

Employment Policies for the Aged as an Infrastructure of the Active Aged Society in Japan

Shinya Matsuda¹⁾

¹⁾*Department of Preventive Medicine and Community Health, University of Occupational and Environmental Health*

Abstract

Japan is one of the most aged societies among the developed countries. The further rapid ageing is forecasted within the coming years. It is essential for the Japanese society to utilize the experience and skills of the elderly in order to maintain the vitality of society. The previous research has clarified that there are three key factors for the aged to be able to keep their workability; up-to-date vocational skill and knowledge, work place arrangement near one's residence, and good health. The Health Care Reform Plan 2006 has introduced a disease management program targeting the Metabolic Syndrome. This program might make it possible for the Japanese aged to keep their health and as a result, to continue to work as long as possible. If this is the case, the newly introduced disease management program will increase the income and reduce the payment of social security fund. However, there is no single measure that would dramatically increase retention or hiring rates for older workers. A multidisciplinary approach is necessary to attain this goal, i.e., the arrangement old-pension scheme and the labor contract such as mandatory retirement age system. In order to promote the multidisciplinary policy making, the Japanese Society for Health Support System is strongly expected to contribute to offer a scientific background of social policy for the aged in Japan.

Key words: aged, employability, health, life-long education, aged society, Japan

❖ Introduction

Japan is one of the most aged societies among the developed countries. The further rapid ageing is forecasted over the coming years. Table 1 shows the chronological changes and future projection of demographic structure of Japan¹⁾. This rapid demographic change is causing the decrease in work force. As shown in Table 2, the Japanese working-age population (15–64) has already begun to contract and will decrease within the coming few years²⁾.

The increase of aged population means the increase of patients who need medical care. Along

with the ageing of society, the number of patients with cancer, cardio-vascular diseases and other life-style related diseases has been increasing. The recent advance in medical technology has made it possible to save the lives of acute patients, such as acute myocardial infarction and stroke patients. As a result, such patients require acute medical care services and then following chronic care services. This situation naturally expands medical expenditures. As our previous study showed, the combination of ageing and advance of medical technology is the main cause of rapid increase of the medical expenditures³⁾.

As the Japanese social insurance scheme is based on the transfer of money from the working population to the retired, the rapid ageing will make it difficult to maintain the system. In order to make the system sustainable, it is indispensable to increase the working population, especially, to increase the participation rate among the aged population. The Japanese elderly are highly motivated to work and the actual employ-

Received: August 12, 2008

Accepted: October 31, 2008

Correspondence: S. Matsuda, Department of Preventive Medicine and Community Health, University of Occupational and Environmental Health, 1-1 Iseigaoka, Yahatanishiku, Kitakyushu, Fukuoka 807-8555, Japan
e-mail: smatsuda@med.uoeh-u.ac.jp

Table 1 Chronological changes in the age structures with future projection (1000 persons)

	Total	Age category		
		0–14	15–64	65–
1950	83200 100.0%	29428 35.4%	49658 59.7%	4109 4.9%
1960	93419 100.0%	28067 30.0%	60002 64.2%	5350 5.7%
1970	103720 100.0%	24823 23.9%	71566 69.0%	7331 7.1%
1980	117060 100.0%	27507 23.5%	78835 67.3%	10647 9.1%
1990	123611 100.0%	22486 18.2%	85904 69.5%	14895 12.0%
2000	126926 100.0%	18472 14.6%	86220 67.9%	22005 17.3%
2005	127768 100.0%	17521 13.7%	84092 65.8%	25672 20.1%
2015	125430 100.0%	14841 11.8%	76807 61.2%	33781 26.9%
2025	119270 100.0%	11956 10.0%	70960 59.5%	36354 30.5%
2035	110679 100.0%	10512 9.5%	62919 56.8%	37249 33.7%

Source: National Institute of Population and Social Security Research.

ment rate among the elderly is very high compared with other developed countries. However, the Japanese elderly are increasingly facing a number of difficulties in the labor market under the current economic stagnation. In general, the employer prefers to hire younger workers in order to keep and to improve the productivity.

The previous studies have suggested that to continue to work would have a positive effect on the health status of the aged⁴). In order to keep the vitality of our society and at the same time to maintain our social security system, it is an urgent task for the Japanese government to reform the current labor policies for the aged. In this article, the author tries to discuss the desirable employment policies for the aged as an infrastructure of health support system.

❖ An Overview of the Japanese Pension System

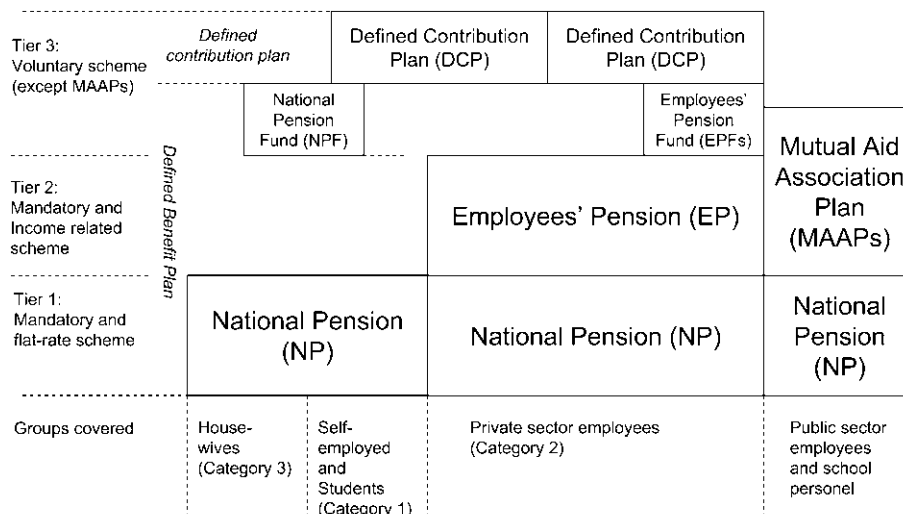
In order to discuss the employability of aged people, it will be useful to explain the current system of the Japanese pension system⁵). As shown in Figure 1, the Japanese pension system consists of three main tiers; National Pension (NP), Employee's Pension (EP) and various corporate pensions of voluntary basis. The National Pension is a mandatory universal

Table 2 Population of 15 years old or more by labour force status—All Japan (Ten thousand persons)

Year	Total ¹⁾	Total	Labour force participation rate (%) ²⁾	Employed person	Employment rate (%) ³⁾	Unemployed person	Unemployment rate (%) ⁴⁾
1955 ⁵⁾	5925	4194	70.8	4090	69.0	105	2.5
1960 ⁵⁾	6520	4511	69.2	4436	68.0	75	1.7
1965 ⁵⁾	7287	4787	65.7	4730	64.9	57	1.2
1970 ⁵⁾	7885	5153	65.4	5094	64.6	59	1.1
1975	8443	5323	63.0	5223	61.9	100	1.9
1980	8932	5650	63.3	5536	62.0	114	2.0
1985	9465	5963	63.0	5807	61.4	156	2.6
1990	10089	6384	63.3	6249	61.9	134	2.1
1995	10510	6666	63.4	6457	61.4	210	3.2
2000	10836	6766	62.4	6446	59.5	320	4.7
2005	11007	6650	60.4	6356	57.7	294	4.4

¹⁾Includes "Labour force status not reported". ²⁾Labour force participation rate (%) = (Labour force / Population of 15 years old or more) * 100. ³⁾Employment rate (%) = (Employed person / Population of 15 years old or more) * 100. ⁴⁾Unemployment rate (%) = (Unemployed person / Labor force) * 100. ⁵⁾The figures in 1953-1967 are not adjusted to be comparable with the figures after 1968. Population of 14 years old or more prior to 1959.

Source: Statistics Bureau, Director-General for Policy Planning (Statistical Standards) and Statistical Research and Training Institute. <http://www.stat.go.jp/data/roudou/longtime/03roudou.htm>



Source: OECD

Figure 1 Japanese pension system

flat-rate basic pension. The contribution rate is set for 14,100 JY per month in 2007. All citizens who paid contribution more than 25 years are entitled to receive NP after 65 years old. If a person wants to receive NP before 65 years old (must be after 60 years old), a reduced amount of pension will be allocated. The Employee's Pension is a mandatory earnings-related pension for all private-sector and a part of public sector employees. The contribution rate of 2007 is 14.642% of the salary (one half is from employee and another half is from employer). The third tier of voluntary pension consists of various type of corporate pension scheme. Most of them are defined type of benefits.

Governmental employees and private school teachers are covered by the Mutual Aid Association Pension Scheme (MAAPS). This scheme has a mixed characteristic of the second and third tier in Figure 1.

Self-employed people are covered by the first tier (NP) and their own voluntary third tier pension (National Pension Fund: NPF), if they pay an extra contribution for NPF.

The standard amounts of pension are 66,008 JY per month for single aged covered by NP, 232,592 JY per month for aged couple covered by EP in 2006.

About two-thirds of all men and one half of women aged 60-64 received some form of old-age pension⁶⁾. In the case of 65 to 69, more than 90% of both men and women received the pension. At national level, 46,293 billion JY were used for pension

allowance that was corresponding to 52.7% of total expenditures for social security system in 2005.

Compared with other OECD countries, Japan is ranked at a medium level of expenditure for old-pension relative to GDP; about 8% in 2000⁵⁾.

However, along with the maturation of scheme and the ageing of society, the ratio of beneficiaries / contributors will increase from about 30% in 2005 to more than 50% in 2035⁶⁾. Furthermore, the unpaid rate of contribution has been increasing from 14.7% in 1992 to 38.9% in 2007⁶⁾. Under these situations, there is a strong concern about the sustainability of public pension system.

❖ Situation Analyses of Employment Policies for the Aged in Japan

Compared with other developing countries, Japan shows a relatively high labor participation rates among the older peoples (Table 3)²⁾. Most of the European countries implemented the early retirement program during 1970s in order to increase the job opportunity of younger people. However, this program resulted in the rapid expansion of expenditures for the old-age pension and caused a financial difficulty of social security system in the late 1980s. In addition there was no positive effect of employment rates among the young peoples. According to the OECD data, the decline in employment rates for older workers tends to be associated with an increase in the

Table 3 Chronological change of Employment rate by age group

Year	Employment rate (%) ¹⁾						
	Total	15~19	20~24	25~29	30~34	35~39	40~44
1970	64.6	31.8	74.2	70.3	72.1	77.0	79.5
1975	61.9	20.5	69.1	68.5	69.9	74.9	77.7
1980	62.0	17.2	67.5	71.0	71.6	76.8	79.8
1985	61.4	15.7	68.0	72.8	72.1	77.2	81.3
1990	61.9	16.8	70.7	76.9	73.2	78.9	82.5
1995	61.4	15.6	69.9	78.1	73.5	77.6	81.9
2000	59.5	15.5	66.6	78.0	73.9	77.0	81.0
2005	57.7	14.7	63.5	79.2	75.7	76.8	81.1

Year	Employment rate (%) ¹⁾						
	45~49	50~54	55~59	60~64	65~	65~69	70~
1970	78.1	74.9	67.4	58.4	31.6	45.5	22.1
1975	78.1	74.3	66.3	55.7	27.5	41.9	18.4
1980	79.5	76.3	67.1	54.1	25.8	40.2	17.2
1985	81.0	76.6	67.9	51.1	23.9	38.2	16.6
1990	83.4	79.7	71.3	53.4	24.1	38.7	16.5
1995	82.9	80.4	73.4	53.4	24.2	38.9	16.2
2000	82.0	79.5	73.0	51.0	22.1	36.2	15.4
2005	82.9	79.6	73.8	52.0	19.4	33.8	13.6

¹⁾(Employed person / Population of 15 years old or more) * 100.

Source: Statistics Bureau, Director-General for Policy Planning (Statistical Standards) and Statistical Research and Training Institute.

<http://www.stat.go.jp/data/roudou/longtime/03roudou.htm>

unemployment rate for younger people rather than with a decrease⁵⁾.

Contrary to the European countries, Japan has continued to make much effort to secure the employment of old peoples. For example, the 9th Basic Plan for Employment Measures, which was decided by the Cabinet in 1999, states that the government will try within the next ten years to ensure that setting the mandatory retirement age at 65 will be widespread practice and that, at minimum, it will aim to ensure that older workers with the capacity and desire to work can stay in employment until age of 65. It also declares that in future Japan should create a society in which older persons can continue to work regardless of age as long as they have the desire and ability to work.

The pension system reform is an important factor behind this governmental decision. In order to make our pension system sustainable, the Japanese government has been raising the minimum age for receiving the basic pension from 60 to 65. In order to harmonize

the pension system and labor policy, the modification of the Law concerning Stabilization of Employment of Older Persons prohibited for firms to fix their mandatory retirement age before 60 years old. However, only 27% of all firms have some schemes to guarantee employment until 65 years old to all employees who wish to work⁵⁾.

As shown in Table 1, the labor force of Japan will continue to decrease within the coming three decades. Therefore, promoting high rates of labor force participation rates among old people will play a key role in responding to the economic challenges raised by population ageing. The most important concern of today is if we can maintain this high participation rate of the aged and furthermore raise the rate. However, there are some negative evidences emerging.

For example, there is a negative correlation (-0.53) between the proportion of older workers in total employment in each sector in 2001 and the growth in the total employment over the 1990s in the corresponding sector⁵⁾. There has been a very strong

increase in employment for professional workers and technical workers, of whom less than one quarter is older workers⁵⁾. While participation rates for older workers in Japan are quite high, their career paths do not seem to be very secure, especially for the aged workers who cannot keep up with the technological advance.

It is well known that the Japanese people are working much longer than the official age of retirement, while people in most other OECD countries tend to retire earlier than the official retirement age⁵⁾. However, the average effective age of retirement has been falling in recent years. The economic recession and the declining share of the self-employed in total employment are probably the main factors behind this trend.

There is some evidence that unemployment benefits affect the labor supply decision of older persons. Higuchi and Yamamoto found that an increase in unemployment benefits tends to reduce full time and part time employment and increases unemployment of men in their early 60s⁷⁾.

Maintaining the high labor participation rates among older people is very important if our country is to cope with the future challenges of a declining and rapidly ageing population.

❖ Discussion

In this section, the author would like to discuss the possible solutions for the realization of active aged society based on the findings of previous literatures.

Factors promoting employability of the aged

As we expect the aging society with fewer children to progress and the young population to decrease, it is essential for the Japanese society to utilize the experience and skills of the elderly in order to maintain the vitality of the society. Seike and Yamada have clarified that there are three key factors for the aged to be able to keep their workability; vocational skill and knowledge, arrangement of work place near one's residence, and good health⁸⁾.

The on-going shift away from the production of goods to the production of services, together with technological innovation, has increased the need for better and more adaptable skills. This situation requires for the Japanese workers to attend to the life-long learning and training system. In Japan, tradition-

ally, firms have been much contributing to the life-long training and education of workers under the life-long employment system. However, because of a drastic change in the labor market after the end of bubble economy in 1990s, the traditional system of firm-based training in Japan is facing enormous challenges. For example, lifelong employment practices may be becoming less prevalent because of the large increase in irregular workers. Firms cannot be very sure that they can expect enough return from their investment for these workers. Workers themselves cannot be sure that the training given by firms will be useful when they change jobs. In summary, as a result of economic recession, industrial restructuring, greater international competition and the increased importance of IT, both firms and employees are facing stronger needs for higher vocational skills and knowledge, which cannot be easily met through current in-house training.

Considering this situation, one of the possible solutions is to provide appropriate life-long training and education at high school and university. Today, most of higher education institutions are suffering from the decrease of students because of the recent demographic change as shown in Table 1. These facilities are very important resource for the life-long education and training. The web based distance education and training courses are also available solution. This kind of life-long educational scheme is already available at several universities. However, it does not always meet to the demand of workers, especially workers of less academic career. The establishment of community based life-long education system is absolutely necessary.

The financial assistance for life-long learning is also very important. For this purpose, in 1998, the government has introduced the "Education and Training Benefit", which directly assists individuals to take some designated courses by covering part of their training cost. However, this benefit is applicable only for full-time workers. Most of vulnerable groups such as the aged, the handicapped, and workers with lower academic career are working mainly as part-time workers. Thus it is strongly recommended to expand the life-long education and training scheme for these kinds of groups.

The second factor indicated by Seike and Yamada is the work place arrangement near one's residence⁸⁾. In fact, it is very difficult for the aged workers to travel

more than one hour by very congested trains and buses. Thus it is very important to prepare job opportunities in the community. One possible solution is to prepare small jobs in the community.

In the mid 1970s, the Japanese government introduced the scheme of the Silver Human Resources Centers: public welfare organizations that provide free placement services for temporary, part-time jobs involving light tasks mainly to their older members or affiliates after mandatory retirement. Such jobs are closely related to daily life in the local communities, including jobs in households and public offices. The centers are basically run voluntarily and autonomously by these welfare organizations, with financial support from central and local government. The number of affiliates to these centers has been increasing and there are more than 761,047 in 2006⁹⁾.

However, in order to increase the usability of the Silver Human Resources Centers, it is absolutely necessary that the participating aged have some skills to be employed. Thus the life-long education and training system must be equipped in the community setting.

Agriculture is a possible job opportunity for the aged. Agriculture shall give for the cultivator a positive feeling by harvest. The ageing is a process of losing, i.e., lose of social role by retirement, death of spouse and friends. These events might cause depressive feelings among them. In order to cope with this problem, our department is now preparing a NPO of agricultural activity by the aged. We would like to report its physical and psychological effects in future reports.

The third factor indicated by Seike and Yamada is good health⁸⁾. Historically, the Japanese government has made much effort for health promotion activities¹⁰⁾. In order to further promote the health promotion activities, the government has implemented the 2006 Health Care Reform, in which the Disease Management program for the metabolic syndrome is introduced since April 2008^{10, 11)}. This program has been introduced as one of measures to control medical expenditures. For this reason, there are tough debates about its effectiveness of cost containment. The author is skeptic for its direct cost containment effect. However, this disease management program might make it possible for the Japanese aged to keep their health and as a result, to continue to work as long as possible. If this is the case, the newly intro-

duced disease management program will increase the income and reduce the payment of social security fund. The author considers this indirect effect of health promotion on the financial situation of social security will be more important than the direct effect to reduce medical care cost.

Arrangement of old-age pension scheme and mandatory retirement age

There is an argument that the current old-age pension scheme might have a negative effect on the participation rate of aged workers. Seike has suggested that the strong rise in the real value of old-age pensions over time in Japan, may have contributed to the decline in the participation rate of men aged 60 to 64 from around 82% in the early 1960s to about 71% in the late 1980s¹²⁾. Under the current pension system, the payment is reduced according to how much the old people earns from their work. It is criticized that this scheme might deprive incentive to work of the healthy aged. If this is the case, the current scheme of old-age pension must be arranged in order to ameliorate the incentive of old persons to work.

In Japan, the mandatory retirement system is regarded as serving two purposes: one is to terminate employment at a certain age and the other is to secure employment until a certain age. For the employers, it would not be acceptable to keep the higher waged old workers without employment limit under the current seniority related wage system. The mandatory retirement age scheme is a kind of safety valve for the employer. But it might be a considerable loss of productivity to lose the experienced workers at the defined age regardless of the workability of individual person. In order to keep the high labor participation rate, it might be desirable to abandon the mandatory retirement age system and to realize the age-free employment system.

The age-free employment would need a more active and mature external labor market, since there would be higher labor turnover if life-time employment becomes less important and mandatory retirement is abolished. Again, this requires the adequate life-long education and training system, and more importantly a high motivation of middle and old aged persons to continue to work.

With a defined retirement age, the employees could have enough time for preparation of their aged life. This is a positive aspect of the mandatory retire-

ment age scheme. On the other hand, the wage of older workers who are re-employed by the same employer after mandatory retirement decreases significantly. It is quite reasonable that a retired would stop to work if the wage is not enough to compensate the amount of reduced pension under the current old-age pension system. The current reduction arrangement must be changed in order to keep the incentive of the aged for working.

❖ Necessity of ergonomic and physiological researches for improving the workability of the aged

In order to increase the employability of old persons, it is absolutely necessary to arrange the working environment. Compared with other developed countries, Japan is very behind concerning the ergonomic and physiological study in this field. For example, there are very few medical schools that have some curriculums of ergonomics and applied physiology of ageing. The scientific assistance will be very important to advance the employment policy of the aged. It is strongly recommended to promote the researches in this field.

The high labor participation rate of the old person must be one of the factors in order to realize an active aged society. There is no single measure that would dramatically increase retention or hiring rates for older workers, under the current economic climate in Japan. A multidisciplinary approach is necessary to attain this goal. The author expects that the Japanese Society for Health Support System will contribute to offer a scientific background of social policy for the aged in Japan.

❖ Acknowledgement

This study was conducted by the support from PPPI (Program on Pharmaceutical Policy Issue) grant of the Merck Company Foundation in 2007.

❖ References

- 1) National Institute of Population and Social Security Research: <http://www.ipss.go.jp/syoushika/tohkei/suikei07/suikei.html> (access 25 June 2008).
- 2) Statistics Bureau, Director-General for Policy Planning (Statistical Standards) and Statistical Research: <http://www.stat.go.jp/data/roudou/longtime/03roudou.htm> (access 25 June 2008).
- 3) Matsuda S, Fujino Y, Fushimi K and Fujimori K: Structural analysis of the factors associated with increase in health expenditures for the aged in Japan. *Asian Pacific Journal of Disease Management* 1, 117–121 (2007).
- 4) Crimmins EM, Reynolds SL and Saito Y: Trends in Health and Ability to Work among the Older Working-Age Population. *Journal of Gerontology Series B: Psychological Sciences and Social Sciences* 54, 31–40 (1999).
- 5) OECD: Ageing and Employment policies: Japan. Paris: OECD 2004.
- 6) Social Insurance Agency: <http://www.sia.go.jp/infom/tokei/index.htm> (access 25 June 2008).
- 7) Higuchi Y and Yamamoto I: Employment of older workers in Japan - analysis of the effectiveness of employment management policies and pension system. Proceedings of Ninth EU-Japan Symposium. Brussels 21-22 March 2002: http://ec.europa.eu/employment_social/news/2002/aug/higuchi_paper.pdf.
- 8) Seike A and Yamada A: Economics of the elderly working (Korei-sya syugyo no keizai-gaku), Tokyo: Nihon Keizai Shinbun-sya, 2004 (in Japanese).
- 9) Silver Human Resources Centers: <http://www.zsjc.or.jp/rhx/upload/Statistics/16.pdf> (access 25 June 2008).
- 10) Matsuda S: Health promotion policy in Japan. *Asian Pacific Journal of Disease Management* 1, 11–17 (2007).
- 11) Ito M: Health Care System Reform and Measures against Lifestyle-Related Diseases. *Asian Pacific Journal of Disease Management* 1, 1–10 (2007).
- 12) Seike A: The implications of mandatory retirement for the utilization of the human capital of older people. *The Japan Labor Bulletin* Vol. 36 (10), (1997) <http://www.jil.go.jp/jil/bulletin/topics/index-c.htm> (access 25 June 2008).

- 1) National Institute of Population and Social Security