

# **Employment of Older Persons in Japan: Perspectives on History, Policy, and the Impact of Technology**

**Harnessing Intergenerational Benefits of Demographic Changes in Asia and the Pacific:  
Engaging all Groups from Youth to Older Persons**

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*Online meeting (Zoom)*

Yu KOREKAWA, Ph.D.

Director for International Research and Cooperation  
National Institute of Population and Social Security Research

# 1. How can ideal employment of the elderly be achieved?

1. As many Asian countries will experience rapidly declining birthrates and aging populations in the future, more progress in employment of the elderly is urgently needed.
2. In this context, Japan is said to have a strong willingness to work among the elderly and to have achieved a high level of employment of the elderly even by international standards.
3. The purpose of this report is to clarify the conditions under which this is possible.

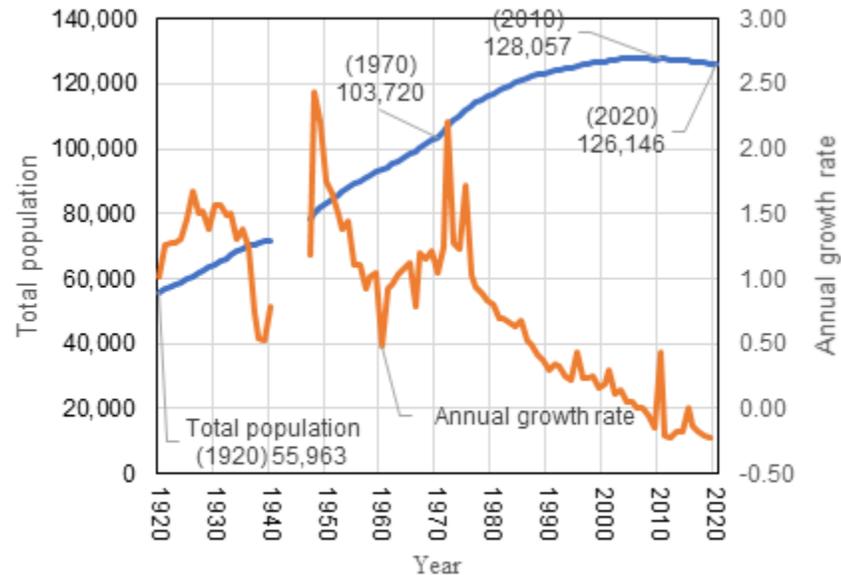
# 1. How can ideal employment of the elderly be achieved? (2)

Major Challenges and Key Underlying Issues

1. Climate Change
2. The 4<sup>th</sup> Industrial Revolution
3. Covid-19
4. Gender
5. Social Security (Public Pension System)
6. Labor Market

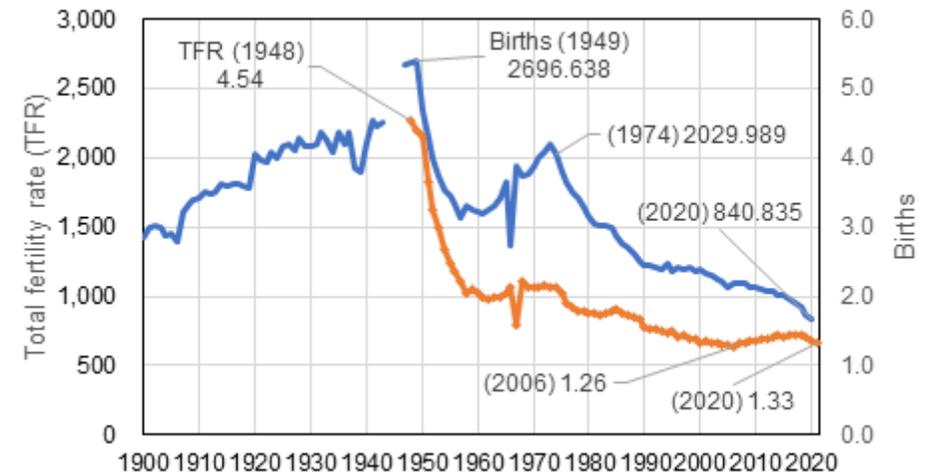
## 2. Demographic overview of Japan

Total population of Japan has begun to decline under the low-fertility and the pace of ageing is more rapid in Japan.



Source: IPSS (2021), Statistics Bureau of Japan (2021)

**Figure 1:** Population dynamics of Japan since 1920

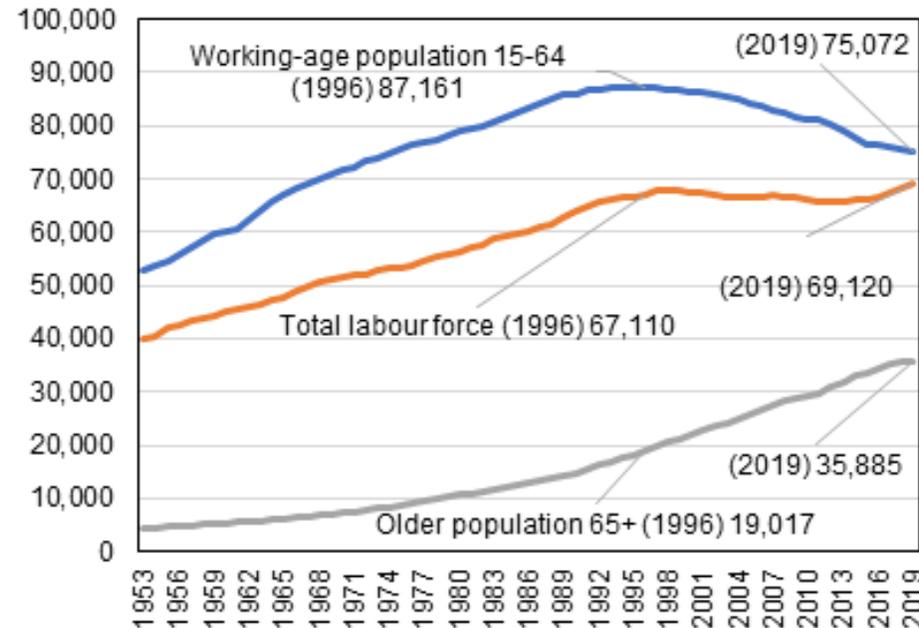


Source: Ministry of Health, Labour and Welfare (2022)

**Figure 2:** Births and total fertility

### 3. History of employment of older persons

The working-age population has declined since 1997, but the total labor force has been at the plateau in the last two decades and has even grown recently.

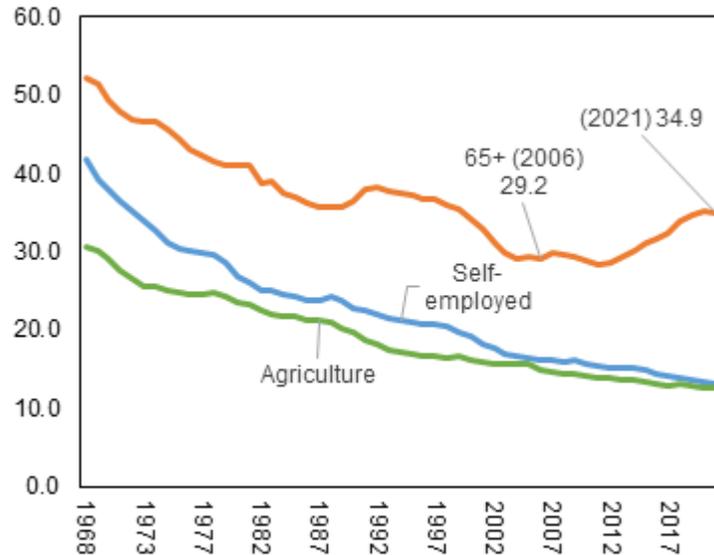


Source: IPSS (2021), Statistics Bureau of Japan (2022)

**Figure 6:** Trend of working-age population (15–64), older population (65+) and total labour force

### 3. History of employment of older persons(2)

The ELPR declined steadily until 2006 but rose again due to the change of pensionable age.



Source: Statistics Bureau of Japan (2022)

**Figure 5:** Trend of male labour force participation rates and proportion of self-employed persons among the working population

Birth year	Fixed pension age	Income-related pension age	Mandatory continuous employment age	Note
1938-40	60	60	60	Retirement age equals full annuity payments
1941-42	61	60	60	A gap exists between the age at which fixed portion payments begin and the retirement age
1943-44	62	60	60	
1945	63	60	60	Payments of the income-related pension begin at age 60
1946	63	60	63	
1947-48	64	60	64	Implementation of mandatory continuous employment up to age 65.
1949-52	65	60	65	
1953-54	65	61	65	Gradually raise the starting age to pay the income-related portion of the employee pension
1955-56	65	62	65	
1957-58	65	63	65	Pension benefits are delayed by five years for women.
1959-60	65	64	65	
1961-	65	65	65	

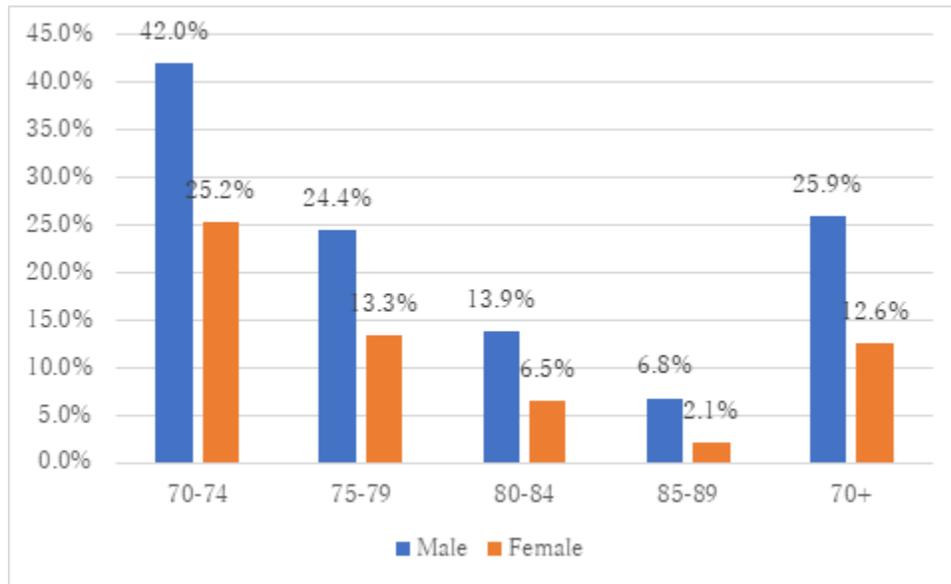
**Table 1:** Pensionable age and mandatory age for employment security measured by year of birth

Note: Year of birth includes those born on April 2 of the year in question through April 1 of the following year. Pension benefits are delayed by five years for women.

Source: Kawaguchi (2017)

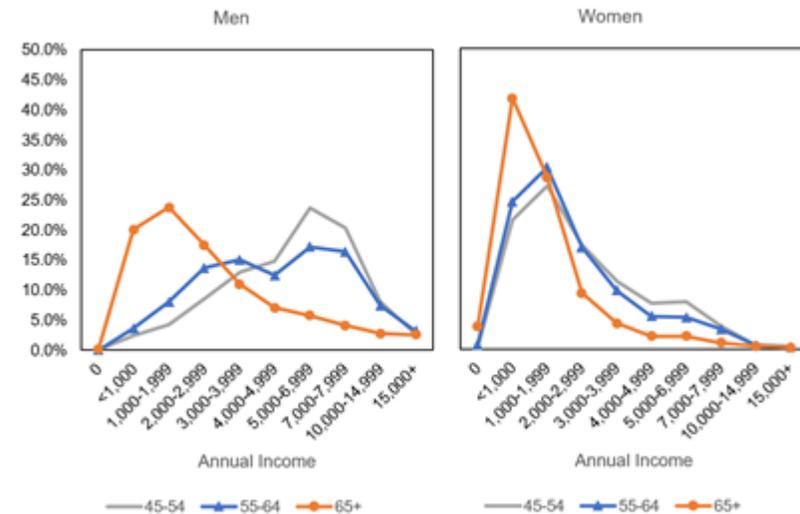
# 4. Employment situation of older persons

The ELPRs differ depending on their ages, and their income is skewed to the lower side.



Source: Statistics Bureau of Japan (2022)

**Figure 8:** Labour force participation rate of older persons (70+)



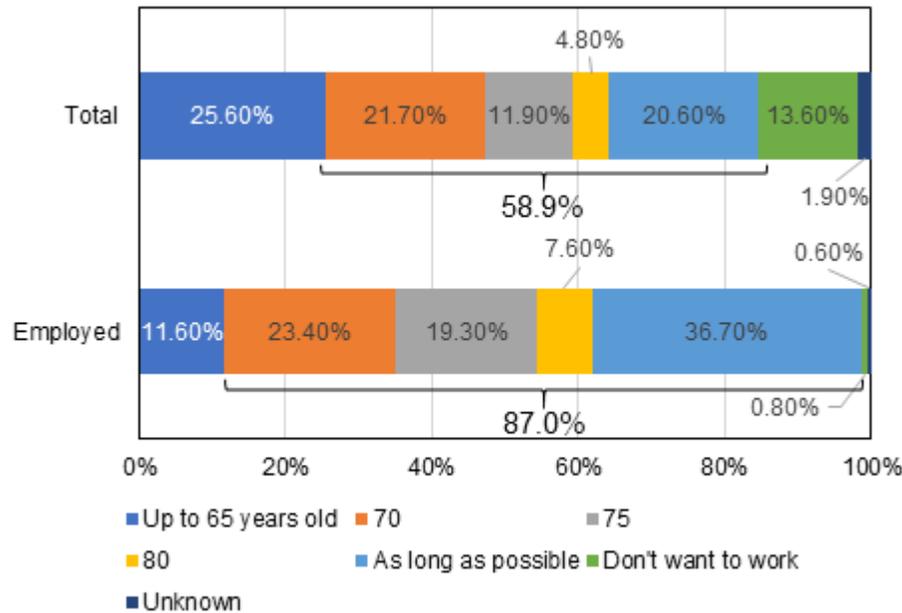
Note: Annual income is in thousands of yen

Source: Statistics Bureau of Japan (2022)

**Figure 9:** Income distribution of employed population by age groups

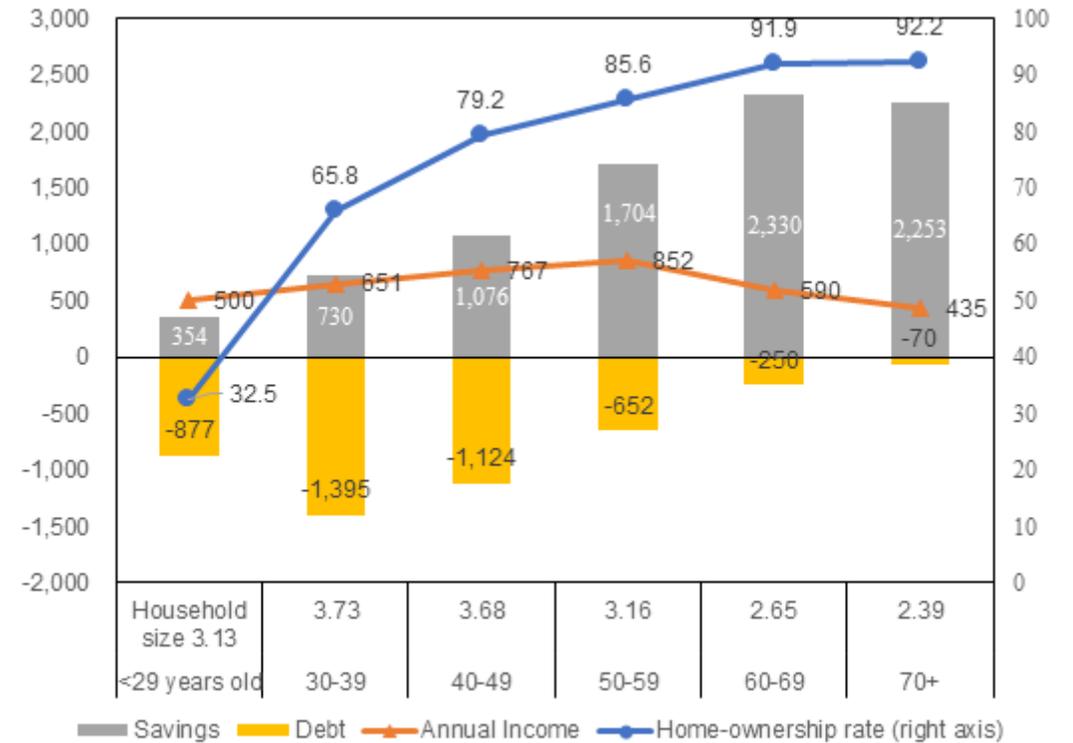
# 4. Employment situation of older persons(2)

High motivation to work among older persons, despite their stable economic situations.



Source: Cabinet Office (2021)

**Figure 13:** Desire to work among people over 60 years old



Source: Cabinet Office (2021)

**Figure 11:** Annual income, savings, debt, and home-ownership rates by age groups

## 5. Policies on employment for older persons

1. The Law Concerning Stabilization of Employment of Older Persons is the cornerstone law regarding older persons in Japan.
2. Since its enactment in 1971, the law has undergone several revisions, including in 1976, 1992, 1994, twice in 1996, 2000, 2004, and 2020. For income and social security in the MIPAA see priority direction 1 issue 7.
  - ① The first, and most significant, of these was the 1986 revision, which established a mandatory retirement age at 60.
  - ② Under the 1990 amendment, employers were required to take measures to rehire workers after retirement until the age of 65.
  - ③ The 1994 amendment, enacted in 1998, prohibition mandatory retirement under age 60, meaning that the compulsory retirement age, if specified, must be at, or above, 60 years of age.
  - ④ In 2000, it became mandatory to make efforts to ensure the employment of older workers up to the age of 65.
  - ⑤ Finally, in 2004, it became compulsory to employ workers until the age of 65.
  - ⑥ Now, according to the latest 2020 amendment both public and private sector employers must make efforts to ensure employment up to the age of 70.

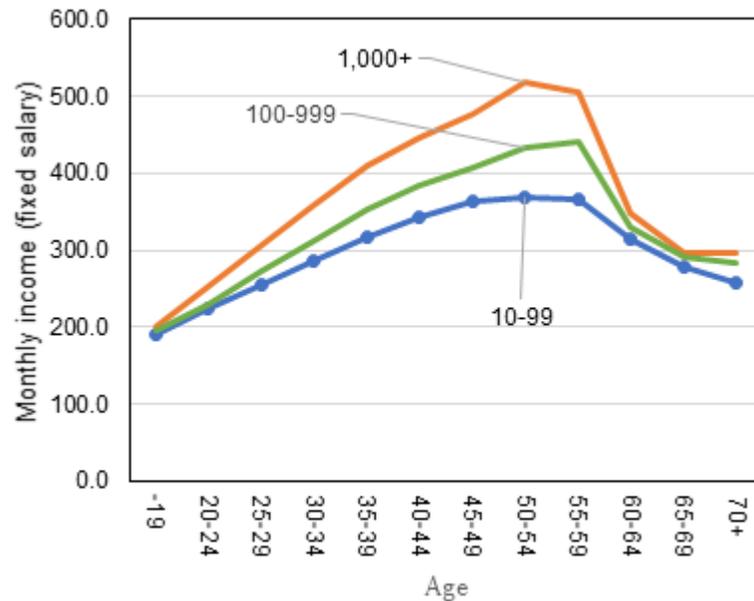
## 5. Policies on employment for older persons(2)

Under the current 2020 amendment, efforts must be made to ensure employment to the age of 70. Employers must take one of the following five measures to secure employment for older workers:

- (a) Raise the retirement age to 70;
- (b) Abolish the mandatory retirement age;
- (c) Introduce a continuous employment system until age 70 (re-employment system and service extension system) including employment in the company's subsidiaries, parent corporations, subsidiaries of parent corporations, or affiliated corporations;
- (d) Introduce a system of continuous outsourcing contracts until the age of 70;
- (e) Introduce a system that allows employees to continuously engage in the following businesses until the age of 70 (these include non-profit organisations and volunteer associations established to hire older persons while providing a wage):
  - (i) Social contribution projects that employers implement on their own;
  - (ii) Social contribution projects conducted by organizations to which the employer commissions or invests (provides funds).

## 6. Future challenges: inside and outside of the JES

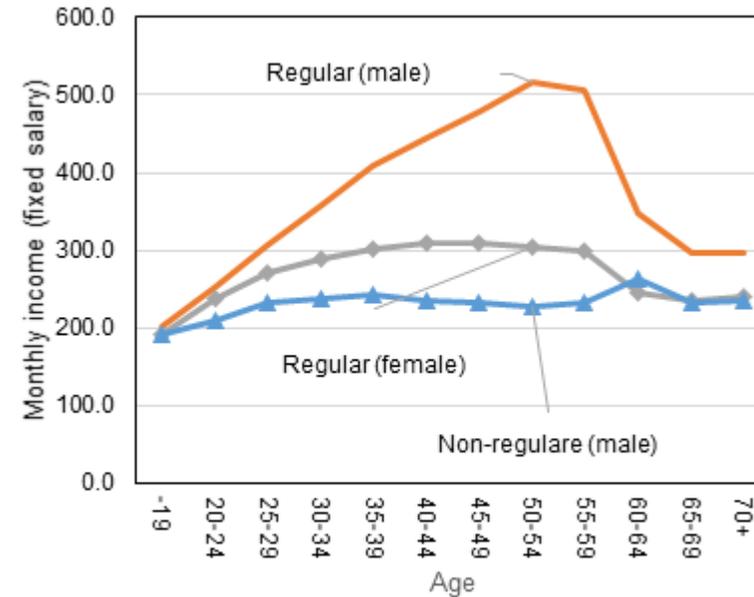
The JES is run by the seniority-based system, which leads to a sharp drop in income after being rehired.



Source: MHLW (2021)

**Figure 17:** Income trend for regular males by number of company employees

The JES has a massive inequality in terms of gender and membership status in the company.



Source: MHLW (2021)

**Figure 19:** Income trend by age groups, gender, and type of employee for companies of 1,000 employees or more

# 6. Future challenges: inside and outside of the JES(2)

## The Fourth Industrial Revolution

1. The Basic Policies for Economic and Fiscal Management and Reform 2021, which determine the priority policies of the Japanese government, lists four driving forces for the future: green, digital, vibrant regional development, and measures to address the declining birth-rate.
2. The Fourth Industrial Revolution is included within the digital driving force.
3. The policy aims to accelerate digitization in the public and private sectors by establishing a digital government, accelerating the digitalization of the private sector, developing digital human resources, bridging the digital divide, and increasing cybersecurity measures.

## Examples:

In certain sectors, initiatives have already been introduced that harness technology to facilitate the continued employment of older persons. Drone technology was introduced into the surveying and architectural design industry to reduce the risk of accidents and to improve work efficiency in surveying and other fieldwork at sites with poor scaffolding.

## Climate Change

No big debates so far.

## The COVID-19

No big impact.

# 7. Implications for Asian countries: Policy recommendations

## Connection between industrialization and social security systems

- Employment relations in Japan have experienced significant change as a result of industrialization, with implications for the economic security of persons into old age.
- The industrialization of the economy brought with it a decrease in farm and agricultural work and a shift towards wage-earning roles. During industrialization, the number of self-employed persons declined due to the exit of persons from farming and agriculture, including many older person. Until the mid-2000s, Japan reflected these developments.
- Through the industrialization process, subsistence workers moved into wage-earning sectors, and after retirement, their livelihoods were supported by social security and pensions.
- However, the social security system, including pensions, has become unsustainable due to an aged population distribution and declining birth rate.
- Consequently, new ideas are needed for the economic security of older persons, which may include raising the starting age of pension benefits and encouraging continuous work into old age.
- **In light of these trends, industrialization should not be pursued as a sole objective without social security systems to provide support into old age.**

# 7. Implications for Asian countries: Policy recommendations(2)

## Diversity in the Life Course

- In Japan, the social security system has been developed in tandem with the JES based on long-term employment and seniority-based wages, making it difficult to flexibly cope with the increasing number of non-regular workers and new phenomena such as the rising employment rate of unmarried women.
- It would be desirable to make entitlements to pensions and other social security benefits individually. The pension and social security system should be developed such that it is neutral towards different forms of employment, be them regular or non-regular.
- The system should also be as neutral as possible in terms of life course to ensure that single persons of all genders receive benefits without bias, while allowing older persons to work as they desire.

## Gender Perspective

- Taking a gender-based perspective is of particular importance. The poverty rate among older women in Japan is high because women's pension entitlements are mainly for full-time housewives. Even in old age, men who have worked in the JES are targeted for employment policies. In light of this, employment policies for older persons in Asian countries should be neutral regarding gender roles.