

Employment policy in Japan - Progress and Challenges

Prof. Akira Morita

National Institute of Population
and Social Security Research, Japan

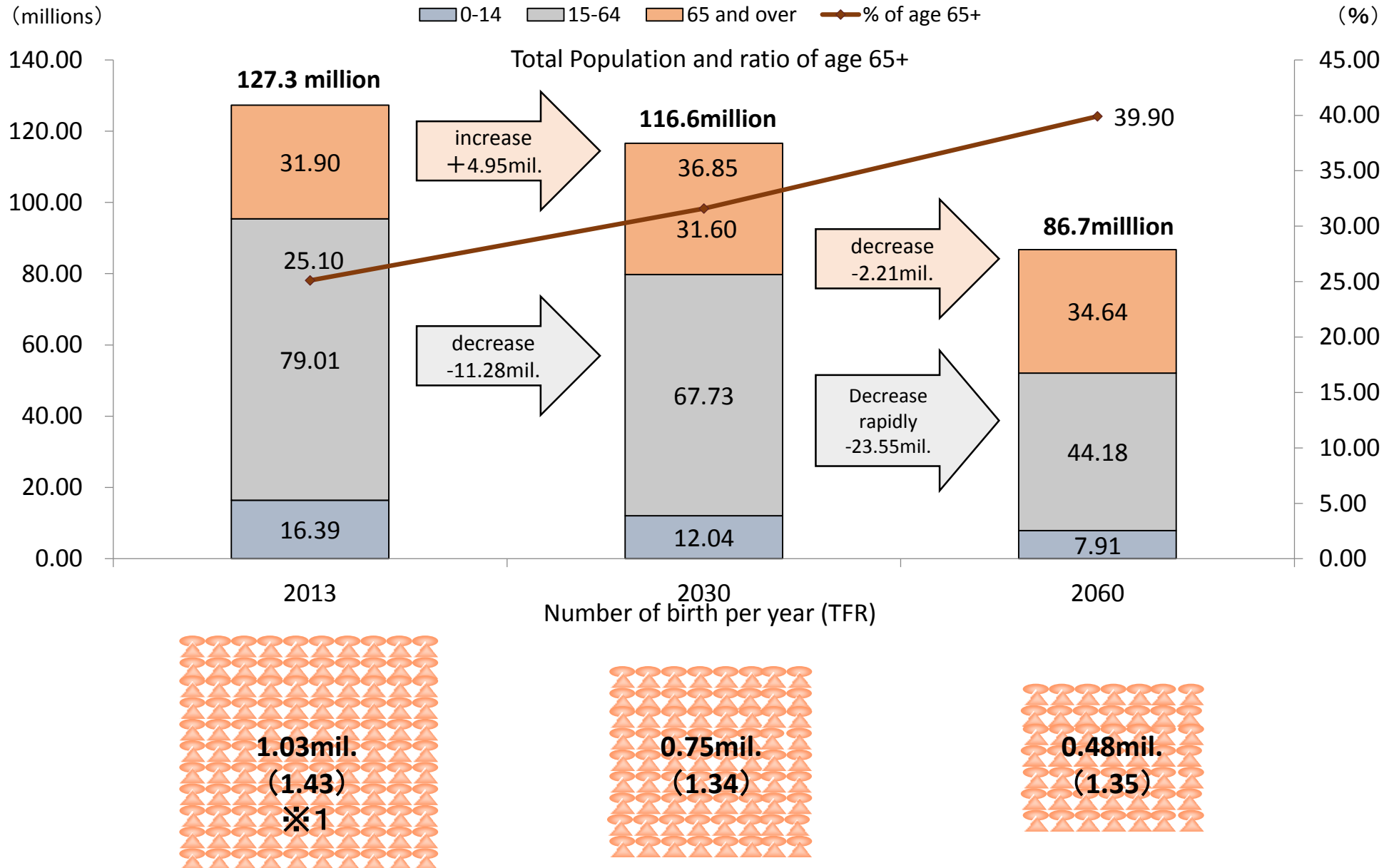
Presented at
INTERNATIONAL SOCIAL SECURITY CONFERENCE 2015
19th & 20th May, 2015
At Berjaya Times Square Hotel, Kuala Lumpur, Malaysia

Outline

1. Progress of Aging
2. Public Pension Reforms and Elderly Employment Law Reform
3. Socioeconomic Status of the Elderly
4. Summary Conclusion

Japan will rapidly age with fewer children

Progress of aging



Source : For data up to 2010, Census data by Statistics Bureau of Ministry of Internal Affairs and Communication (<http://www.stat.go.jp>) . For data from 2030, "Population Projections for Japan", IPSS, ※1 Vital Statistics (2013), MHLW

Increased burden on working generation's shoulders

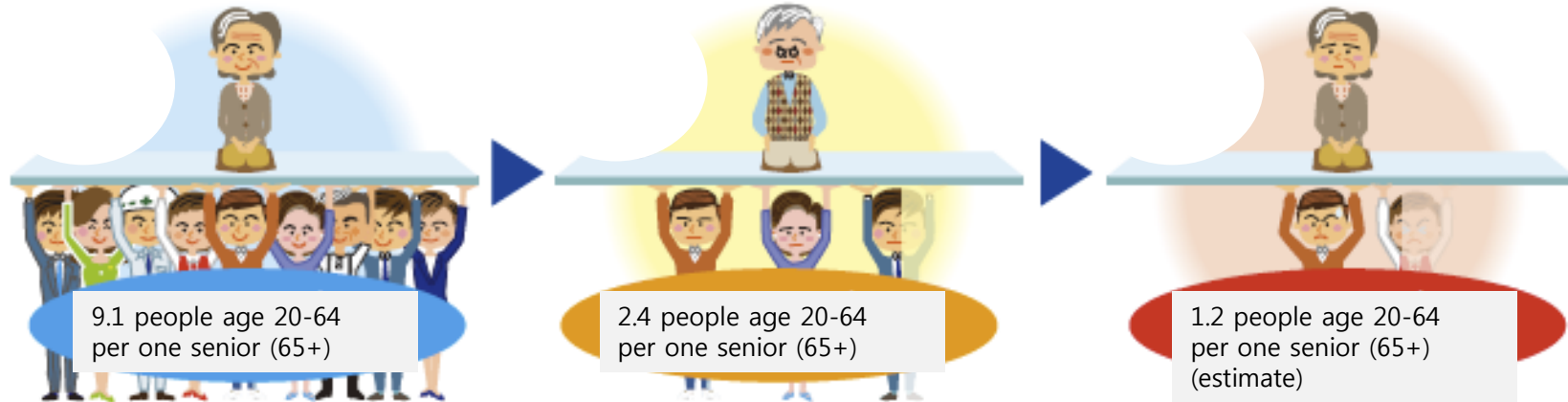
Progress of aging

Concern for the burden of tax and social security condition by the younger generation raised the public support for "Comprehensive Reform of Tax and Social Security", initiated by the government in late 2000's.

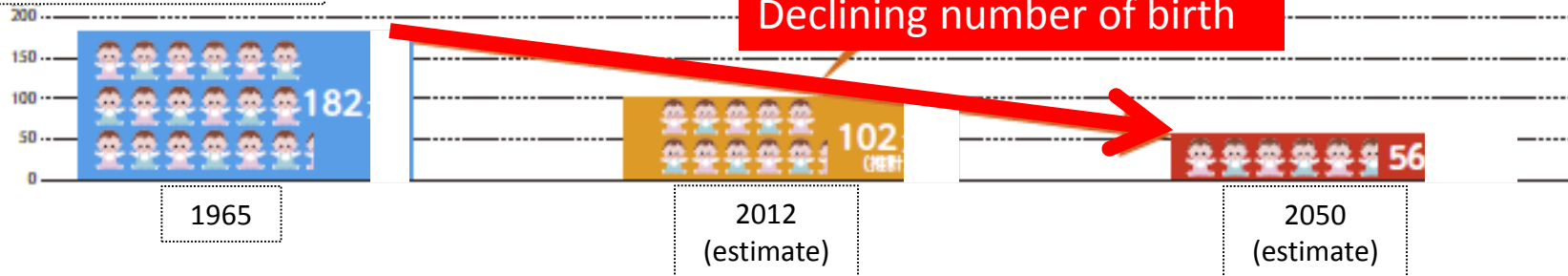
1965
Celebrating
longevity with
"victorious toss"

2010
"Senior-Lifting"
gymnastic
exercise

2050
Piggyback ride by
a senior
on the shoulder
of one young



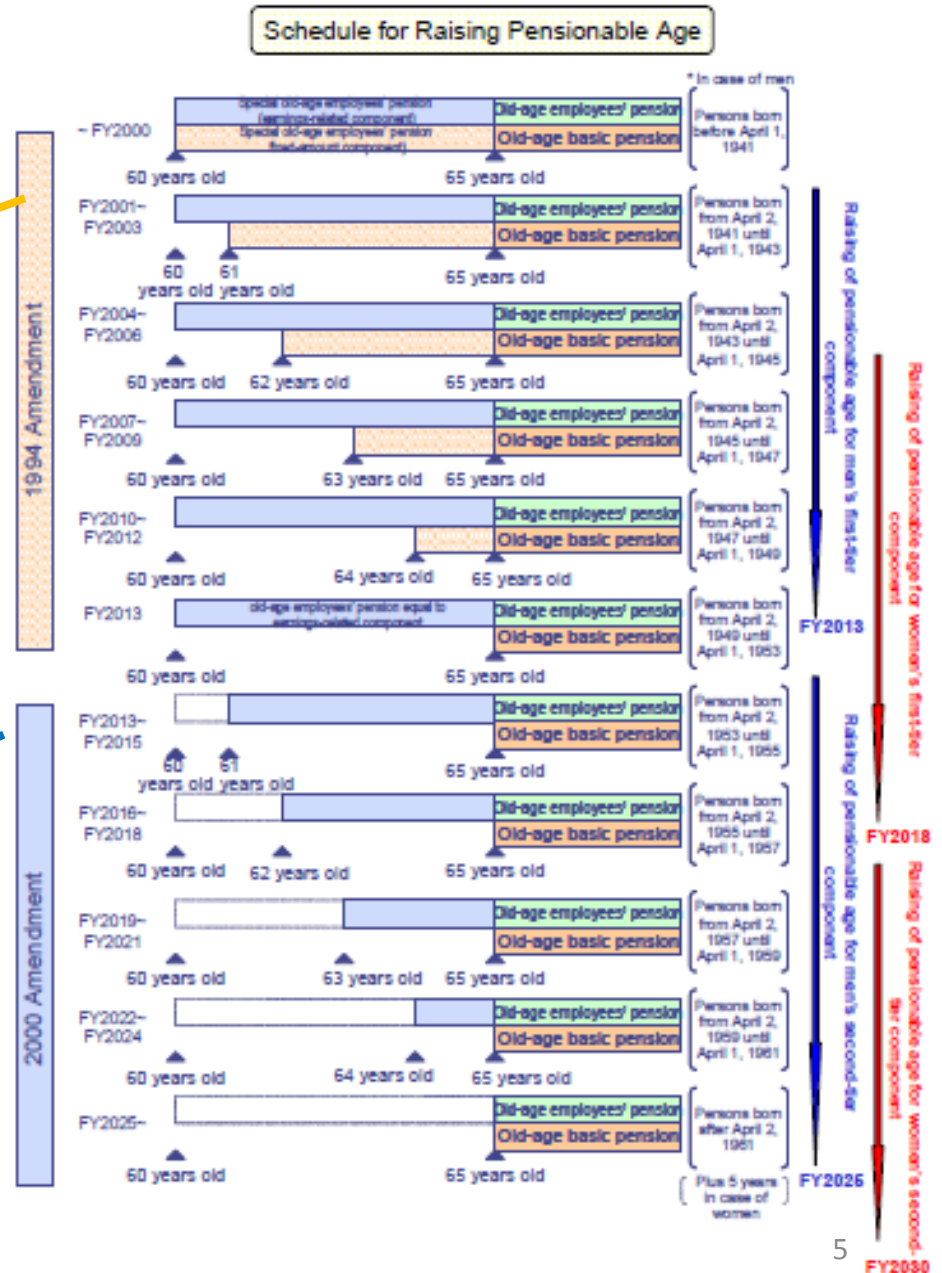
Number of birth (in ten thousands)



As for the public pension, however, the major "overhaul" from actuarial point of view, including the introduction of the "macroeconomic indexation", has already been introduced in 2004 reform. Today's topic, "raise of the eligibility age" has already been introduced in a gradual manner **before** the 2004 reform.

History of the raise of pensionable age

- Japanese public pension system is composed of three tiers, of which the first and second tier is mandatory for the employee.
- Raise of the pensionable age for the **“Basic Pension” (1st tier)** started on April, 2001, under 1994 amendment of the law for men (for women, started in 2006). The raise has been introduced gradually from age 60 to 65, and was completed in 2013.
- Raise of the pensionable age for the **“Employees’ Pension Insurance” (2nd tier)** started on April, 2013, under 2000 amendment for men (for women, starting in 2018). The raise has been, and will be introduced gradually from age 60 until 2025.



The age of retirement followed the raise of pensionable age

The rule for the retirement age has been amended following the changes of the public pension system. **Starting from April, 2013, companies are obliged to take measures to secure elderly employment for everyone who desires employment until the age of 65,** as the raise of the pensionable age started at the same time.

Major changes in elderly employment rule

2000 (raise of the 1st tier would start in 2001 for men; 2nd tier still started at age 60)

Obligation to make an effort to secure elderly employment until the age of 65 by raising retirement age, etc. (enforced October 1, 2000)



2004 (raise of the 1st tier would start in 2006 for women; raise of the 2nd tier had been decided in 2000)

Taking of measures to secure elderly employment made a legal obligation to employers (enforced April 1, 2006)

Employable age raised from 62 to 65 by 2013



2012 (raise of the 2nd tier would start in 2013)

Taking of measures to secure elderly employment (not necessarily raising retirement age) for everyone who desires employment until the age of 65 made a legal obligation to employers (Enforced April 1, 2013)

Japanese seniors live longer

Average life expectancy at certain age (50, 65, 75, 90 years old) and Average age whose life expectancy is equivalent (1960 standard)

Male

Year	Average life expectancy			
	50	65	75	90 歳
1960	22.4	11.6	6.5	2.6
1990	28.4	16.2	9.5	3.5
2010	31.4	18.7	11.4	4.2
2030	33.5	20.6	13.1	5.1
2060	35.5	22.3	14.6	5.9

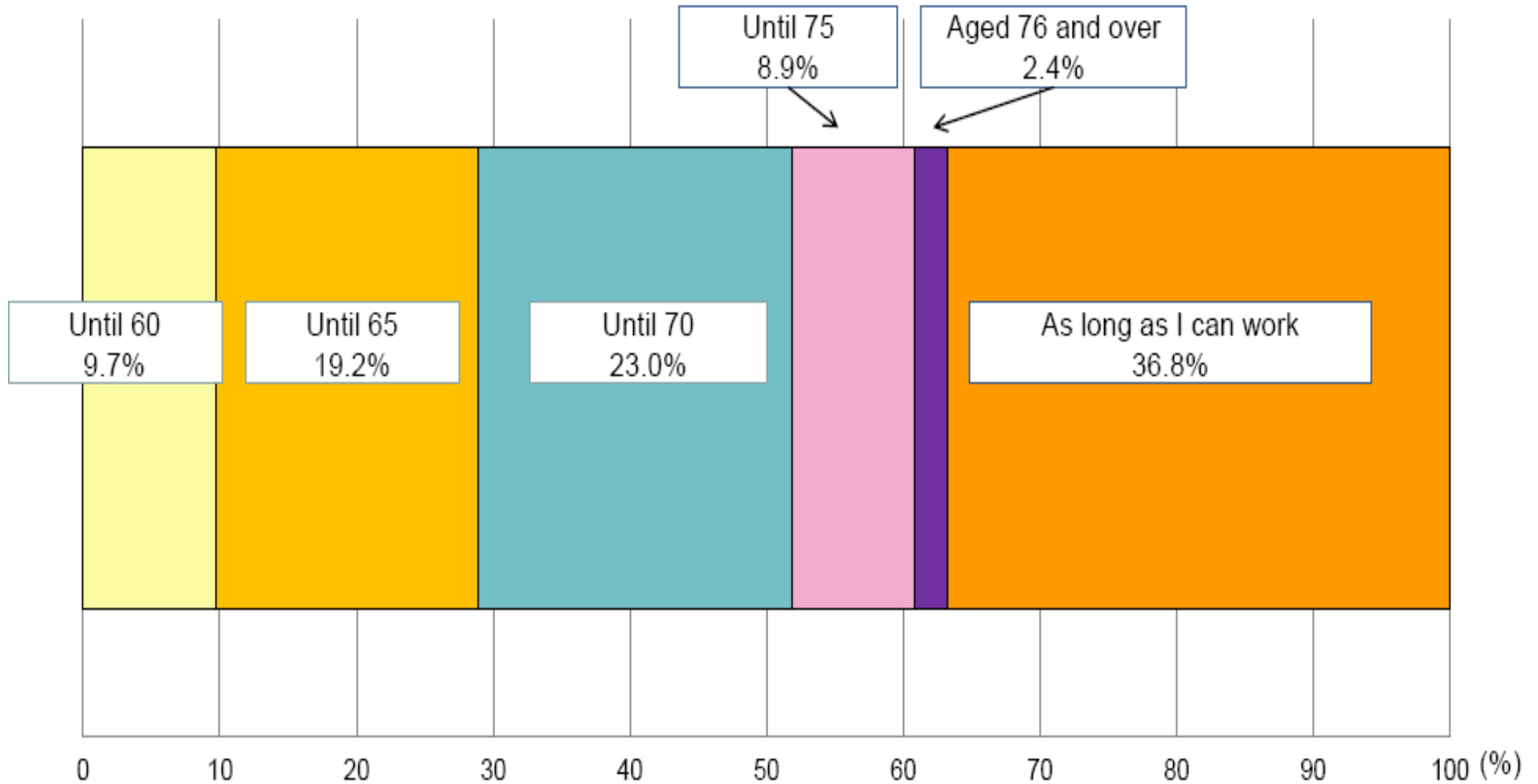
Female

Year	Average life expectancy			
	50	65	75	90
1960	26.0	14.1	7.9	2.9
1990	33.4	20.0	12.0	4.1
2010	37.5	23.8	15.3	5.5
2030	39.7	25.8	17.1	6.7
2060	41.7	27.7	18.9	7.9

Year	Average life expectancy (1960 std.)			
	50	65	75	90 歳
1960	50.0	65.0	75.0	90.0
1990	57.0	71.6	80.8	94.5
2010	60.4	74.8	83.7	96.7
2030	62.8	77.2	86.4	99.5
2060	64.9	79.3	88.5	101.7

Year	Average life expectancy (1960 std.)			
	50	65	75	90
1960	50.0	65.0	75.0	90.0
1990	58.1	72.2	81.2	94.4
2010	62.5	76.5	85.4	97.9
2030	64.8	78.8	87.8	100.6
2060	66.9	81.0	89.9	102.7

Until when do you want to work? (Aged 60 and over)



International comparison of employment rate of the elderly

(%)

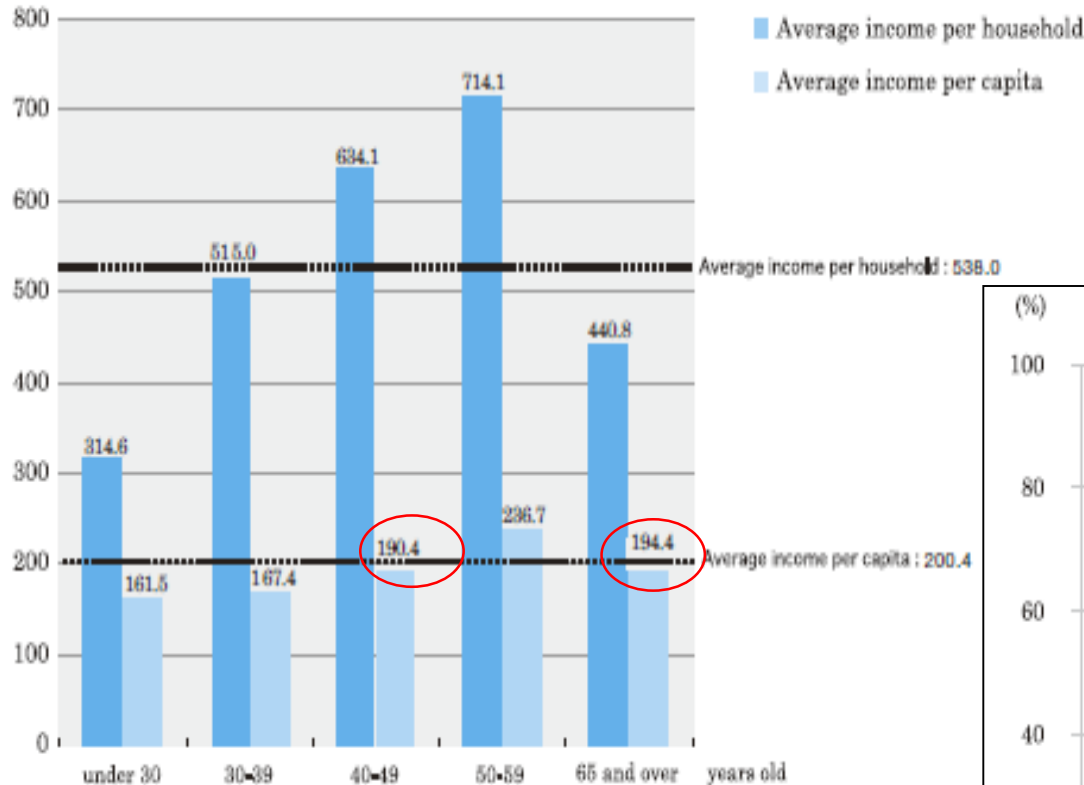
			Japan	US	UK	Germany	France	Italy	Sweden	Korea
Employment Rate (2012)	Total	Age 55-59	75.4	68.1	70.8	74.9	67.1	57.7	82.0	68.1
		Age 60-64	57.7	52.0	45.3	46.5	21.7	22.8	64.4	56.1
		Age 65-69	37.1	29.9	19.5	11.1	5.9	8.0	19.5	42.5
	Male	Age 55-59	88.4	73.0	75.4	80.7	71.0	69.7	84.3	82.5
		Age 60-64	71.3	56.8	55.3	54.8	23.7	30.7	68.6	69.8
		Age 65-69	46.9	34.7	24.4	14.4	7.1	12.6	24.3	54.4
	Female	Age 55-59	62.6	63.6	66.3	69.3	63.5	46.3	79.7	53.9
		Age 60-64	44.5	47.6	35.8	38.7	19.9	15.4	60.2	43.1
		Age 65-69	27.8	25.7	15.0	8.1	4.8	3.8	14.8	32.6

Source : JILPT (2014)

Seniors' financial conditions are not bad

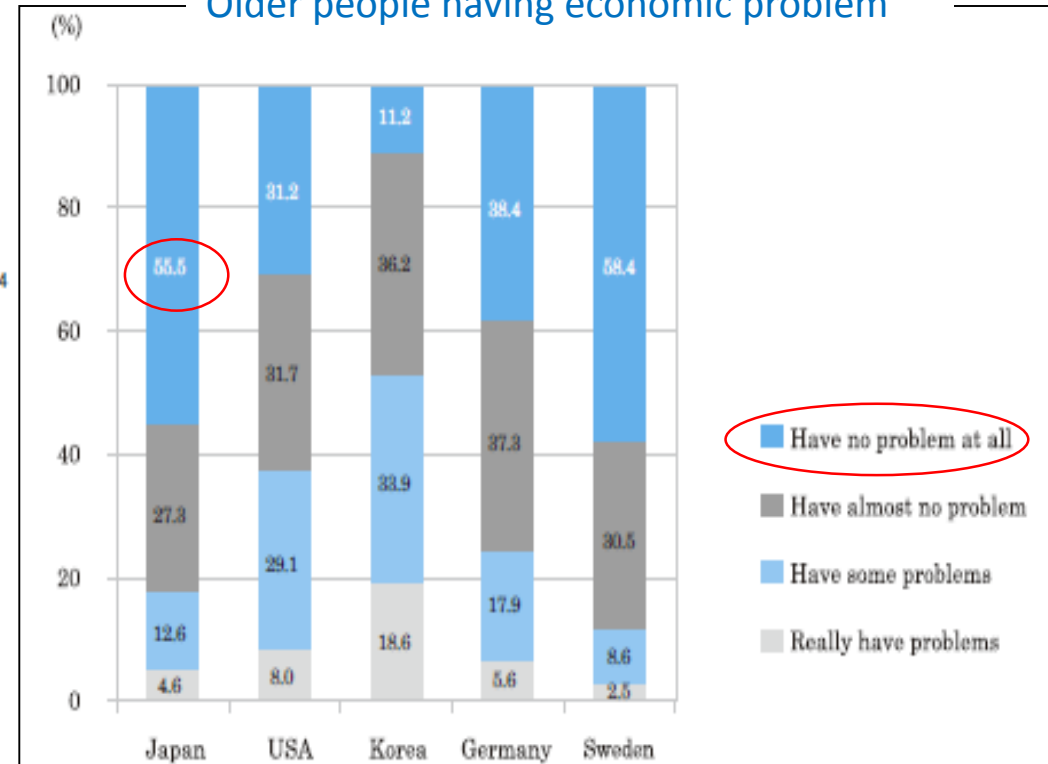
(with consideration for disparity required)

Average annual household income by the age of household head (in 10,000 yen)



Ministry of Health, Labour and Welfare,
Comprehensive Survey of Living Conditions of the People on Health and Welfare, 2011

Older people having economic problem

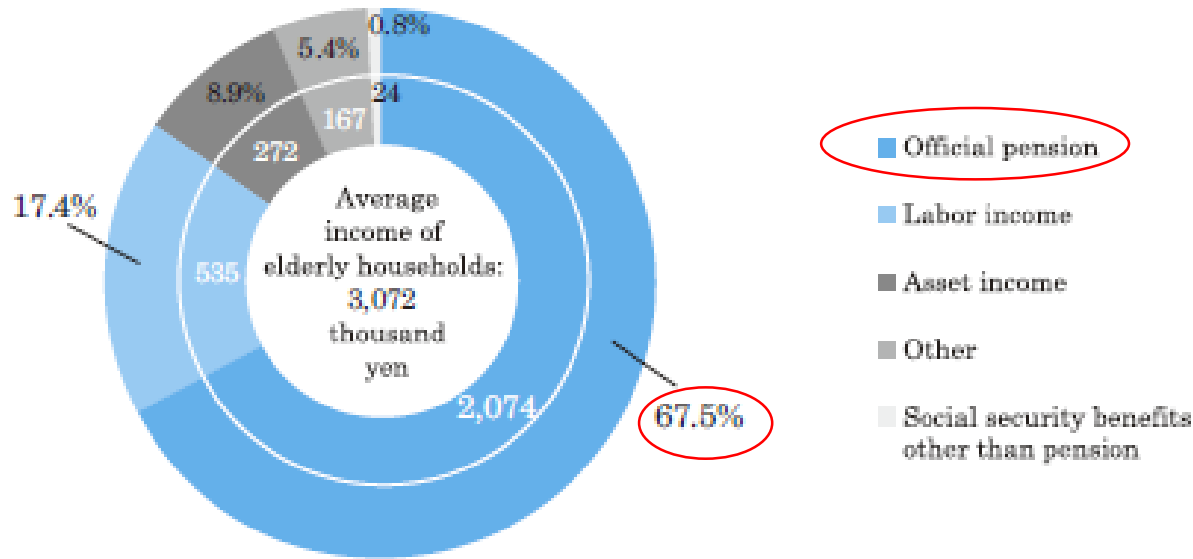


Cabinet Office, The 7th International Survey on Living and Consciousness of Senior Citizens, 2010

Their purse is refilled by public pension in every other months

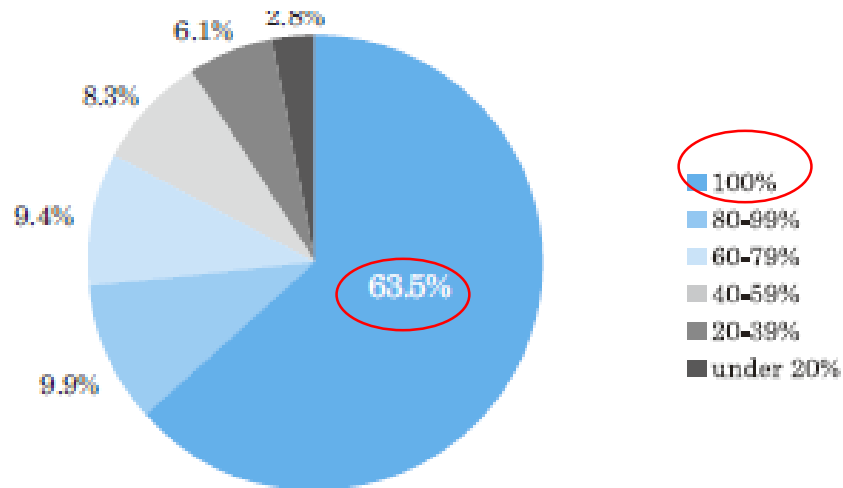
Annual income distribution of households (in 1,000 yen)

Socioeconomic status



Ministry of Health, Labour and Welfare, *Comprehensive Survey of Living Conditions of the People on Health and Welfare*, 2011

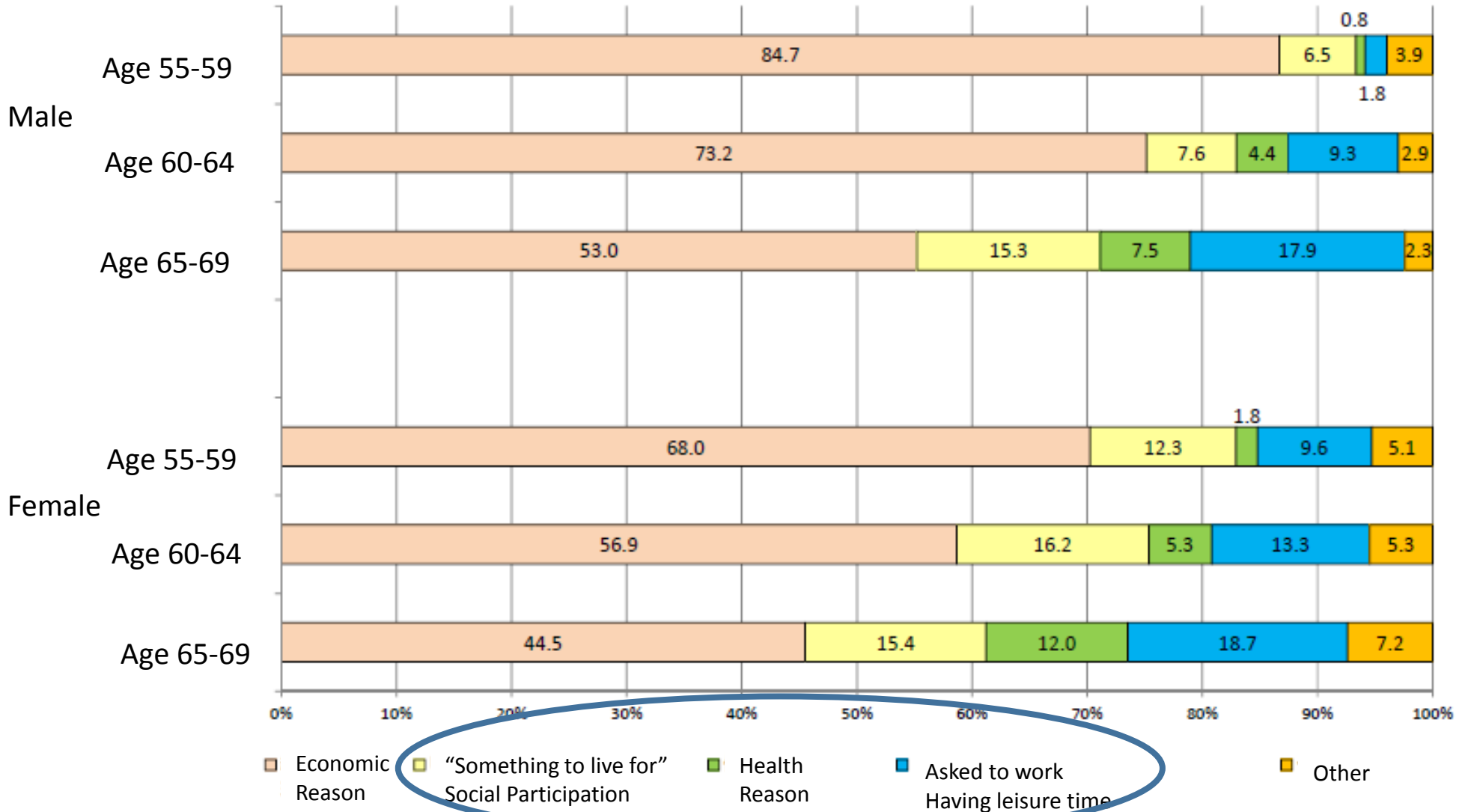
Public pensions in the annual income of elderly households



Ministry of Health, Labour and Welfare, *Comprehensive Survey of Living Conditions of the People on Health and Welfare*, 2009

Why do you work, grandpa/grandma?

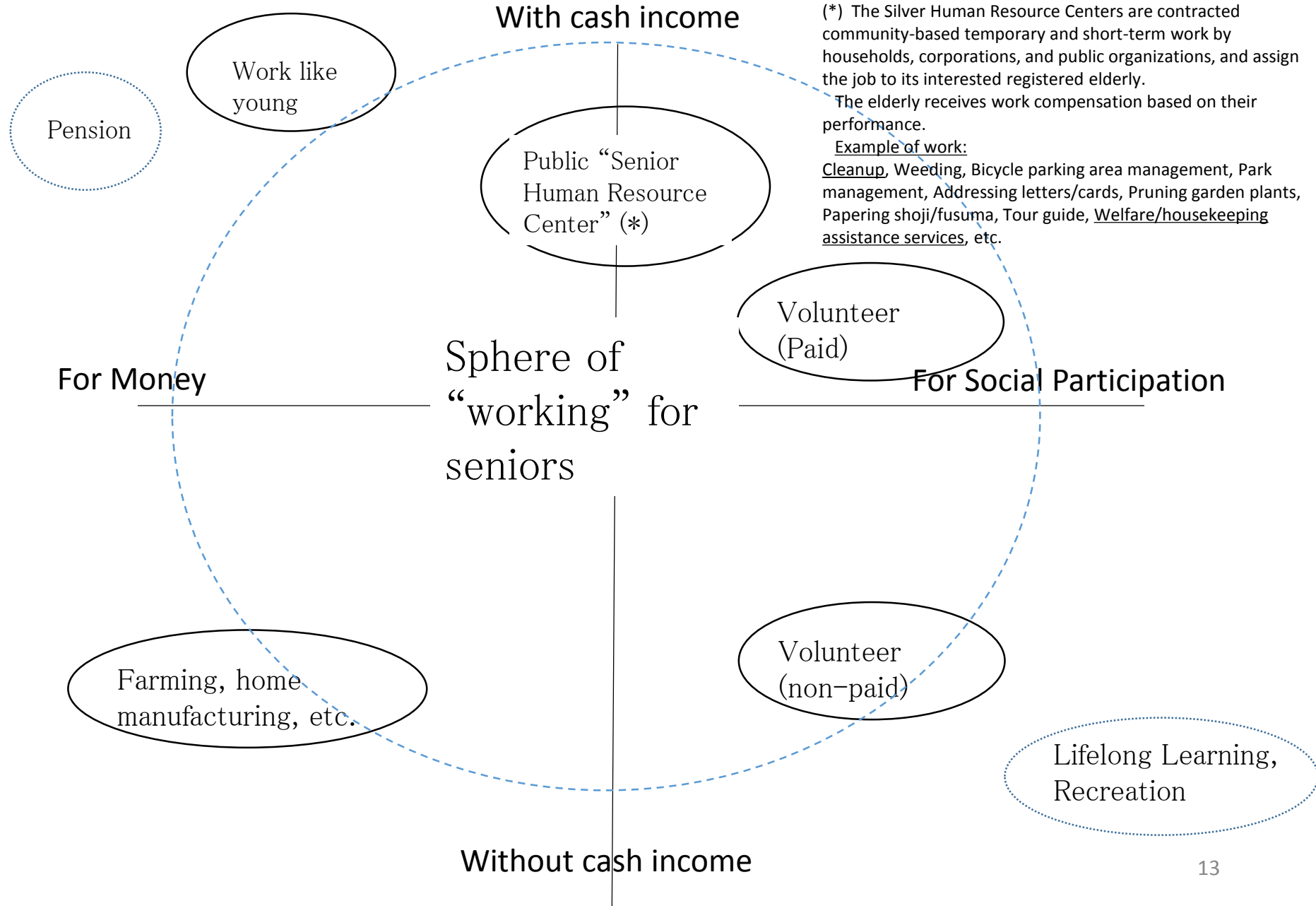
Major Reason to Work of the Seniors (Single Answer)



Source: JILPT (2009)
Questioned about the work engaged in July 2009

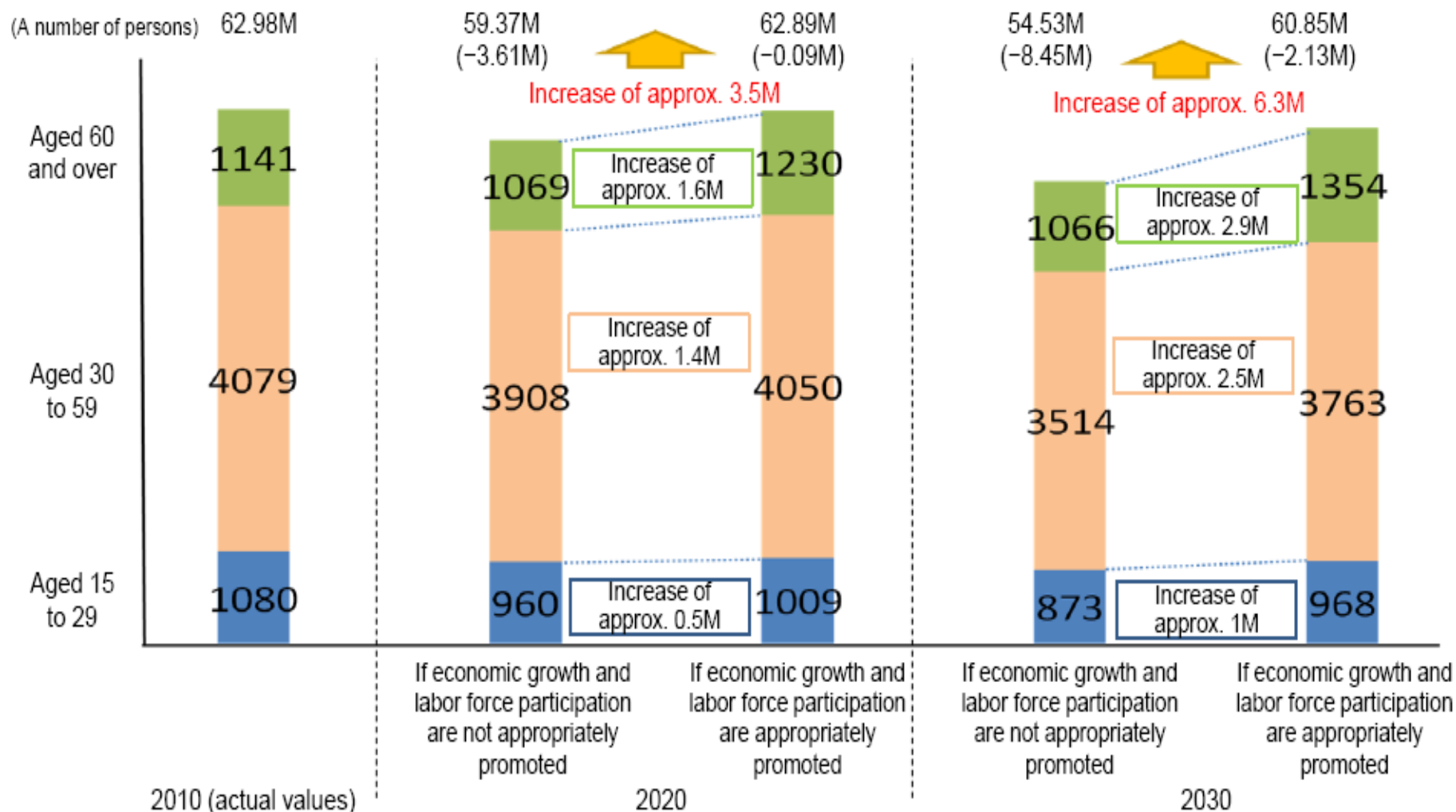
Various meanings attached to “working” for seniors

Socioeconomic status



Labor Force Simulation for 2010 - 2030

It is estimated that the labor force participation of the number of working generation (age 15 – 60) will grow very modestly, **despite** taking into account more aggressive labor force participation by women.



Summary

- Seniors in Japan live longer, and the raise of the pensionable age is already underway.
- Companies are legally mandated to take measures to secure elderly employment for everyone who desires employment until the age of 65.
- Seniors in Japan are actively working, and have wills to work.
- As their basic income is guaranteed by the public pension, various meaning for work (other than for money) could be attached for many of them.
(with consideration for disparity required)

Conclusion

- Active social participation keeps the seniors in good physical/mental condition; that also provides sense of independence to the seniors.
- By promoting elderly employment who desires to work, we aim to solve the problems caused by aging and depopulation. That includes supplementing decreasing population of working generation.
- **Active labor participation of the seniors provides win-win solution for anybody for the future of Japan.**