Labor Force Aging & Human Resources Management in Japan

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Rapid Ageing 1980-2050
Labor Force by Age Groups

[Bar chart showing the labor force by age groups from 1980 to 2025, with categories 15-54, 55-59, 60-64, and 65+.

- In 1980, the labor force was predominantly 15-54 years old, with smaller numbers in the other age groups.
- By 2025, the labor force will still be predominantly 15-54 years old, but with a larger proportion in the 55-59 age group.

The chart illustrates the changing demographics of the labor force over time, with an increase in the older age groups and a decrease in the younger age groups.]
Older Workers Law 2004

- 2004 Amendment of the Law on Employment Stabilization of Older Persons
- Enforced in April 1, 2006
- Firms should introduce one of the following measures to extend employment up to age 65.
  1) Extension of Teinen (mandatory retirement).
  2) Abolition of Teinen rule.
  3) Continuous employment scheme until FPA
Firms’ response to the 2004 Amendment Law (June 1, 2009)

- 53% Continuous employment for all applicants
- 32% Continuous employment by selection
- 13% Teinen Extension to FPA
- 2% Teinen Abolishment

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Increasing employment of the elderly (million persons, all industry)
The number of older employees (million persons) increased from 2006 to 2008.

- **Age 60-64**: Increased by 23.5% from 2006 to 2008.
- **Age 65+**: Increased by 17.7% from 2006 to 2008.
employment rate of 60-64 by sex

- Men aged 60-64 increased by 3.7% points.
- Women aged 60-64 increased by 2% points.

Legend:
- Blue: men aged 60-64
- Red: women aged 60-64
Labor force participation & employment rate of age 60-64 (%)
percentage of establishments hiring 60+ workers

2004: 48%
2008: 57%

Increase: 9%
firms introduced any special measure for hiring 60+ workers

- 2004: 30%
- 2008: 46%

16% up
Continuous employment schemes after Teinen up to age 65
Quality of Post-Teinen Jobs

• Duties, place & hours of work: almost same
• Pay is halved, but 70% of former earnings is available. (In-work pension & public benefit)
• Regular employment status is offered to only 12% of Teinen retirees.
• Firms which guarantee post-Teinen employment up to age 65 for all applicants account for 40.4% as of June 2009.
Work place of post-Teinen jobs
Income change of post-Teinen worker
Y City, 2003

The diagram shows the income change of post-Teinen workers in Y City for the year 2003. The total pay is represented by the blue bar, and the pension is shown in red. The pro-Teinen category has a significantly higher total pay compared to the Re-appointment category.
Work-status of post Teinen jobs
Nature of re-employment schemes

1) Publicly subsidized cheap labor scheme
   trade off relations between wage and public
   benefits (in-work pension & benefit for 60-64)
2) Potentially encouraging age discrimination
   principle of ‘equal pay for equal work’ does not
   always apply to older workers
3) Low quality bridging jobs
   obscure roles, low work satisfaction
Problems of post-Teinen employment

- Continuous employment jobs are not necessarily offered to all applicants for the time being.
- Objective requirements of the post-Teinen jobs are not clear. Selection criteria should be disclosed.
- The 2004 Amendment Law has no article to guarantee decent working conditions for the post-Teinen workers.
- The management, and sometimes even the trade unions neglect interests of the post-Teinen workers.
Challenges ahead: Firms

- Review of age-oriented employment system towards an age-free one together with affirming job security and successive training until age 65 or more

- Efforts for developing suitable jobs for older workers should be made. It looks weaker than other personnel management measures.
Personnel management measures for older workers after Teinen (JEED 2008)

- Allocation of suitable jobs
- Support for keeping good health status
- Flexible forms of work (e.g., short-time work)
- More clear definition of duties and roles
- Development of suitable jobs
- Assessment of work performance
- No specific measure
- PR of firm’s strategy on utilizing older workers
- Mandatory retirement system from managerial position
Public policies: Need for a more comprehensive employment strategy

- Further amendment of the Law aiming at improving quality of post-Teinen jobs is necessary.
- However, policies specifically applied to older workers are not enough.

1) Non-regular workers: 36% of total employees in 2006 (doubled in 20 years). A large cohort of non-regular workers is approaching their mid-30s. They won’t experience post-Teinen jobs.

2) Foreign workers: mainly unskilled, low pay jobs. 755,000 in 2006 (doubled in 10 years).

- ‘Decent work for all’ strategy is crucial.
Thank you very much!

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Employment of Men aged 60-64 (10 thousand)
Employment of Women aged 60-64 (10 thousand)
Unemployment rate of age 60-64

[Diagram showing the unemployment rate of men and women aged 60-64 from 2000 to 2009.]
Stern Working Conditions of the post-Teinen re-employment jobs

Case: Books wholesale company
Re-employment at a subsidiary firm which dispatches workers mainly to the mother firm.

• Low pay: 45% of pre-Teinen income
  (1000 yen/hour: 130,000 yen a month)
• Short term contract: 3 months
• Social insurance coverage: not available
• Working hours: 10-17
Image of public pension reform
Income change of a division chief

- Benefit for continuous work
- Public pension
- Wage