

# Trends in Employment Stabilization of Older Persons —Achieving Work-Life Balance in the Aging Society

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*The amended law concerning stabilization of employment of older persons, which took effect in April 2006, is steadily expanding employment opportunities for older workers. Meanwhile, social awareness is growing on issues such as work-life balance and age-free work opportunity. Looking ahead, as aging accelerates, the growing participation of older persons at companies and other workplaces will be instrumental in building a dynamic society.*

## 1. Introduction

Almost two years have passed since the Law Amending a Part of the Law Concerning Stabilization of Employment of Older Persons took effect in April 2006. The new law requires private employers to strive to provide employment to workers until age 65 by the year 2013, up from age 60 prior to the law. This parallels recent public pension reforms to increase the pensionable age. We examine the law's impact thus far, and consider ways to further improve employment opportunities for workers aged 60 and over in the medium to long term. Finally, we discuss the need to enhance diversity of work, social participation, and work-life balance in the broader context of the aging society.

By prompting more employers to set up continued employment systems, the new law has helped postpone the so-called 2007 problem, in which the retirement of baby boomers was feared to trigger an acute labor shortage. Looking ahead, the challenge for employers is to reassess and mobilize this potent human resource to boost corporate performance and productivity.

Moreover, employers also need to consider new possibilities arising from the perspectives of work-life balance and age-free work opportunity. That is, companies stand to gain from mobilizing older workers not only in terms of enhancing corporate performance, but improving CSR

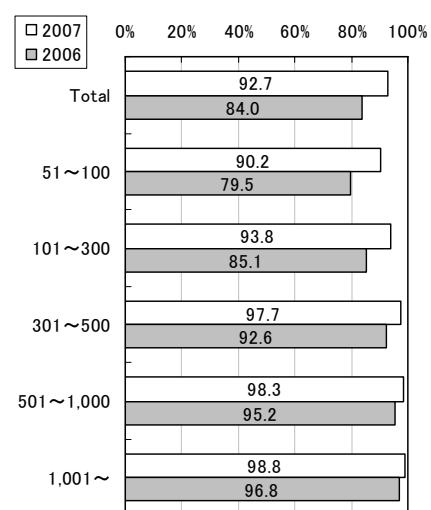
(corporate social responsibility) ratings by contributing the new human resources back to the community.

## 2. Status of Employment Stabilization

### 1. Year-on-Year Comparison

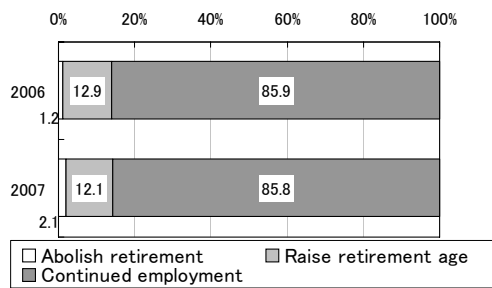
According to a new annual survey by the Ministry of Health, Labor and Welfare, the implementation rate of employment stabilization measures has risen since the new law took effect in June 2006 (Exhibit 1).

**Exhibit 1 Implementation Rate by Employer Size (no. of employees)**



Notes: 2007 sample consists of 88,166 companies with at least 51 employees. 2006 sample consists of 81,382 companies with at least 51 employees.  
Source: MHLW, *Employment Conditions of Older Persons* (June 1, 2006 and June 1, 2007). The annual survey, which was established by the new law, collects data from Hello Work public employment offices nationwide as of June 1 of each year.

## Exhibit 2 Composition of Measures



Notes: As of June 1, 2007, 81,762 have implemented some measure. Of these, 1,714 companies abolished retirement, 9,922 companies raised the retirement age, and 70,126 companies introduced continued employment.  
Source: MHLW, *Employment Condition of Older Persons as of June 1, 2007*.

At large companies (with 301 or more employees), the implementation rate rose 4 percentage points to 98%. Even at small and medium enterprises (51 to 300 employees), the implementation rate rose almost 10 percentage points to exceed 90%.

The new law requires employers to implement one of three measures: (1) abolish the mandatory retirement age entirely, (2) raise the mandatory retirement age, or (3) introduce a system of continued employment (either through an extended service program or reemployment program). In the 2007 survey, the predominant choice was to implement continued employment (85.9%), followed by raising the retirement age (12.1%), and abolishing mandatory retirement (2.1%). These results are roughly unchanged from 2006 (Exhibit 2).

With regard to extended service programs, the most important point regards which workers are

## Exhibit 3 Eligibility for Continued Employment



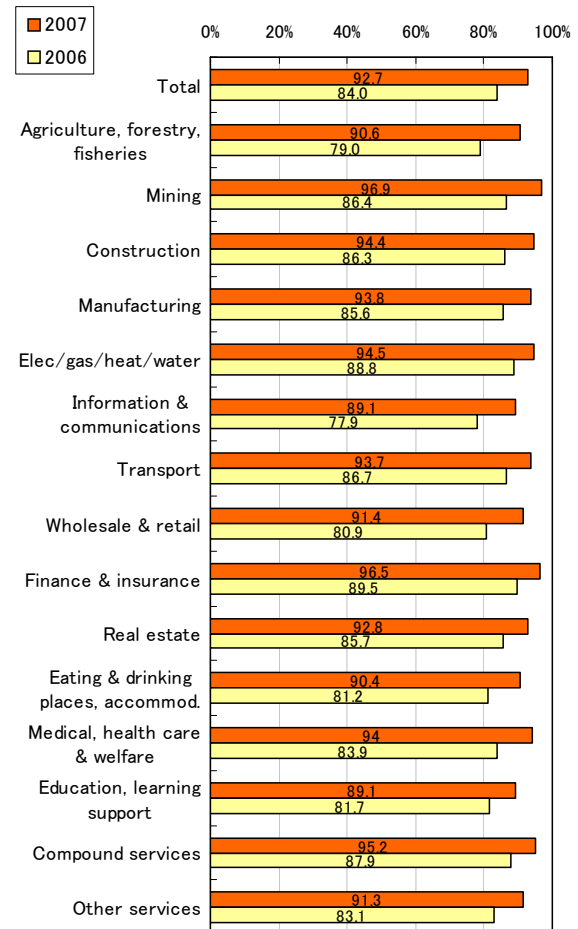
Notes: As of June 1, 2007, 70,126 employers offered continued employment. Of these, 27,219 (38.8%) accept all aspirants, and 29,649 (61.2%) accept only qualified employees.  
Source: MHLW, *Employment Conditions of Older Persons (2007)*.

eligible to participate. In the 2007 survey, 61.2% of employers restricted eligibility in some way, while the rest accepted all comers (Exhibit 3). Eligibility criteria usually pertain to the employer's assessment of health, motivation, and job competency, and tend to be fairly detailed. For example, for job competency, employers often require candidates to have an "average evaluation of at least B in the past three years."

## 2. Breakdown by Industry

By industry, implementation rates are relatively low in information & communications and education & learning support (both at 89.1%). On the other hand, rates are higher in mining (96.9%) and finance & insurance (96.5%). The technology sector has relatively low rates, while sectors that struggle with new hiring tend to have higher rates due to their greater reliance on experienced and skilled workers (Exhibit 4).

## Exhibit 4 Implementation Rate by Industry



Source: MHLW, *Employment Conditions of Older Persons (2006 and 2007)*.

In addition, the proportion of older regular workers (age 60–64 and 65-and-over) has expanded steadily under the new law (Exhibit 5).

### Exhibit 5 Age of Regular Workers

	(Persons, %)					
	All ages		Age 60~64		Age 65~	
2005	21,145,325	100.0%	784,443	3.7%	265,417	1.3%
2006	22,147,031	100.0%	825,225	3.7%	313,616	1.4%
2007	22,767,664	100.0%	995,183	4.4%	389,594	1.7%

Source: MHLW, *Employment Conditions of Older Persons* (2007).

Exhibit 6 shows the number of employees reaching retirement age in each year, and the proportion who plan to enter continued employment programs. Since 2006, the proportion of employees who expect to enter continued employment has surged, reaching 76.7% in 2007. The number has swelled in absolute terms as well. Thus the new law may help explain the receding sense of urgency on the so-called 2007 problem. Notably, however, over 20% still expect to separate at retirement age.

### 3. Older Worker as New Human Resource

Despite the ongoing progress, the next three to five years will be a critical period—that is, as the older workforce emerges and continues to grow, it is not clear how employers will respond. On the one hand, they may fail to recognize older workers as a new human resource. On the other hand, they may design reemployment systems so that older workers can contribute to corporate performance. Ultimately, we may discover a new equilibrium that benefits employers and employees, and a new system of management that complements the rapidly aging society.

### Exhibit 6 Number of Retiring Workers

	(Persons, %)					
	Will reach retirement age		Will continue employment		Will separate	
2005	248,223	100.0%	120,117	48.4%	128,106	51.6%
2006	340,349	100.0%	246,587	72.5%	93,762	27.5%
2007	398,852	100.0%	305,861	76.7%	92,263	23.1%

Note: For 2007, the number of employees expected to reach retirement age includes 728 persons whose plans are not known.

Source: MHLW, *Employment Situation of Elderly Persons* (June 1, 2007).

In the next section, we examine the medium to long-term outlook for employment of older persons and the implications of new perspectives on work-life balance and age-free work opportunity.

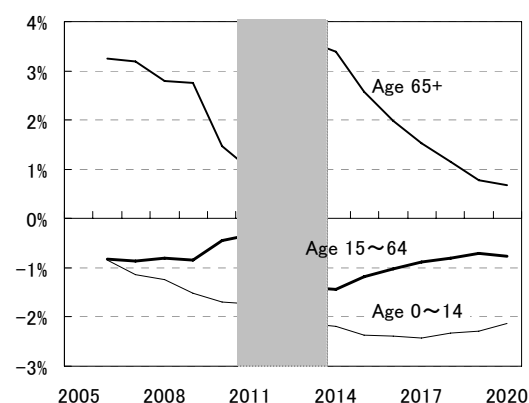
## 3. Employment Outlook for Older Persons

### 1. Medium-term Issues

While the employment stabilization measures may have delayed the so-called 2007 problem, the fact remains that all baby boomers will eventually face their “second retirement” at age 65 by the year 2015. As a result, from around 2011 to 2014—the timing may vary, since not all employers will offer reemployment to age 65—the decline in number of older workers with a regular position (contract or part-time) will surely accelerate (Exhibit 7). For employers who do not have problems with the transfer of skills to younger workers or with recruitment, the separation of reemployed older workers will not necessarily be a problem. However, other employers, particularly those who rely on experienced and skilled older workers in key positions, must prepare for the second retirement wave, in part by implementing continued employment systems.

Below we examine the second retirement of baby boomers in the context of work-life balance and age-free work opportunity.

### Exhibit 7 Population Growth Rate by Age



Note: Base year 2005. Shows year-on-year change in median projection.

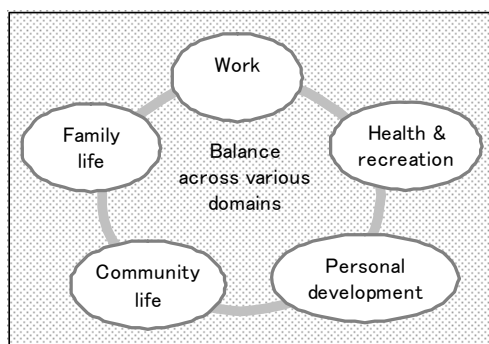
Source: National Institute of Population and Social Security Research, *Population Projections for Japan* (December 2006).

## 2. Work-Life Balance

The concept of work-life balance has been gaining acceptance in recent years. According to the Council for Gender Equality, it is defined as: “A condition in which all individuals—young or old, male or female—can achieve their own desired balance across various domains such as work, family life, community life, and personal development. This condition produces a virtuous cycle of satisfaction both at work and away from work, and is essential to creating the basis for a diverse and dynamic society.”<sup>1</sup>

Work-life balance is a broad concept that originally addressed the participation of women in society, their role in the family, and gender equality. As such, it is not specifically limited to older persons. However, it is an essential concept for achieving the goals of older workers, such as working on a less than full-time basis, taking time off to provide long-term care to family members, or participating more in the community (Exhibit 8).

**Exhibit 8 Work-Life Balance**



Source: Compiled from Council for Gender Equality (Cabinet Office), *Report of the Expert Panel on Work-Life Balance* (July 2007).

At first, the aim was mainly to counter population decline by promoting diversity of types of employment so that people could take extended child leave. However, the end goal should be to promote diversity of work for each generation at each life stage, so as to energize the aging society at all levels—individual, company and community. Achieving work-life balance will require reforms across a number of systems, including compensation and benefit practices

and human resource management. This means that policies will need to address the thorough overhaul of existing employment practices.

Diversity of work for older persons has actually been pursued for some time. Typically, these include reduced work-hour and reduced work-week arrangements offered by a growing number of employers. But to accommodate the growing number of candidates for continued employment, more diversity is needed. In this context, we next discuss age-free work opportunity.

## 3. Age-free Work Opportunity

The concept of “age-free” work opportunity is also gaining acceptance. In the context of employment, it refers to providing work opportunities for people who are willing and able to work, regardless of age. Recently, the MHLW launched a campaign to promote “working to age 70.”<sup>2</sup> Instead of raising or abolishing the mandatory retirement age under the amended law, the aim is to develop alternative work opportunities so that persons who are able and willing can keep working after age 65.

Various surveys indicate that approximately 70% of older persons strongly want to keep working as long as possible. This differentiates Japan’s elderly from their counterparts in the West, who look forward to a happy retirement. As aging accelerates in Japan, it will be increasingly necessary to address this strong tendency.

## 4. Toward the Second Stage of Diversity of Work

### 1. Reconsidering Diversity of Work

Work-life balance and age-free work opportunity are concepts that address two major policy goals: (1) to counter the persistent decline of the productive-age population (15 to 64) following the second retirement of baby boomers, and (2) to help realize the potential of older persons and other motivated, skilled, or experienced persons by removing impediments to work opportunities. Having more diversity of work will not only lead

to a sustainable society with greater lifestyle diversity, but is essential to creating a dynamic society in the era of rapid aging. In this context, another key concept is diversity management, which seeks to make diversity of the workforce an asset for the company.

Exhibit 9 describes the MHLW campaign to promote work opportunities to age 70. In addition to work-hour diversity, job sharing, and working at home, we can see new possibilities continuing to emerge. The right hand side of the diagram describes new alternatives to employed service, including skilled work at NPOs, and even setting up NPOs that specialize in intellectual property.

While such new alternatives face many challenges, they promise to help ease the financial anxiety and resignation that willing and able bodied persons now face, and to open up

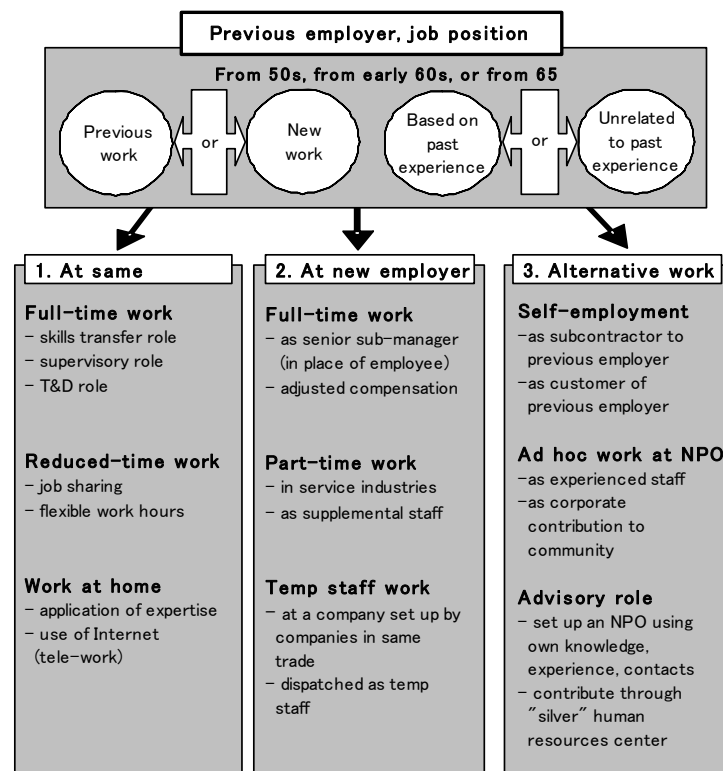
possibilities for a new life stage.

## 2. Corporate Contribution to Community

The ad hoc work alternative on the lower right side of Exhibit 9 refers to short-term, expertise-based work opportunities at NPOs. White collar workers with the necessary skills and experience should find this alternative attractive.

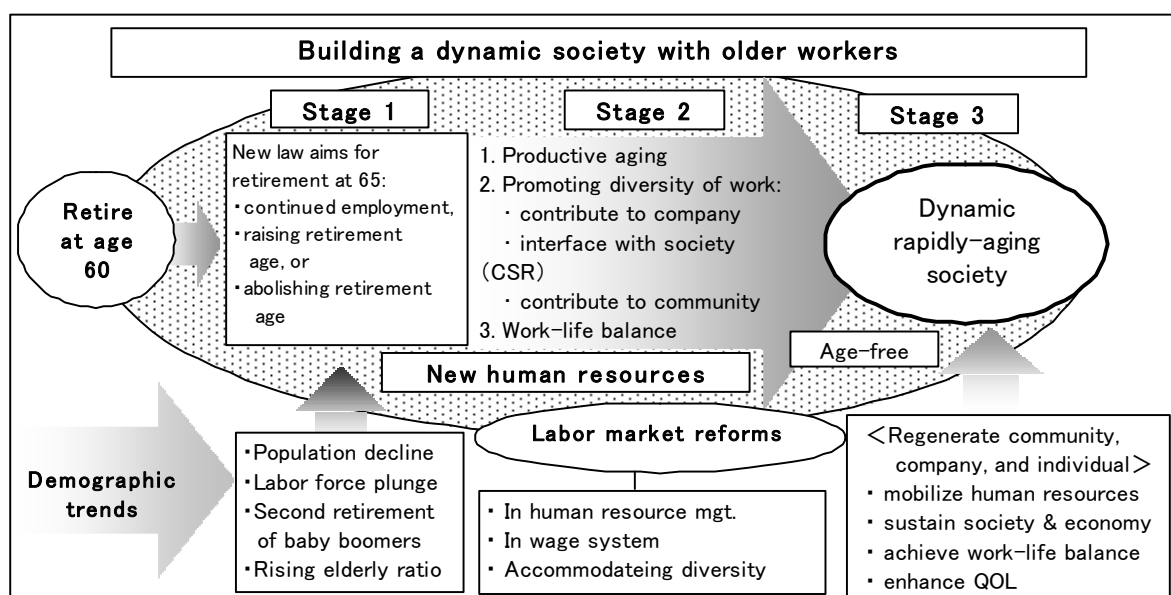
Employers should also explore new possibilities for contributing to the community. For example, they can provide NPOs with skilled human resources on a temporary staffing basis. This would help invigorate and support NPOs in serving the community. For older workers, the work experience and contacts gained at NPOs can be beneficial in facilitating their post-retirement transition to community life.

**Exhibit 9 New Ways to “Work to Age 70”**



Source: Adapted from Japan Organization for Employment of the Elderly and Persons with Disabilities (JEED), *Recommendations for Achieving a "Work-to-Age-70 Company,"* August 2007.

**Exhibit 10 Three Stages of Diversity of Work in Later Life**



Source: NLI Research Institute

## 5. Conclusion

When discussing the employment of older persons, there is often a tendency to focus on continued employment systems. However, by building on the existing framework for diversity of work, and adding in the perspectives of work-life balance and age-free work opportunity, we can create a new image of work opportunities for older persons.

For employers, older workers not only represent human resources for performing existing functions, but offer new possibilities for social contribution in collaboration with the community. Companies stand to benefit by exploring new management strategies to contribute and thereby boost CPR ratings.

As society ages, the quest to develop new work opportunities and new workplaces will have major implications for the later stages of life, particularly in relieving financial anxiety and encouraging greater social participation. In addition, we must also remember that the empowerment of older persons is an essential condition for a dynamic society.

## Endnotes

1. Council for Gender Equality (Cabinet Office), *Report of the Expert Panel on Work-Life Balance* (July 2007).
2. Ministry of Health, Labor and Welfare, *Employment Conditions of Older Persons* (June 1, 2007 Edition)—Following on Progress in Employment Stabilization to Age 65, the Next Step is to Promote a “Work-to-Age-70 Company.”
3. Masaharu Aoyama, “*Koreisha to shigoto no arikata*,” *Nissei Kisoken Report*, December 2006 (in Japanese).