

Employment Policy and Old-Age Pension in Japan - Their Interactions -

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Ageing in Japan

- ❖ As of 2008, 22.1% of Japan's population (127.8 million) was 65 years or older.
- ❖ Japan has the fastest ageing population in the world.
- ❖ It is also ageing rather well. Japan's elderly are healthy, and remain in economic activity longer than in most other countries.

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The challenges:

- ❖ **Social Security:** Ageing is a challenge for the financing of pensions (old-age) and medical care costs.
- ❖ **Employment:** Being able to maintain employment longer is at the same time a challenge for employment market policies, and a necessity for the financing of social security.

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Japan's policies towards Ageing

- ❖ Japan has adopted an active policy towards ageing, adopting in 1995 a « *Basic Law on the Strategy against the Ageing of the population* ».
- ❖ The Basic Law (1995) defines Japan's policy orientations towards Ageing, based on the principle of every citizen's right to participate actively and independently to society's activities, throughout his/her life, including through work.

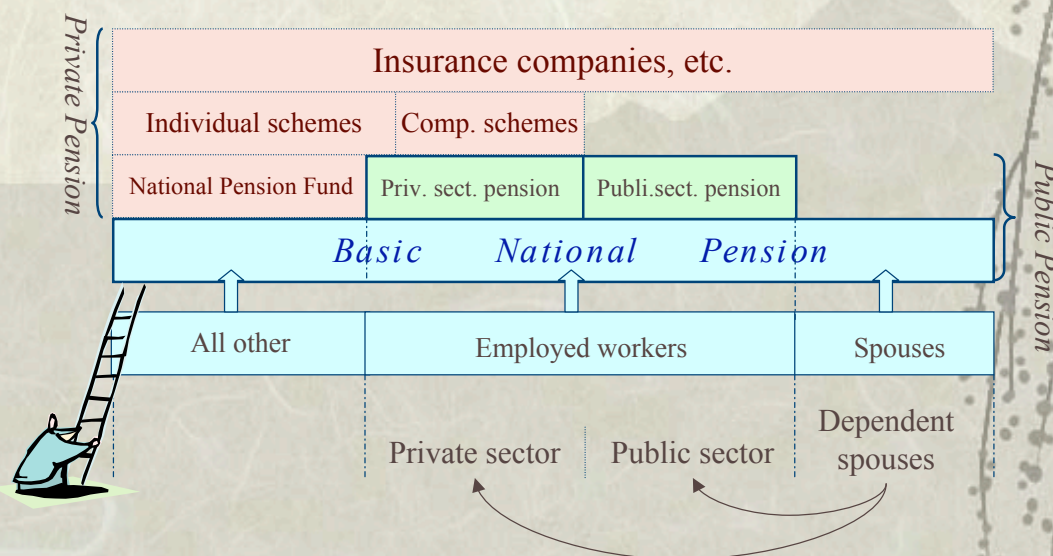
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The Basic Law on Ageing

- ❖ The Basic Law of 1995 has defined 5 main fields of action:
 - Income security and right to employment
 - Personal care
 - Lifelong education and participation in society
 - Living environment (housing, security)
 - Research on Ageing
- ❖ It has also created within the Cabinet Office, a special Committee in charge with Ageing policies.

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Old-age Pension



❖ Public pension constitutes on average 71.9% of an elderly household's income, other sources being activity income (17.6%), capital income (7%), and other social security benefits (2%). (*Kokumin seikatsu kiso-chousa 2004*)

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Old-age Pension

- ❖ Public pension is a pay-as-you-go pension and covers the entire population aged over 20.
- ❖ It has been amended numerous times mostly to adapt its financing to demographic changes.
 - The eligibility age for full pension has been raised gradually from 55 years old (1941) to 60 (1954 -1974) and finally to 65 (1994 - ongoing)
 - The pension system attracts high public and mediatic attention, emphasizing the effects of demographic changes on the financing of pensions.

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Old-age pension

- ❖ The Government responds by adopting reassuring measures:
 - The long-term fixation of pension insurance fees (up to 2018)
 - It is revising pension finances every five years on a time span of a hundred years.
- ❖ A recent trend (from 2000) is to emphasize on the security of private pensions, mainly complementary pensions.

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Employment

- ❖ Japanese companies have long based their HR policies on *seniority* and *age*.
- ❖ The utility or the necessity of introducing a concept of « *age-discrimination* » is largely debated.
- ❖ This concept remains however very limited in its effects on employment practices.

Employment Practices

- ❖ Japan is known for its long term employment relations, or « *lifetime employment* » (born around 1900)
- ❖ It is:
 - A highly collectively managed system
 - Recruitment takes place at graduation, and employment ends at retirement.
 - Has contributed to Japan's economic expansion.

Employment: « Internal Market »

- ❖ Employment practices have evolved and changed, and lifetime employment is regressing.
- ❖ However HR management remains largely collective and still relies heavily on seniority.
- ❖ Labour markets are « internal » while external markets are rigid.

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Employment: Low Mobility

- ❖ Very low labour mobility, making it difficult for unemployed workers to find re-employment on the external market.
- ❖ Difficulties are even higher for workers above a certain age.
- ❖ Government has taken measures assisting the employment of middle-aged and older workers from 1971, setting an employment quota (6%)

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Employment: Retirement Age

- ❖ The raise of the pension eligibility age from 55 to 60 years (1974) has been followed by the raise of the retirement age:
- ❖ In 1986, the *Older Workers Employment Promotion Law* invites companies to raise their retirement age to 60, then formally forbidding a lower retirement age in 1994.

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Retirement Age and Pension

- ❖ Meanwhile, the pension age has been raised again to 65 (1994 to now).
- ❖ The cited Law has in 1990 introduced an « obligation of effort » imposed on companies to maintain employment until 65 years. (with the Govt's financial support)
- ❖ This has again been changed to a formal legal obligation by amendment in 2004.

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Debates on Age discrimination

- ❖ A « new » debate, started in the late 1990s, dealing directly with the concept of *Age Discrimination*.
- ❖ Linked with new HR policy trends in enterprises:
 - Less enclined for retaining a workforce trained within the enterprise
 - More enclined to acquire on the external market, a labour-force able to respond to their needs immediately

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Debates on Age discrimination

- ❖ The new debates suggest that we simply abandon seniority (and age) as a criterion in employment.
- ❖ The first « formal » statement to that sense has been expressed by the then *Economic Programmation Office (keizai-kikaku-chou)* in an intermediate report of 2000

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Skills and Competences

- ❖ The report (2000) recommended actual skills and competences as economically more justified criteria in employment than age and seniority.
- ❖ The rigidity of the external labour market, attributed to the traditional seniority-based practices is another argument in favour of its abandonment.

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Legal expression

- ❖ This new trend is reflected in the amendment of The Law on Employment Policy (2001), creating an « obligation of effort » of companies to abandon *age* as a HR criterion.
- ❖ Ten exceptions to this article were suggested in the Ministry's guidelines to the article, all showing the degree of dependency of Japanese society to « age » as a criterion.

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Legal expression (2)

- ❖ The abovementioned obligation of effort was amended to become a simple legal obligation in 2007.
- ❖ Out of the ten exceptions, three were abandoned, that seemed less justifiable:
 - The use of salary scales based on seniority
 - Customers' age range
 - Physical abilities

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Conclusion

- ❖ The traditional HR practices, both highly uniform and collective, while providing high job security, were also blamed as overly rigid.
- ❖ The uncontrollable ageing of the population and the pool of aged though energetic elderly workers it has created, is reorganizing Japanese labour market, demanding for more flexibility and « age-freeness ».
- ❖ This might take some more time to be accepted...

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