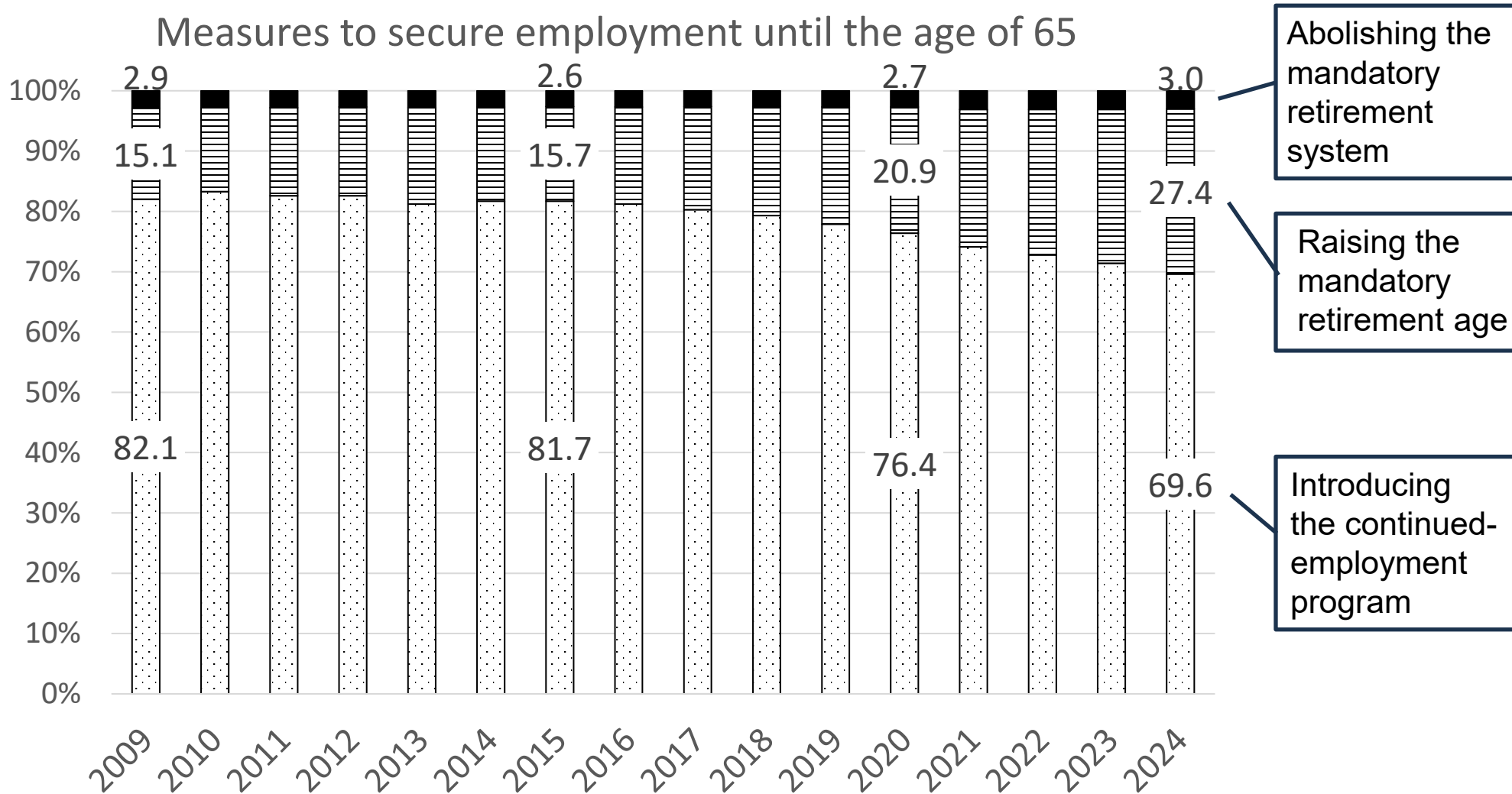
Changes in the age of eligibility for pension benefits and the mandatory retirement age



Legislative amendments in 1990, 2004, and 2012

- Japanese Government spent about 20 years since 1990 on establishing legislation requiring all applicants to be employed until the age of 65.
- Employers with a retirement age below 65 were required to implement one of the following measures
 - (1) raising the mandatory retirement age
 - (2) introducing a continued-employment program
 - (3) abolishing the mandatory retirement system.

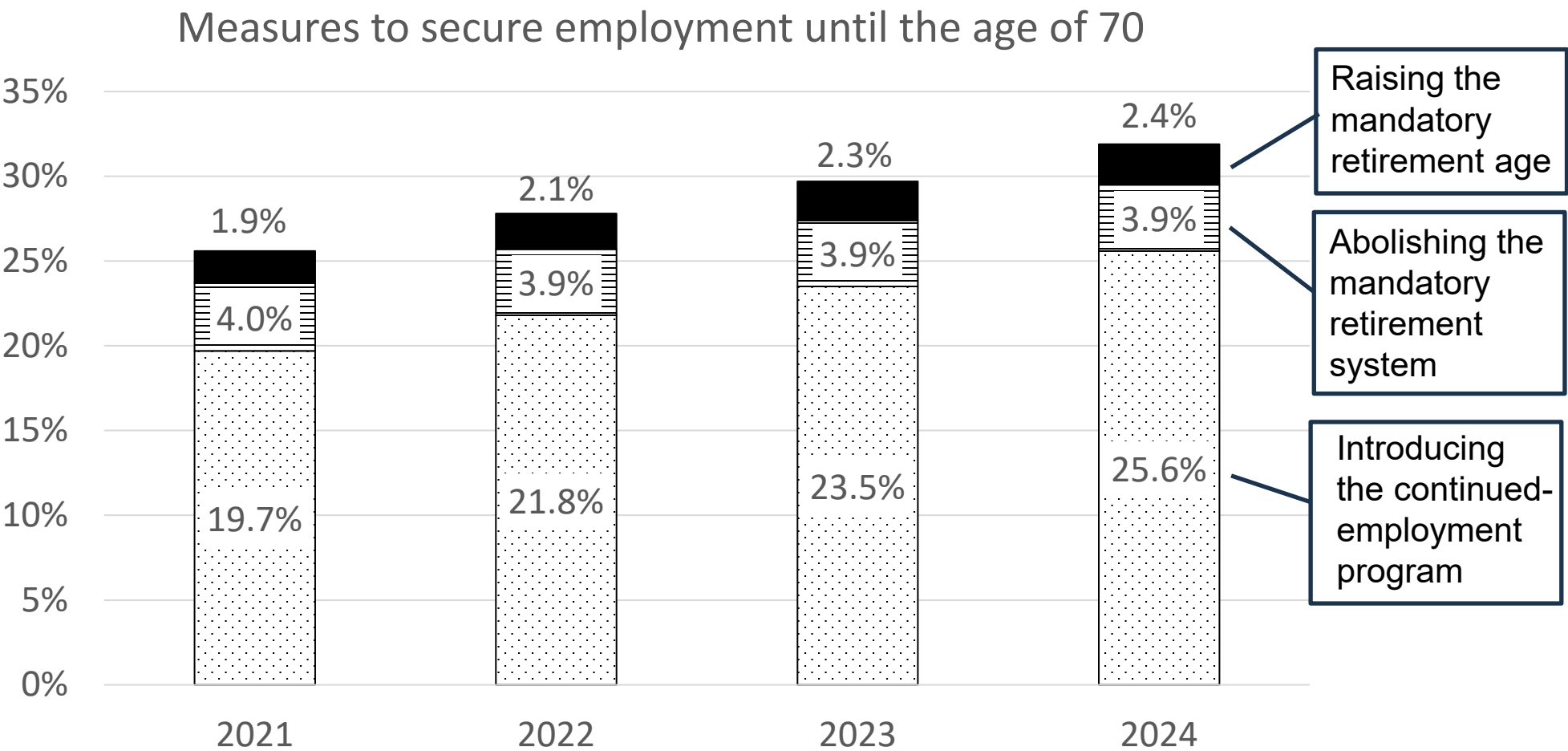
Responses of Japanese companies to the legislative amendments of 1990, 2004, and 2012



Legislative amendment in 2020

- Employers have a duty to endeavor to provide expanded employment opportunities for older workers up to age 70.
- Companies must implement one of the five strategies
 - (1) raising the mandatory retirement age to 70
 - (2) abolishing the mandatory retirement age
 - (3) extending the continued-employment program to age 70
 - (4) introducing continuous outsourcing contracts until age 70
 - (5) enabling employees to engage in social contribution projects until age 70

Responses of Japanese companies to the 2020 amendment

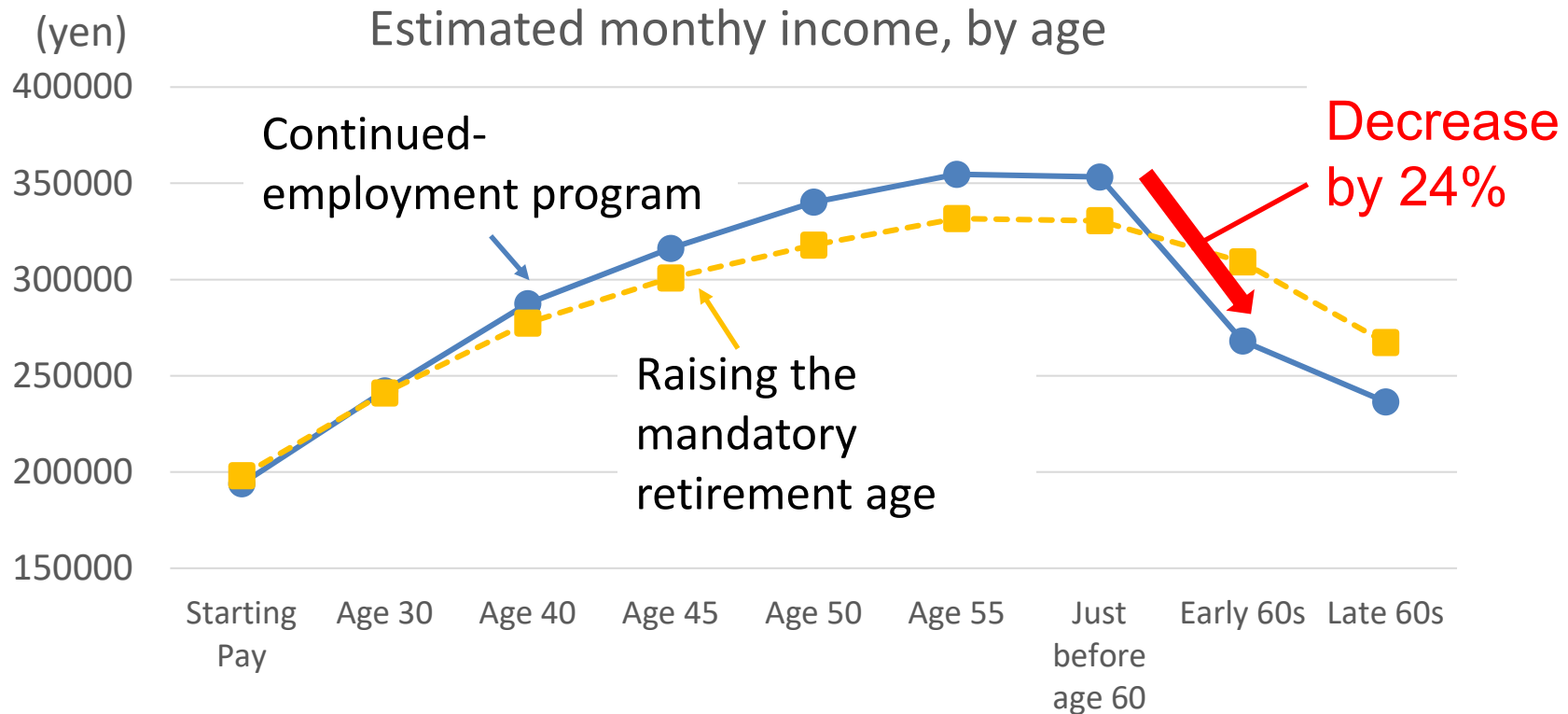


Note: The "Introduction of Measures to Support Start-ups," which includes the establishment of systems for outsourcing contracts and provisions allowing employees to engage in social contribution projects, is also classified as a measure to secure employment. The proportion of companies implementing these measures remained consistently at 0.1% over all four years.

Source: Ministry of Health, Labour and Welfare, Report on the Status of Employment of the Elderly

Why do many companies adopt the continued-employment program?

- The continued-employment does not stipulate specific employment conditions.



Note: 400,000 yen is equivalent to US\$2610.40 (US\$1.00=153.21 yen).

Source: JILPT 2021, Chap.4

What strategies have companies used to reduce wages?

Changes in works and responsibilities around age 60
by measures to secure employment

	Same work Same responsibility	Same work Lighter responsibility	Same work Heavier responsibility	Partially different work	Completely different work	Other	No response	N
Mandatory retirement at age 65	68.0%	14.4%	0.4%	3.6%	0.2%	0.4%	13.1%	1033
Continued- employment program	36.5%	46.1%	0.4%	6.4%	0.6%	0.7%	9.3%	4218

Source: JILPT 2021, Chap.3.

- Companies reduce retired employees' responsibilities by
 - relieving from management positions
 - exempting from job transfer or overtime work
- Japanese companies have established a new peripheral segment within the internal labor market.
- Re-employment after retirement can, in itself, serve as a justification for reduced working conditions.

Future issues

- Policies such as establishing a mandatory retirement age of 65 and extending employment opportunities until age 70 are under consideration but remain uncertain.
- A critical issue for the future is the aging of the second baby boom generation.
- The fundamental strategy of maintaining job security within the internal labor market is expected to persist.
- However, addressing unemployment among the older population will require expanding the external labor market to facilitate job transitions, outplacement, and reskilling opportunities.