

Article

Elderly Employment in a Society of Population Decline

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Japan's population has been in decline since 2011, and particularly, large decrease in the working age population (i.e. ages 15-64) is anticipated in future. This means that providing continued employment for older workers is now an urgent and crucial issue in order to maintain or enhance the vitality of Japan's economy.

A key factor in this respect is that the age when pension payments start is gradually being raised to age 65. For men, pension payments started at age 61 in FY2013 and 62 in FY2016. This will rise to 63 in FY2019, 64 in FY2022 and 65 in FY2025 (for women, these changes are delayed by five years). In other words, retired workers are basically pensionless until they reach the age as mentioned above. To correct this, an amendment to the Act on Stabilization of Employment of Elderly Persons in March 2013 made it mandatory for employers to ensure employment security for workers until age 65, thus ensuring a smooth transition from employment to pensions.

After coming to power in 2012, the Abe administration drew up a "Japan Revitalization Strategy" to outline the government's economic policy, with revisions every year. An awareness of the issue was clearly laid out in the 2014 Revision. "Japan's sustainable growth depends on whether it can maintain its working population and raise its labor productivity before entering into a population-declining society by improving the working environment for women and elderly people and ambitious, capable youths who are hopeful about their future." The importance of encouraging productive activity by older members of society is further emphasized in the 2015 Revision.

Amid these social environmental changes in the

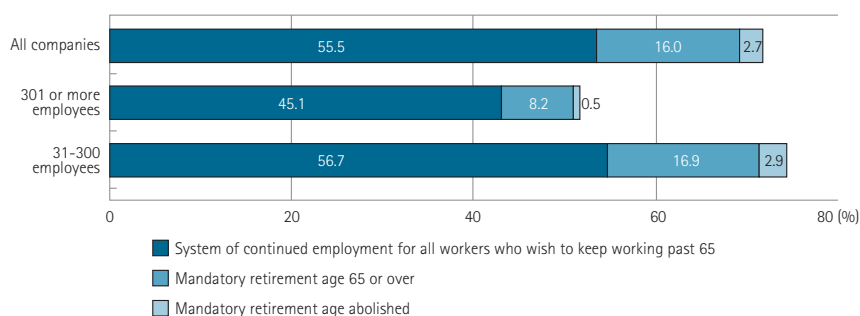
employment of older workers, all of the workers who wish to work until age 65 or beyond can do so in 53.8% of large corporations and in 76.5% of small and medium enterprises (SMEs) (Figure 1). In other words, continued employment of workers in their early 60s is becoming the established norm. On the other hand, only about 20% of companies allow continuous employment until age 70 or over, including those that select workers for continued employment based on certain standards (Figure 2). Given the prospect of shrinking population and increasing acute labor shortages in future, it is hoped that more workers will remain gainfully employed through their late 60s and beyond.

JILPT has conducted research on the employment of older workers since 2012, and has set up a research group including noted external experts to examine the problem from the perspective stated in the beginning. The group has now compiled its findings based on research results as well as the outcome of past research. This report features seven papers by members of the group dealing with the various issues, and an outline of each paper will be given below.

Employment of Workers in Early 60s

1. "Retirement at 65" and mandatory retirement system

Mandatory retirement age is 60 at many companies but can be said to have actually extended to 65 by 2013 amendment to the Act to secure employment until age 65 if the workers wish. Professor Koichiro Imano of Gakushuin University firstly called the original "retirement at 60" system as "traditional mandatory retirement system," and



Source: Ministry of Health, Labour and Welfare, *Report on Employment Conditions of Elderly Persons*, 2016.

Figure 1. Ratio of companies continuously employing all workers who wish to keep working past 65



Source: Ministry of Health, Labour and Welfare, *Report on Employment Conditions of Elderly Persons*, 2016.

Figure 2. Ratio of companies permitting employment past 70

examines how the “traditional mandatory retirement system” is changing in line with “retirement at 65” and what functions it will have in terms of human resource management after the change. The second issue that Imano reviews is the relationship between mandatory retirement system and human resource management for workers in their early 60s known as “senior employees”.

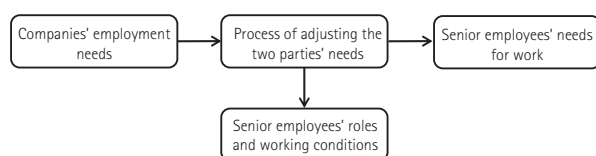
Imano first asserts that, if working lives are to be extended to 65 or beyond, workers’ roles and careers will need to be reviewed at a certain stage of older age, regardless of whether there is a system of mandatory retirement or not. He then examines whether a mandatory retirement system would need to play the function of adjusting roles and working conditions at a given point in older age, if such an adjustment were necessary. He concludes that the traditional mandatory retirement system, though not necessarily ideal, could be seen as “suitable” in that it adjusts roles and working conditions by a single standard based on age, taking into account the cost of

explanation and persuasion (in other words, the cost of adjustment) that has to be borne by companies.

Imano regards mandatory retirement system as effective in terms of adjusting roles and working conditions. However, when roles and working conditions as well as employment itself are adjusted in line with mandatory retirement, their quality of employment will depend on the roles given to “senior employees” past retirement age and how human resource management is structured to cope with this. In other words, changes in roles and careers in line with mandatory retirement need to be considered from the viewpoint of management making immediate use of “senior employees,” and “senior employees” creating opportunities for their own active participation (Figure 3).

Finally, Imano examines the currently controversial issue of whether it would be desirable to delay mandatory retirement or abolish the system altogether. He states that the solution to this issue depends on whether a system with the function of

adjusting roles and working conditions can be created to replace the system of mandatory retirement. He suggests that postponing or abolishing mandatory retirement without developing a new adjustment system to replace it would not be a desirable option for companies or for workers.



Source: Adopted from Figure 1-7, JILPT, 2017.

Figure 3. Scheme for matching companies with "senior employees"

2. Corporate roles and HRM of workers in early 60s

JILPT Senior Researcher Makoto Fujimoto presents three typical patterns adopted by companies for workers after reaching mandatory retirement age, and investigates the characteristics of human resource and labor management in each case. The three patterns are (i) "Unchanged Type," in which

job contents remain unchanged before and after retirement, (ii) "Changed Responsibility Type" in which job contents remain unchanged but the level of responsibility changes (such as removal from a managerial positions), and (iii) "Changed Work Type" in which job contents change after reaching retirement age.

Unchanged Type differed significantly from the other two types in terms of securing employment for those in their early 60s. Specifically, many companies in this type saw "No particular problems" when securing employment for workers in their early 60s. In Changed Responsibility Type and Changed Work Type, however, more companies saw problems in this regard. In Changed Responsibility Type, the treatment of workers who were in managerial positions was seen as the major issue. In Changed Work Type, the main problem lay in securing jobs internally that older workers can do, in addition to the treatment of workers who were in managerial positions (Table 1).

One future measure to be drawn from this would be to increase the number of companies that can adopt Unchanged Type of employment management in which the job remains the same after reaching

Table 1. Problems in securing employment for the early 60s (multiple responses, %)

Unchanged	Changed responsibility	Changed work	
1692	2264	506	n
13.1	17.8	34.0	Hard to secure jobs for older workers internally***
3.0	3.7	7.1	Hard to secure jobs in subsidiaries or affiliated companies for older workers***
4.7	5.4	5.9	Insufficient facilities or working environment for using older workers
7.4	11.9	17.4	Not enough knowhow for using older employees***
17.3	33.9	33.6	Unsure how to treat employees previously in management posts***
19.6	25.9	22.9	Hard to decide conditions for employees who remain after retirement age***
0.4	0.2	0.2	Hard to gain understanding of unions, workers' representatives, etc.
4.1	6.0	6.7	Decline in morale of young and middle-aged workers*
20.6	26.1	24.9	Cannot hire young workers and age composition distorted***
8.9	11.0	12.1	Increased burden of personnel costs*
9.6	16.0	16.6	Low work motivation***
7.2	9.7	13.0	Low productivity***
38.2	21.8	16.4	No particular problems***

Source: Adopted from Figure 2-15, JILPT, 2017.

Note: ***<.001, **<.01, *<.05

mandatory retirement age. This is because, compared to the other two types, this type of employment management is more likely to reduce problems when securing employment for those in their early 60s. Another conclusion to be drawn is that support should be provided to companies practicing the other two types (Changed Responsibility Type and Changed Work Type). This will help to resolve problems that tend to confront these companies – namely, the treatment of employees who were previously in management posts and securing jobs suitable for older workers.

Employment of Workers Over 65

3. Employment and career changes of workers in late 60s and beyond

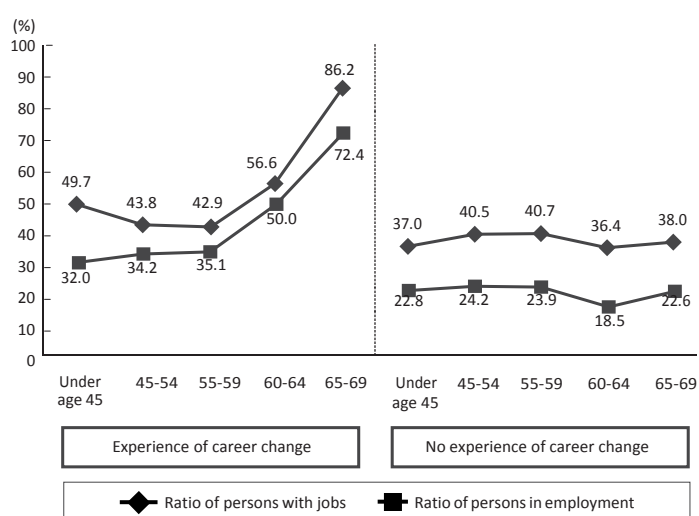
JILPT Project Researcher Yutaka Asao has analyzed the correlation between the employment of workers in their late 60s and their experience of changing careers, mainly in old age. His analysis revealed the following facts.

(i) For men, older age is a period of more dramatic change than middle age when it comes to employment; many of those who remain employed over 65 have experienced some kind of job change along the way. In the process, many change from regular employment to a

variety of employment forms (particularly part-time work), switch to smaller companies, or shift to service jobs or others that differ from their previous ones.

(ii) While career changes are sometimes based on temporary transfer, permanent transfer to another company (usually an affiliate or a subsidiary), or mediation by the original employer, independent job-seeking activity is also important for those wishing to continue working over 65. *Hello Work* (public employment security offices) have a dominant role to play in this. Various channels for matching jobs with workers are being used for career changes in older age, depending on the employment form and the types of job and role sought.

(iii) Asao analyzes the employment situation of male workers in their late 60s in terms of whether they have experienced career changes at various ages. The result shows that the ratio of persons in employment among older workers in employment among older workers with experience of career changes before 60 (Figure 4, on the left) is about 10% higher than that of those without such experience (on the right). In age groups beyond 60, older workers with experience of career changes appear to have higher rates of employment now. Thus, supporting career changes for workers



Source: Adopted from Figure 3-15, JILPT, 2017.

Figure 4. Current employment situation by experience of career changes in different age groups (male, aged 65-69)

in their 60s is a major issue in order to raise employment rates for those in their late 60s and beyond (Figure 4).

Asao also analyzes workers' employment situations and environments based on their pensions and savings. As a result, he sets out the following policy tasks and directions for measures on employment of the over-65s (Figure 5).

- (i) A significantly large proportion of workers have not saved enough to support their lives in old age. The results show that at least 20-30% of people aged 65-69 are placed in such a situation. Of these, around 60% are currently in employment, and about a quarter of them are thought to be unemployed in the broad sense. It is vital that we focus attention on this group (older persons in urgent need of work) when developing the groundwork for promoting employment in older age.
- (ii) As for workers with sufficient savings for old age, Asao identifies their employment needs based mainly on motivation in two directions – motivation to make the most of their own

vocational skills and “wish to be useful to others.” If the latter is stronger, volunteer activity might be an answer. But for those who wish to use their skills in a professional environment, if combined with the latter motivation, “specialized or technical work” could be the typical kind of occupation required.

4. Study of determining factors in companies where employees can continue working past 65

JILPT Researcher Tetzushi Kamakura analyzes data from the Employer Survey to study factors that determine whether or not employees can continue working past the age of 65. To do this, he divides companies into three types depending on whether or not their employees can keep working past 65. These are (i) “All Employees Type” in which all employees can work past 65 if they wish to, (ii) “Some Employees Type” in which employees meeting certain standards can work past 65 if they wish to, (iii) “No Employees Type” in which employees cannot work past 65, as a bench mark (Figure 6).

The findings suggest, firstly, that companies in

	Pension I	Pension II	Pension III
Savings I	Working days per month: 18.7 Daily working hours: 7.8 Monthly wage income: 142,300 yen	16.4 6.8 128,100 yen	16.9 6.3 140,000 yen
Savings II	Working days per month: 20.8 Daily working hours: 7.7 Monthly wage income: 187,400 yen	16.4 7.3 170,700 yen	14.5 7.3 144,100 yen
Savings III	Working days per month: 17.1 Daily working hours: 6.5 Monthly wage income: 82,500 yen	14.8 7.4 213,500 yen	14.8 5.8 148,400 yen
Pension or Savings IV	Working days per month: 15.6 Daily working hours: 7.9 Monthly wage income: 228,900 yen		

Source: Adopted from Figure 3-28, JILPT, 2017.

Notes: 1. The various categories are defined as follows. Savings I: Less than 1 million yen, Savings II: 1.0-19.9 million yen, Savings III: 20.0-49.9 million yen, Savings IV: 50 million yen or more. Pension I: Less than 100,000 yen, Pension II: 100,000-199,999 yen, Pension III: 200,000-299,999 yen, Pension IV: 300,000 yen or more.
2. 100,000 yen is about \$953.—Ed.

Figure 5. Comparison of average values for different combinations of pensions and savings (male aged 65-69, in employment)

which more regular employees quit their jobs in their 50s are more likely to allow all employees to continue working past 65 if they wish to. A policy implication to be drawn from this is as follows: when companies are encouraged to promote “continued employment past age 65 for all employees” in future, considerations are needed on the risk that they would opt for more rigorous selection of employees in their 50s, or would increase the number of employees who quit their jobs voluntarily by downgrading the treatment of workers in their 50s.

Contrastingly, large companies, with a higher proportion of regular employees, and with a higher rate of wage decrease after age 60 are more likely to fall into No Employees Type (i.e. their employees cannot continue working whether they want to or not). On the other hand, companies with a longer history, a higher proportion of regular employees aged 60-64, a labor union, a policy of consistency in wages at all ages, and a tendency to keep re-hired workers in their early 60s in the same jobs as before 60 are not likely to fall into No Employee Type. From these results, Kamakura suggests that possible directions for policy when promoting a change from No Employees Type to All Employees Type could include (i) reforming wage systems to ease rates of wage decrease at around 60, (ii) fostering awareness of the need to increase the consistency of the wage system, (iii) encouraging workers to set up unions, and (iv) assigning workers the same jobs as before they retired, thus focusing promotional efforts on companies in question and introducing measures for system design.

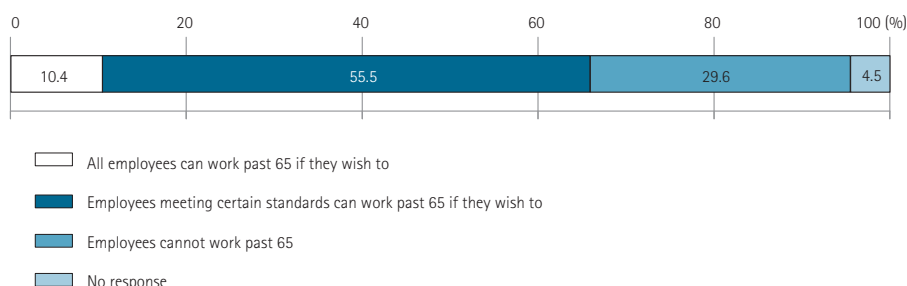
Active Participation by Older Persons and Related Measures

5. Rising employment rate and “Period of no income” due to raised starting age of pension payments

Professor Atsuhiko Yamada of Keio University uses individual data from MHLW “Longitudinal Survey of Middle-aged and Elderly Persons (First-Tenth Surveys)” to analyze the birth cohort affected by the 2013 rise in the starting age for pension payments (earnings-related component). Specific attention is given to (i) whether there was a rise in the employment rate, (ii) whether incomes were properly guaranteed, and (iii) how these differed from the situation when the starting age for fixed-amount pension payments (fixed-amount component) was raised (Table 2). Five facts were revealed as a result.

Firstly, the employment rate at age 60 of people born in FY1953 was compared to that of those born in FY1952 (for whom pension payments had started at age 60). In 2013, when the starting age for earnings-related pension payments was raised to 61, the employment rate at age 60 of those born in FY1953 was 7% higher for males who were regular employees at age 59, and 10% higher for males who were working for companies with 300 or more employees at age 59.

Secondly, the proportion of those born in FY1953 who had their own income including the public pension at age 60 was 5% lower for all males in the relevant cohort and about 3% lower for males who were regular employees at age 59, compared to those born in FY1952. This suggests that, even



Source: JILPT, 2016.

Figure 6. Possibility of continued employment past 65 in surveyed companies

after the 2012 amendment to the Act on Stabilization of Employment of Elderly Persons, a period of no income caused by the gap between employment (retirement age) and pensions (pensionable age) could not be completely prevented from arising.

Thirdly, there was no discernible rise in the unemployment rate at age 60 of those born in FY1953 compared to those born in FY1952, even though this period of no income between employment and pensions had arisen for some people. The inference is that when this no income period between employment and pensions arises, people do not look for work, but instead, leave the workforce and rely on their retirement benefit or savings, or the income of other household members, to maintain a living during that time.

Fourthly, there was no discernible decrease in the amount of their own income at age 60 for males born in FY1953 who had a principal income including the public pension, compared to those born in FY1952. Yamada sees this as suggesting that they used other forms of income mainly involving earned income (or early payment of pension benefits) to make up for the gap in annual income interrupted by the rise in the starting age for earnings-related pension payments.

Fifthly, Yamada examined attributes affected by the rise in the employment rate (i.e. “regular employee” or “working for a company with 300 or more employees” at age 59) as well as the rise

in the employment rate resulting from the raised starting age for earnings-related pension payments and the scrapping of systems restricting continued employment in FY2013. As a result, he finds that these were about the same as those based on the rise in the starting age for fixed-amount pension payments and the rise in the maximum age for compulsory measures to guarantee employment.

As for policy implications, finally, the period of no income caused by the raised starting age for payments of the (earnings-related) specially-provided old age employee’s pension (from age 60 to 61) in FY2013 was one year at most; people in this situation may have made ends meet by using their retirement allowance or savings, for example. However, there could be a risk that future rise in the starting age for pension payments would gradually prolong this “period of no income” for an increasing number of people (unless they opt for early payment). Moreover, given that old-age employees’ pensions have already been reduced due to a gradual decrease in the pension benefit rate, Yamada also highlights the risk that more people will be unable to compensate for reduced pension payments with earned income after age 65. These risks need to be watched closely for the future; if they should materialize, closer linkage between elderly employment policies and the social security system will be needed, including directions for

Table 2. Analyzed policy effects and birth cohorts of the treatment and control groups

Pair number	Male		Analyzed policy effects
	Control group	Treatment group	
(1)	Born in 1946	Born in 1947	Age of mandatory employment guarantee measures and specially-provided old-age employees' pensions (fixed-amount component) raised from 63 to 64 (effect at <u>age 63</u>)
(2)	Born in 1948	Born in 1949	Age of mandatory employment guarantee measures and specially-provided old-age employees' pensions (fixed-amount component) raised from 64 to 65 (effect at <u>age 64</u>)
(3)	Born in 1952	Born in 1953	Age of mandatory employment guarantee measures and specially-provided old-age employees' pensions (earnings-related component) raised from 60 to 61 (effect at <u>age 60</u>)

Source: Adopted from Table5-3, JILPT, 2017.

Note: Underlines are added by Atsuhiko Yamada.

continued employment not only in the early 60s but also beyond 65.

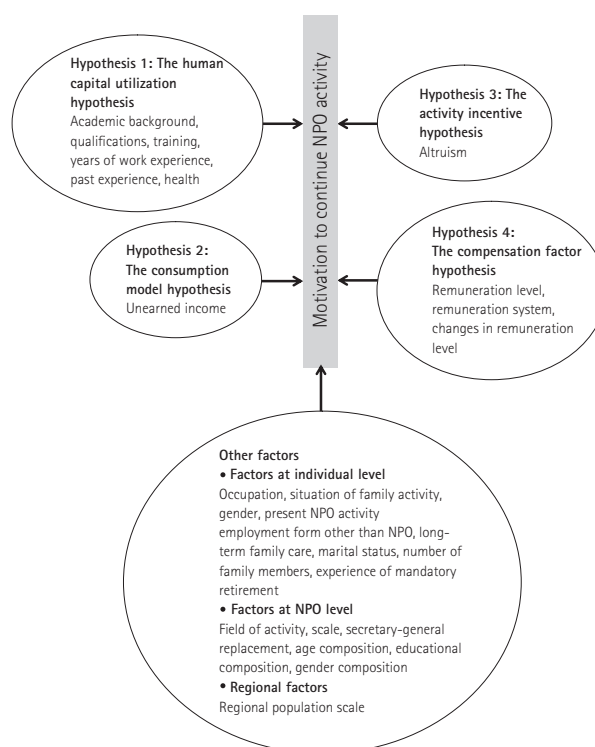
6. Determinant factor analysis of the motivation to continue NPO activity among middle-aged and older persons

Associate Professor Xinxin Ma of the Institute of Economic Research, Hitotsubashi University, examines determinants of the motivation to continue NPO (nonprofit organization) activity among those in middle-aged to older age brackets (ages 50-59, 60-64, 65 and over) and tests four hypotheses (the human capital utilization hypothesis, the consumption model hypothesis, the activity incentive hypothesis, and the compensation factor hypothesis) (Figure 7).

As policy implications, Ma suggests various ways of encouraging these people to continue NPO activity, including support for NPO activity by those with medical qualifications, a stable system of remuneration, PR targeting middle-aged and older persons, and support for those in low unearned income brackets. The outcome could be useful as reference when older persons choose NPO activity for active participation in various forms.

7. Employment, health and care burdens of older persons

Kunio Mimura, a lecturer at the Institute of Economic Research, Hitotsubashi University, analyzes how employment activity by older persons in their 60s affects their subjective health and burdens of care impact, and conversely, how this employment activity affects their subjective (sense of) health (Table 3). As a result, Mimura finds that (i) if a person's subjective health is good, there is a greater likelihood of that person being in work, (ii) the main caregiver is less



Source: Adopted from Figure 6-1, JILPT, 2017.

Figure 7. Image diagram of the tested hypotheses

likely to be in work, and (iii) being in work enhances subjective health. The policy implications to be drawn from these results are as follows.

Firstly, policies that increase the subjective health of older persons will be effective in encouraging them to stay in employment. Given that subjective health reflects physical and psychological social health as well as quality of life, a broad range of living support (including health promotion) aimed at middle-aged and older persons could encourage them to stay in employment.

Secondly, if an older person is a caregiver, that person's employment activity is constrained. but if

Table 3. Distribution of perception about one's own health by age and gender (4-level evaluation, %)

	Very good	Good	Not very good	Bad	No response
Total	5.43	63.04	26.60	4.59	0.34
Early 60s / Male	6.24	63.52	25.52	4.48	0.24
Late 60s / Male	5.94	61.88	26.38	5.07	0.72
Early 60s / Female	4.42	64.32	26.97	4.18	0.12
Late 60s / Female	4.29	61.16	29.18	4.94	0.43

Source: Adopted from Table7-4, JILPT, 2017.

the caregiver is another family member other than him/herself, there is no discernible constraining effect. This suggests that living together with the care recipient is not necessarily burdensome in itself, but that the burden of care on the caregiver leads to constraints on employment activity. It is therefore possible that reducing burdens on caregivers could help to promote employment activity by older persons. This could be done, for example, by enhancing at-home care support and creating an environment in which other family members are encouraged to take part in giving care.

Thirdly, encouraging older persons to stay in employment is effective in increasing their subjective health. Mimura suggests that, for those in their 60s, working provides not only an income and an opportunity for self-fulfillment, but also a way to an external life that positively impacts their health and quality of life. Thus, Mimura suggests that policies encouraging older persons to stay in employment could be effective in terms not only of securing manpower and guaranteeing the income of older persons but also of promoting their health.

Challenges for the Future

Challenges connected with the employment of older persons may be described from the following three perspectives.

Firstly, as for issues facing the employment of workers in their early 60s, one challenge is to consider employment management systems that will be accepted by workers, enabling them to work and be highly productive, given the change to mandatory employment until age 65. In fact, (i) less than 30% of companies have introduced evaluation systems (JILPT 2016), and that (ii) many re-hired workers have negative views on the significant fall in wages after re-hiring (JILPT 2015). These are also linked to court judgments on reduced wages for workers in their early 60s, the debate over equal pay for equal work, and the consideration being given to continuous employment benefits for the elderly (including their impact on employment and wages, etc.).

Secondly, what are the issues facing the employment of workers in their late 60s and beyond, or older workers in general? One challenge is to

find ways of expanding the employment of older persons, mainly those aged 65 or over. Other challenges include promoting smooth employment of those who wish to work, given that older persons newly employed past 65 are also covered by employment insurance following an amendment to the Employment Insurance Act.

Finally, regarding the active participation by older persons and related measures, it is important that older persons can participate actively in various ways, including those outside employment. There are still many issues that need to be explored in connection with the study of pensions and elderly employment, in particular. Meanwhile, the analysis results obtained this time show that employing older persons has a positive effect on their health, and it is seen as important to pursue further analysis on this. Finding effective measures to help older persons remain in employment while providing long-term care for their spouses or parents will also be a challenge for future research.

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