

Accommodating the Supply of Job Seekers Aged 65 and Above

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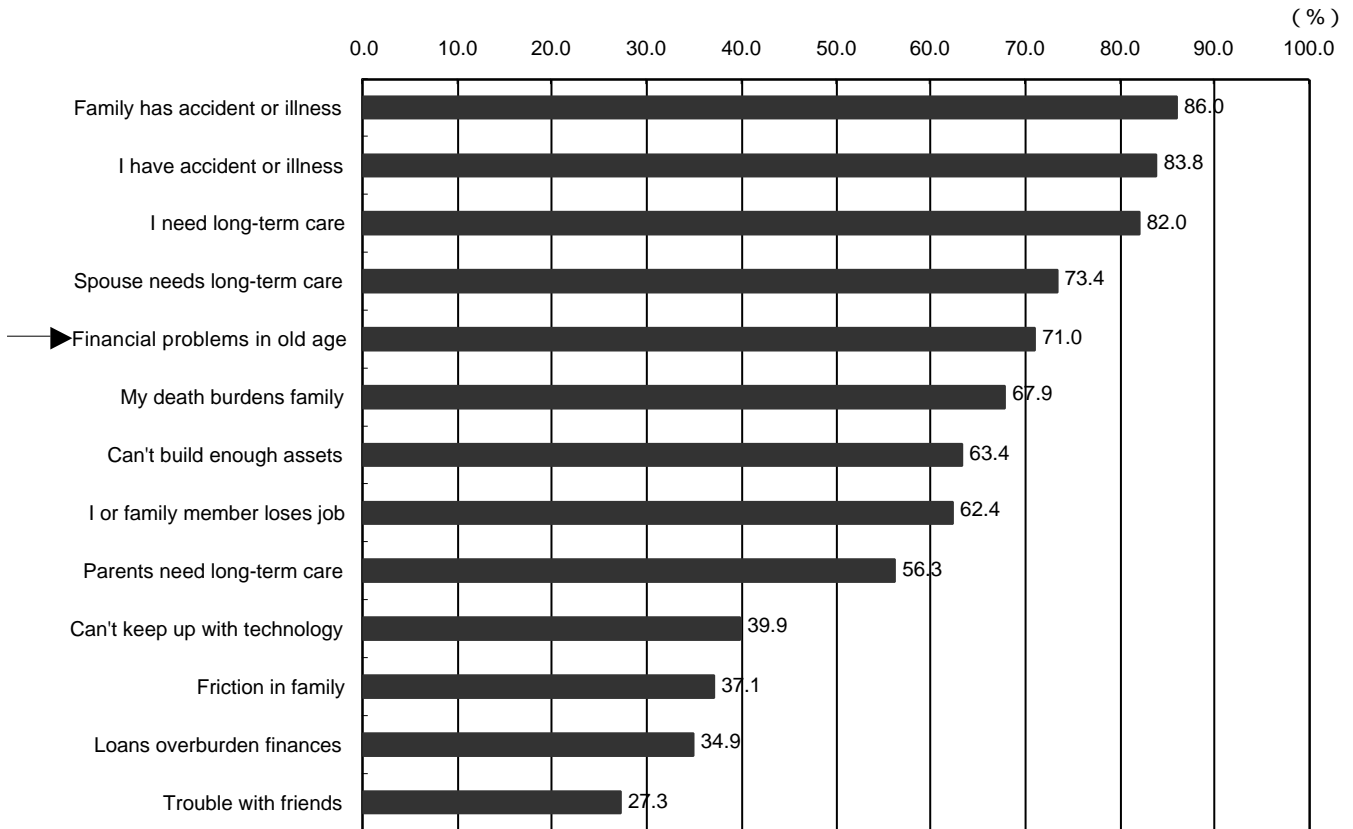
1. Introduction

The baby boomers who entered the labor force in the 1960s, became loyal “company people,” and powered the Japanese economic miracle are in their 50s today. Now they are making their mark in another way – by accelerating the aging of the population as a whole.

Massive readjustments are being required of the nation’s social security programs including pensions and health insurance. The baby boomers themselves appear apprehensive about life after retirement. One of their top concerns, close behind the health of their family and themselves, is for their financial well being in retirement (Figure 1).¹

This paper first looks at the factors causing financial anxiety among persons in their 50s, and then examines whether we need to enhance the financial security of persons 65 and above by creating jobs, and if so, how to go about it.

Figure 1 Concerns About Life



Source: NLI Research Institute, *Survey of Living Conditions and Life Planning* (1997).

2. Sources of Anxiety in Old Age

To gain some insight into the financial concerns of persons now in their 50s, we asked them to imagine what their household budget will look like when they reach age 65. We assume a two-person household of husband and wife.

On the expense side, the consensus was that a modest but comfortable lifestyle would incur monthly expenses of 350,000 yen: 250,000 yen for necessary expenses and 100,000 yen for discretionary spending (both are median values). On the other hand, the estimated income in retirement was only 260,000 yen, consisting mostly of public pensions (median value; Table 1). Thus their anticipated income would barely ensure a subsistence level.

Table 1 Projected Household Budget After Retiring at Age 65

Minimum necessary living expenses (¥)				
No. of cases	Average	Median	Min.	Max.
839	257,000	250,000	50,000	800,000

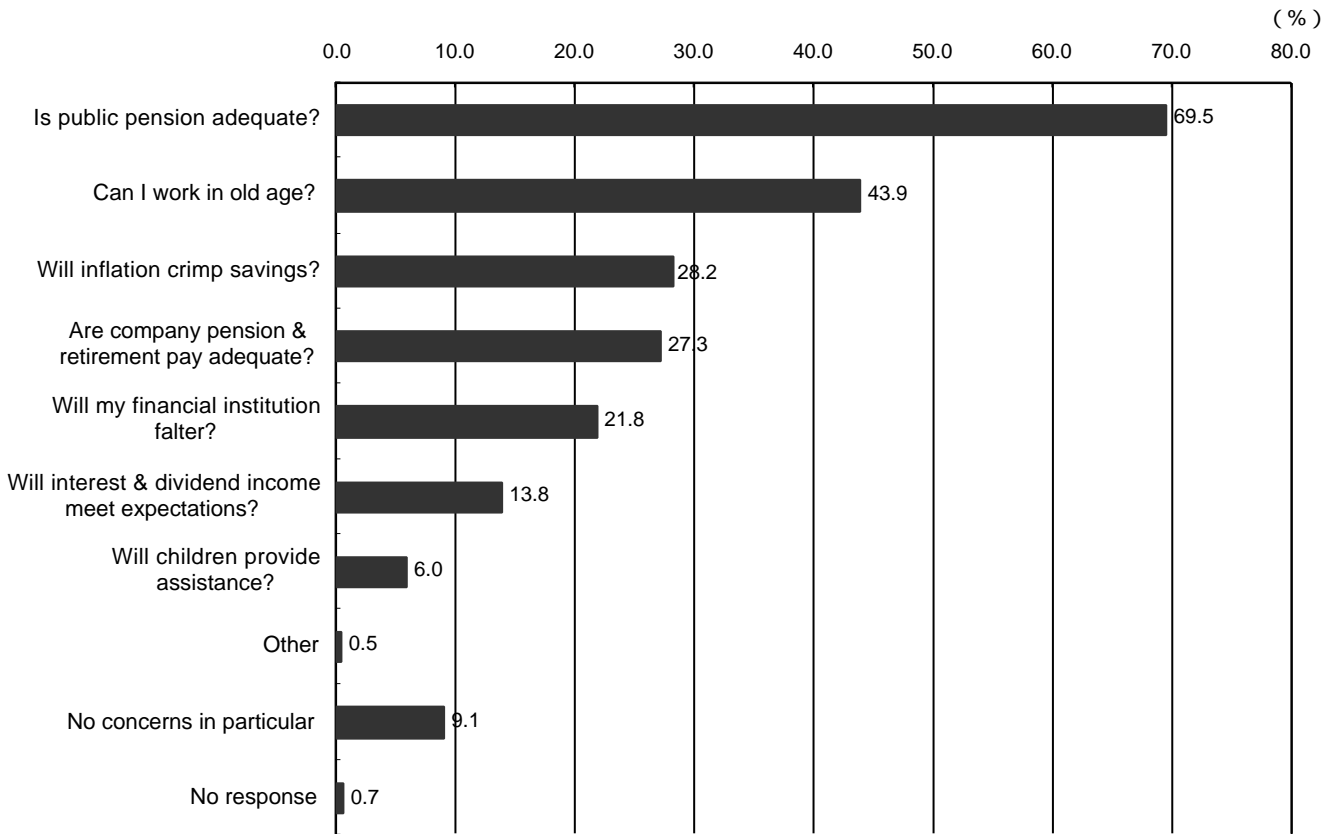
Discretionary funds (¥)				
No. of cases	Average	Median	Min.	Max.
826	179,000	100,000	0	1,000,000

Estimated income (¥)				
No. of cases	Average	Median	Min.	Max.
580	323,000	260,000	20,000	7,000,000

Source: NLI Research Institute (1997).

Adding to the anxiety is the fact that the public pension system itself is in precarious condition. Indeed, the greatest concern in retirement was whether the public pension was dependable (Figure 2).

Figure 2 Concerns Regarding Life After Retirement



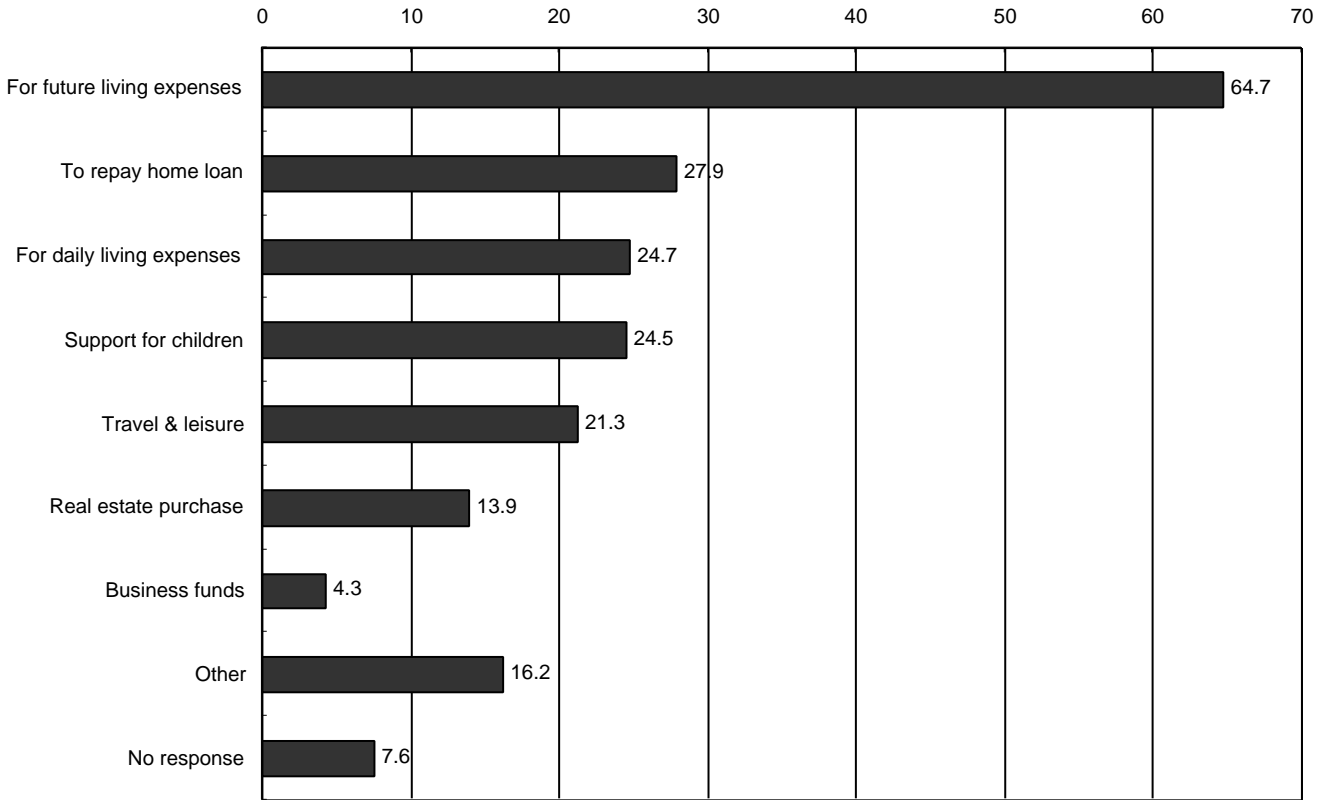
Source: NLI Research Institute (1997).

Moreover, as stated earlier, even if the public pension is maintained, it would at best cover subsistence living expenses. To enjoy a lifestyle that is any better than this, the only alternatives are either to dip into savings and retirement pay, or continue to work after retirement age.

At present, most elderly persons save their severance pay for retirement (Figure 3). Furthermore, the percentage of people who dip into their retirement savings to augment their daily living expenses is quite small. Most elderly persons feel that savings should be set aside for contingencies such as illness or long-term care (Figure 4).

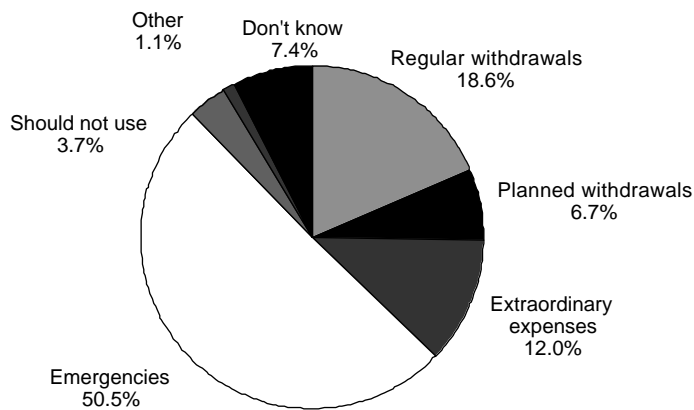
Figure 3 Use of Retirement Pay

(%)



Source: NLI Research Institute, *Survey of Living Conditions of Persons Aged 70*.

Figure 4 Use of Retirement Savings



Source: NLI Research Institute, *Survey of Living Conditions of Persons Aged 70 (1998)*.

Turning to the 50-year-old generation, we find that 71.6 percent do not feel that public pensions will provide for a comfortable living (Savings Publicity Committee, *Opinion Survey on Savings and Consumption*, 1998), and the most common response to insufficient pensions is to earn supplemental income (Table 2). As many as 26.4 percent intend to continue working after age 65 (Table 3). Thus the 50s generation considers working to be more important than savings in augmenting budget shortfalls.

Table 2 Ways to Supplement Pension Income

	No. of households	Job income	Savings	Assistance from children	Reduce living standard	Don't know	Other
Nationwide	(4097)	44.2	31	4	31.7	31.7	5.7
20s	(146)	34.2	28.1	0.7	12.3	60.3	0.7
30s	(575)	44.7	30.4	1.2	16	47.7	3.8
40s	(1039)	45.3	29.1	1.9	27.3	42.5	4
50s	(1121)	49.9	27.6	2.5	40.3	29.6	5.4
60s	(883)	46.3	34	7.1	40.1	12.2	7.9
70s +	(333)	19.2	43.5	12.9	30	15.9	11.1

Source: Savings Publicity Committee, *Opinion Survey on Savings and Consumption*, 1998.

Table 3 Until What Age Will You Work?

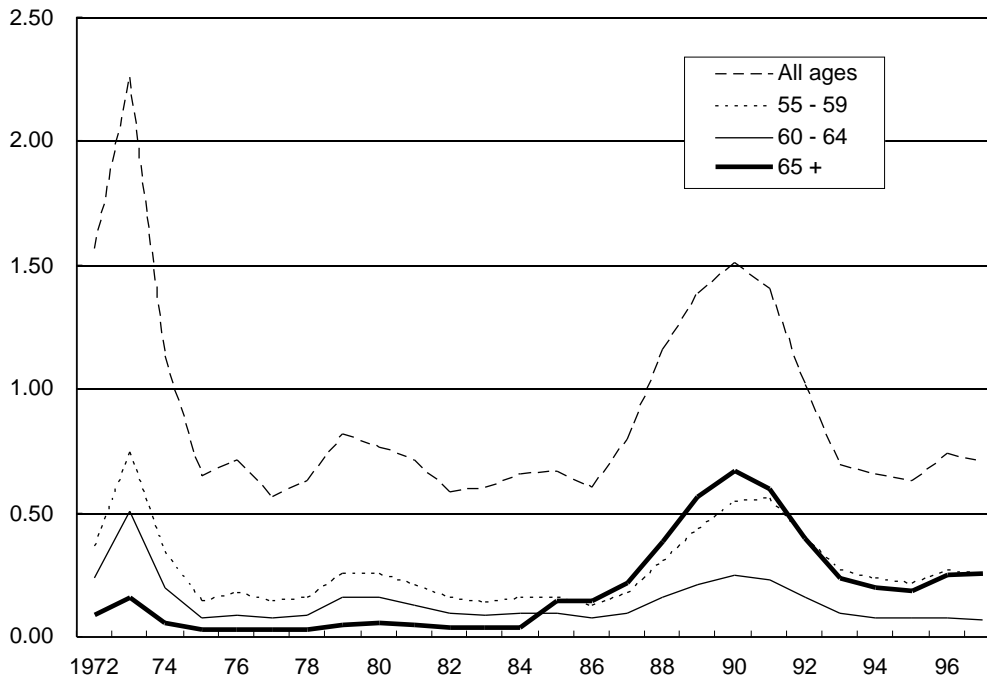
No. of cases	Age < 60	61 - 65	66 - 70	70 +	Don't know
917	9.9	31.3	22.9	3.5	32.4

Source: NLI Research Institute, *Survey of Living Conditions and Life Planning*.

However, finding a job is extremely difficult for elderly persons. The effective ratio of job openings to seekers is particularly severe for persons in their early 60s (Figure 5).

Thus the financial anxiety of the 50s generation comes from three sources: expectation of a subsistence income after reaching age 65; the likelihood that the main source of this income, the public pension, will be revamped; and problems finding employment for supplemental income.

Figure 5 Effective Ratio of Job Openings to Seekers Among Elderly Men & Women



Source: Ministry of Labor, *Public Employment Security Office Statistics*.

3. Importance of Job Creation for Persons Aged 65

With the stringent condition of public pension finances, there is a growing likelihood that pensions will begin paying out at a later age or that benefits will be reduced. Since the public pension is sure to comprise a major portion of retirement income, the actual amount of benefits to be expected needs to be clarified as quickly as possible. Even if the public pension does remain a central part of income in retirement, the likelihood of benefit cutbacks increases the need to find employment and earn supplemental income to enjoy the accustomed standard of living.

Presently, the main thrust of government policies regarding employment in old age is to assure continuous employment until age 65. Retirement at age 65 has become an established practice (and mandatory from April 1998), while the age at which basic pension payments begin has been raised to 65. Thus people will increasingly seek employment from the time they retire to age 65. This blind spot in the system will no doubt require that an environment be swiftly created allowing people to continue working full time at least to age 65.

However, since the retirement income of people now in their 50s is projected to be at a subsistence level, a growing number of people will be seeking jobs to earn at least 100,000 yen in supplemental income. Considering the large size of this generation, we can expect to see a massive increase in over-65 job seekers.

Finding jobs for over-65 job seekers will not only help boost their living standard, but that is not all. By working, these people can benefit society with their accumulated experience and expertise, as well as help alleviate the labor shortage among younger people. Thus an increasingly vital social issue will be job creation for 60-year-old persons as well as over-65 job seekers. The conventional view of jobs for the elderly as a “feel good” measure is outdated; what is at stake is their economic livelihood.

4. Considerations in Creating Jobs for Over-65 Job Seekers

The over-65 cohort is quite diverse with regard to characteristics such as health condition and physical strength, leading to diverse needs regarding working conditions. This calls for a flexible approach that matches diversity in work conditions with individual health condition and income level. Presently, the level of work diversity is inadequate. For example, despite the obvious need for flexible work hours among elderly persons, only 10 percent of offices surveyed have elderly workers working shorter hours (Tables 4 & 5).

Table 4 65 to 69-Year-Old Job Seekers by Sex and Desired Work Conditions

Category	Men		Women	
	(%)			
To work as an employed worker	71.9		59	
Ordinary work hours	23.4		12.5	
Shortened work hours	48.5		46.5	
To work in another capacity	28.2		41	
Voluntary work	14.6		17.9	
Work at home	4.2		16.8	
Business owner	1.6		0.7	
Other	7.8		5.6	

Source: Ministry of Labor Secretariat Policy Research Division, *Survey of the Status of Employment of Elderly Persons* (1996).

Table 5 Present Status and Outlook for Short Work Hours Among Workers Over Age 60

Work hours	Total	Work now	Don't work, but plan to in next 2 years (%)		
			Yes	No	Don't know
Shortened work day	100.0	8.7	6.6	49.0	35.7
Shortened work week	100.0	8.0	4.9	50.8	36.3

Source: Ministry of Labor, *White Paper on Labor (1997)*; *Survey of the Status of Employment of Elderly Persons (1996)*.

One possibility in increasing the diversity of work is to introduce work sharing. This method seeks to maintain and expand overall employment by having groups share the same work while working shorter hours individually.

Work sharing is spreading in the West as a means of combating unemployment as well as accommodating working mothers. Although it may not be as rewarding as a pension combined with a full-time job, it satisfies the needs of elderly persons who want to contribute their experience and expertise and earn some income. This approach should be introduced more widely in Japan.

Other ways of accommodating older workers include offering more flexibility in time and place such as by shortening daily work hours, working alternate days, flex time, and working at home or in a satellite office.

Job creation for over-65 job seekers is important not only for alleviating the financial anxiety of baby boomers now in their 50s, but for ensuing generations as well.

Notes

1. *The Living Standards and Life Planning Survey* was conducted by NLI Research Institute. We distributed and collected questionnaires to men aged 50 to 64 at their homes, receiving 1502 valid responses. The data presented in the present paper was extracted and aggregated from the age 50-59 sample. The results shown here combine the “very concerned” and “somewhat concerned” responses on a 4-level scale.
2. Due to the extremely diverse responses in estimated income, we used median values. Since mean values are adversely influenced by extreme values, median values provide a more

accurate picture.

3. *The Survey of Living Conditions of Persons Aged 70* was conducted by NLI Research Institute. We distributed and collected questionnaires to persons aged 68 to 72 at their homes in the Tokyo and Kinki regions, receiving 813 valid responses.