

Basic Information on Recent Elderly Employment Trends in Japan

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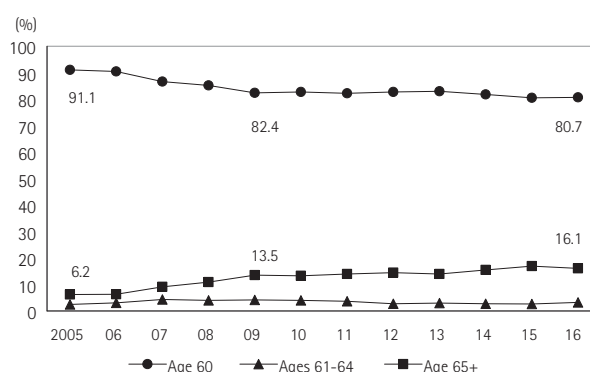
The aim of this paper is to provide basic information on the employment of older people in Japan over the last decade or so, rather than analyzing or examining issues in depth. The author asks readers to bear in mind that this is just a very brief summary. All data referred to in this paper are based on Japanese statistics.

I. Changes in corporate employment systems for older workers

According to a statistical survey on corporate employment systems by the Ministry of Health, Labour and Welfare (MHLW),¹ 95.4% of companies had systems of mandatory retirement (employment rules stipulating that workers must retire on reaching a certain age) as of 2016. By corporate scale, the ratio was 99.7% in large corporations with 1,000 or more employees; even in small and medium enterprises (SMEs) with 30-99 employees, it was as high as 94.2%, showing that the majority of companies have a system of mandatory retirement.

Most companies set the mandatory retirement age uniformly, rather than making it job-based. Figure 1 shows the distribution of mandatory retirement ages among Japanese companies. The data reveal that 60 is the mandatory retirement age in most companies, but that the ratio of mandatory retirement age set at 60 is declining while that of 65 and over is on the rise. So far, the rise is mainly seen in SMEs. There are different views on the speed of this change, slow or fast.

Over the course of Japanese employment history, systems of mandatory retirement were set and became established spontaneously in each company. This was probably based on traditional cultural attitudes toward aging. It also has economic rationality, in that, by assuming a more or less fixed



Source: Ministry of Health, Labour and Welfare, *General Survey on Working Conditions*, 2016.

Figure 1. Trends in mandatory retirement age (company ratios)

point of termination, a framework could be given to an employment system premised upon long-term employment. What must be noticed, however, is that even if the basic rule was to stop working at the mandatory retirement age, there were always provisions for exceptions to the rule. Actually, those who were sufficiently capable of working after mandatory retirement age were sometimes kept in employment. In some ways, this was seen as a good opportunity to review jobs and treatment for those in older age. In fact, many companies have now developed systems for continued employment after mandatory retirement, such as re-hiring schemes.

The legal system related to elderly employment has also supported and promoted these trends,² and has been playing a particularly important role in recent years. Legislation on corporate systems of mandatory retirement is primarily concerned with the prohibition of systems requiring mandatory retirement before age 60. This has been in effect

since 1998. In addition to this, however, two amendments with effect from 2006 and 2013, respectively, have made it compulsory for companies to guarantee employment up to age 65 for all workers who wish, even if mandatory retirement is set at less than 65.³ In this way, systems of continued employment up to age 65 for all those who wish have also been developed in terms of legislation.

With regard to the retirement age, people in Western Europe often retire before the age usually cited by the system. On the other hand, many workers in Japan actually retire from their jobs at a far higher age than the mandatory retirement age.

II. Background to the development of systems for continued employment up to age 65

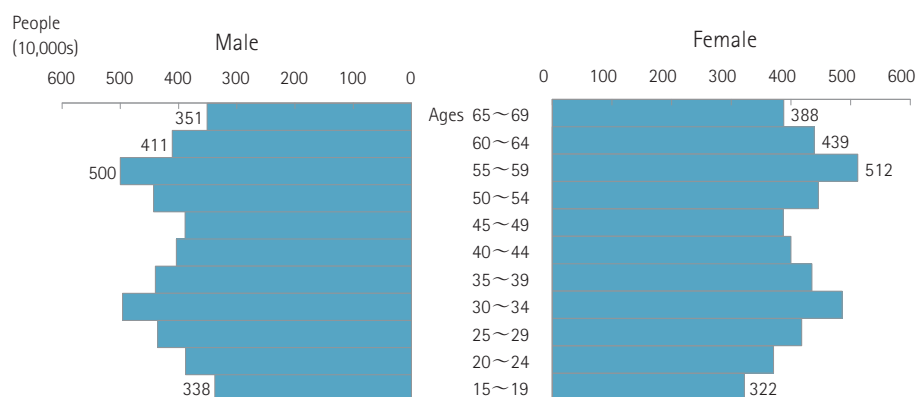
The background behind the development of systems for continued employment up to age 65 for the last ten years will be understood by looking at the population age composition in 2005 shown in Figure 2. It reveals that, at that time, there was a large population spike known as the “baby boom generation” at ages 55-59, i.e. just before the age of 60 set as the mandatory retirement age by most companies. Figure 2 reveals two important issues. The first is how to provide employment opportunities for older workers in their 60s, now that this population spike has entered their 60s, and how to support social security in terms of pensions and healthcare. Though less frequently highlighted compared to this, the other problem is that, while 5 million men are gradually entering their 60s, only about 3.4 million young people are entering their

20s. It is obvious that the key to solving both of these problems is for older persons to keep working.⁴

III. Trends in elderly employment

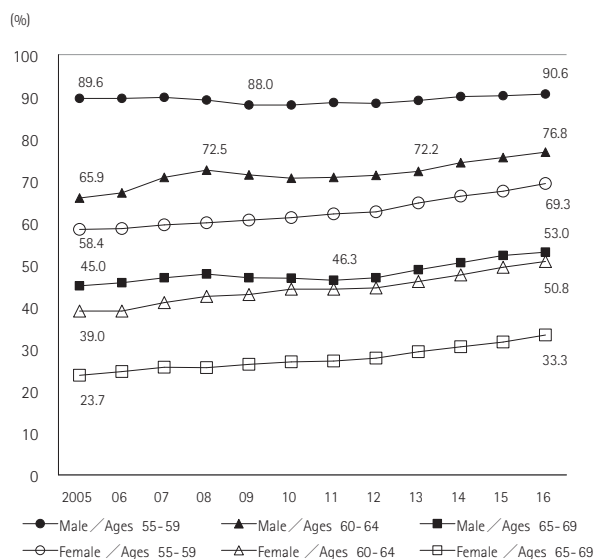
Let us now introduce some data on trends regarding the employment of older persons. In the following, data will be presented by sex and by age group in five-year segments. The focus will be mainly on persons aged 60-64, i.e. those targeted by systems of continued employment up to age 65, and on men in particular. As we will see, the process is not so simple.

Figure 3 shows trends in employment ratios. The employment ratio of men aged 60-64 was 76.8% in 2016, a rise of 11 percentage points compared to the 65.9% in 2005. Over the medium to long term, employment for older persons seems to have expanded. If we look at trends within this timeframe, however, we find that, although the ratio rose quite sharply between 2006 (when the first of the aforementioned two amendments came into force) and 2008, it subsequently fell between 2009 and 2010. This was due to shrinking economic activity, caused by the global financial crisis at the time. The possibility was even mooted that many eligible workers dared not hope for continued employment but had “stepped aside for the next generation,” even when measures for continued employment up to age 65 had been taken following the amendment. Although the employment ratio slumped temporarily in this way, it started to rise steadily again from 2013 onward. This was partly due to the enforcement of the second amendment in 2013, but was probably



Source: Statistics Bureau, Ministry of Internal Affairs and Communications, *Labor Force Survey*, 2006.

Figure 2. The year 2005 population by age group



Source: Statistics Bureau, Ministry of Internal Affairs and Communications, *Labor Force Survey*, 2006.

Note: "Employment ratio" is the ratio of persons in employment to the total population for the age group in question.

Figure 3. Trends in employment ratios

also influenced by a considerable improvement in the economic situation from around that time.

The employment ratio of men in 2016 in the 60-64 age group was about 14 points lower in the 60-64 age group than among those aged 55-59, and about another 24 points lower in the 65-69 age group. Even then, however, it should be noted that more than half of all men were still working even in the second half of their late 60s.

IV. Changes in older age

Apart from this general situation, another major characteristic of elderly employment is that various changes are seen to accompany increasing age. Some of these will now be introduced.

The first is a change in the type of employment. Figure 4-1 (male) and 4-2 (female) show the ratio of non-regular employees (hereinafter "non-regular ratio"), excluding executives of companies or corporations.

For men (Figure 4-1), the non-regular ratio is a little over 10% for those in the 55-59 age group but more than 50% for the 60-64 age group, revealing that men often convert from regular to non-regular employment around the age of 60. The same is true with those employees who remain employed in

companies even after they reach their mandatory retirement age at 60 or over. In that case, they are often full-time non-regular employees, rather than part-time ones.

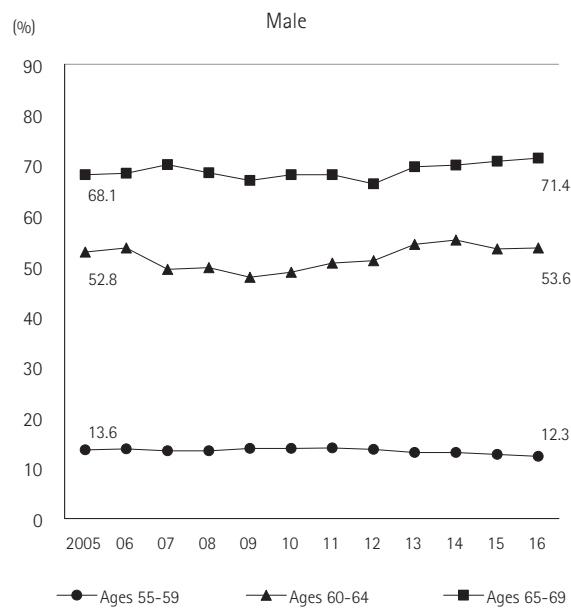
Table 1 shows 2016 data on the composition of occupations by age. Comparing the 55-59 and 60-64 age groups, the ratio of those engaged in professional, technical and clerical occupations has decreased, while that of those in services, transportation or machine operation, construction, mining and others as well as light duty such as carrying, cleaning and packaging has increased. This reveals that the content of the job undertaken often changes in older age, not only when the place of employment is changed, but even in continued employment after mandatory retirement, when there is generally not supposed to be any significant change in the job content.

In the composition by industry, the ratios of manufacturing and information/communications industries tended to decrease at around age 60, while those of the various service industries tended to increase. In terms of corporate scale, the ratio of large corporations decreased while that of small and medium enterprises increased. These data will be omitted here.

V. Summary and issues

Since the middle of the first decade of this century, the employment of older persons has become a serious issue as members of the large population spike known as the "baby boom generation" enter their 60s. This issue was initially addressed, not by extending the mandatory retirement age from 60, but mainly by requiring companies to offer continued employment up to age 65. As a result, thanks to cross-sector collaboration between the government, labor and management, systems of continued employment up to age 65 were developed. The attempt suffered a temporary setback owing to the global financial crisis, but since then, one could say that the employment of older persons has been expanding steadily in general. Amid this process, issues still remain for the present and future, while new issues are also arising.

The first is that, based on trends so far, we may need to review the framework of jobs and treatment



Source: Statistics Bureau, Ministry of Internal Affairs and Communications, *Labor Force Survey: Detailed Tabulation*.

Note: These two graphs indicate the ratio of non-regular employees among all employees excluding executives of companies or corporations.

Figure 4-1. Trends in the ratio of non-regular employees (male)

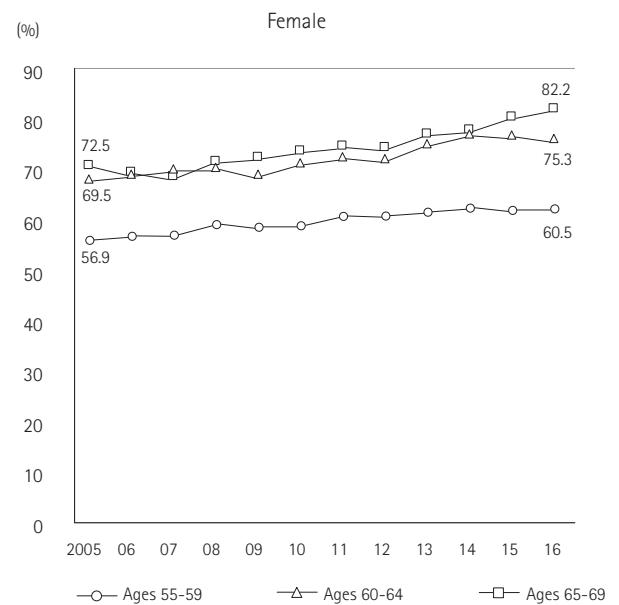


Figure 4-2. Trends in the ratio of non-regular employees (female)

Table 1. Occupational composition of older persons in employment by gender and age group, 2016

	Male				Female			
	Ages 55-59		Ages 60-64		Ages 55-59		Ages 60-64	
	Ages 55-59	Ages 60-64	Ages 65+	Ages 65-69	Ages 55-59	Ages 60-64	Ages 65+	Ages 65-69
Employed persons total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Administrative and managerial workers	6.2	6.8	7.6	6.5	1.1	1.4	2.3	1.7
Professional and engineering workers	15.4	12.3	9.8	10.4	17.9	12.3	7.1	8.0
Clerical workers	18.0	14.6	7.2	8.5	25.6	19.9	14.9	15.4
Sales workers	11.8	10.1	9.8	9.6	12.2	11.8	12.0	11.4
Service workers	4.4	5.8	8.0	8.1	19.5	22.3	24.4	26.3
Security workers	3.0	3.2	3.5	3.8	0.0	0.0	0.0	0.0
Agricultural, forestry and fishery workers	3.3	5.5	13.7	9.2	2.7	5.7	12.3	7.4
Manufacturing process workers	14.8	14.3	12.4	12.3	10.3	11.8	9.7	10.3
Transport and machine operation workers	7.7	8.4	8.0	10.8	0.4	0.0	0.0	0.0
Construction and mining workers	8.0	9.7	8.0	10.0	0.4	0.5	0.3	0.6
Carrying, cleaning, packaging, and related workers	6.2	8.4	10.2	10.4	8.8	13.3	15.3	16.6
Workers not classified by occupation	1.2	1.0	1.3	1.2	1.1	0.9	1.6	1.1

Source: Statistics Bureau, Ministry of Internal Affairs and Communications, *Labor Force Survey*, 2016.

for workers in their early 60s, including the future directions of the system of mandatory retirement.

The second issue is to promote employment for people in their late 60s. Now that the “baby boom generation” is already in this age group, and employment over 65 has become a matter of social concern. For the time being, the majority of employment opportunities for this generation are

being provided by SMEs; in other words, labor force is being supplied to those enterprises. It is entirely possible that, starting in this year of 2017 when the “baby boom generation” reaches age 70, we could be heading toward a shortage of labor force in absolute terms. Although some commentators pin their expectations on employment beyond age 70, a bigger challenge is to further promote employment

for the successors to the “baby boom generation.” Moreover, it goes without saying that the entry of the “baby boom generation” into their 70s brings some very weighty issues in terms of the social security system.

Notes

1. MHLW, General Survey on Working Conditions. 2016. Aimed at private companies with 30 or more employees.
2. Mainly the Act on Stabilization of Employment of Elderly Persons.
3. Figure 1 suggests that the ratio of companies setting mandatory retirement age at 65 and beyond increased at a faster pace between 2006 (when the amended law was enforced) and 2009, compared to before and after that period. This could be seen as one effect of

the amendment.

4. A similar situation pertains for the social security system (though diverging from the main purpose of this paper). After many years of deliberation on the employees’ pension scheme, the core of pensions for persons in employment, measures have been taken to raise the starting age of pension payment in stages from the previous age 60 to 65. This process is due to be complete in 2025 (or in 2030, for women).

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