

## **Section 2 Support to Stabilize Elderly Life and Employment**

### **1. Situation Surrounding the Elderly**

#### **(1) Rapidly Aging**

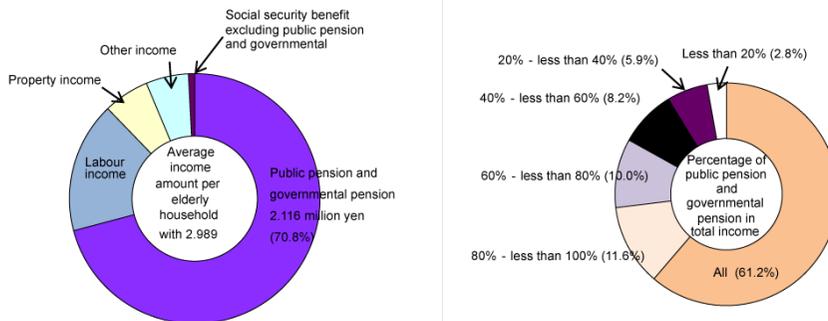
As described in Section 2 of Chapter 1, Japan will face further aging of society. According to the medium-fertility and medium-mortality projection of the National Institute of Population and Social Security Research, "Population Projection for Japan" (December 2006), the rate of senior citizens aged 65 or older in population is expected to rise to 31.8 % in 2030 and 40.5 % in 2055 from 20.2 % in 2005.

#### **(2) Income Situation**

The income security for the elderly includes the old-age pension. The public pension system depends on intergenerational support that the pension payments to elderly people are currently covered by the generation of still-working people. Therefore, the public pension system is the central to the income security for the elderly because it can provide the pension at a substantially valuable level as a support for elderly life and the pension payment is assured for life is until a recipient dies.

Actually, according to Statistics and Information Department, Minister's Secretariat, Ministry of Health, Labour and Welfare's "Comprehensive Survey of Living" (2008), the pension payments situation of elderly households (households only consisting of people aged 65 or over and households including people under 18 in addition to this) show that the public pension supports about 70 % of the income (2.989 million yen in average) in 2007 and about 60 % of households receiving public pensions depend only on the public pensions (Chart 2-2-1).

**Figure 2-2-1 Public Pension Benefit State of Elderly Households**



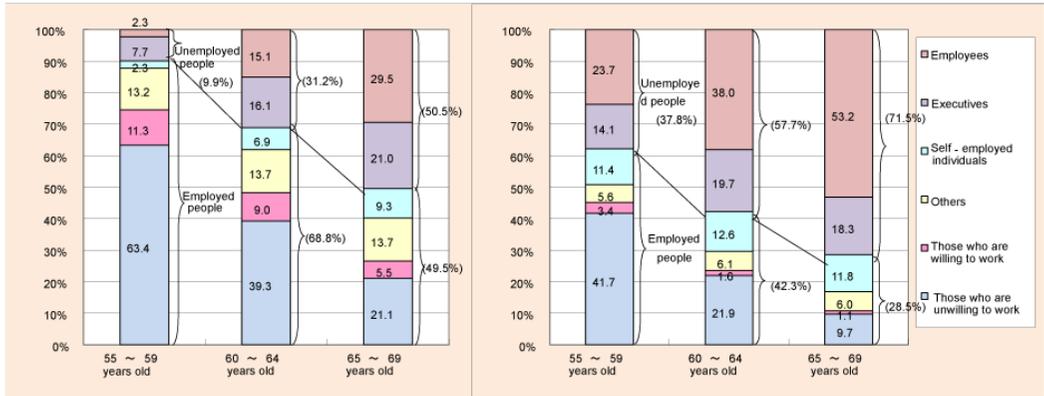
Source: Statistics and Information Department, Minister's Secretariat, Ministry of Health, Labour and Welfare's "Comprehensive Survey of Living" (2008)  
 (note 1) Income for a year from January through December, 2007  
 (note 2) Labour income includes employees' income, business income, dairy farming income and home labour income.  
 (note 3) Percentage of public pension and governmental pension in total income excludes elderly households who do not receive public pension and governmental pension

### (3) Employment Situation

The employment situation for the elderly shows that employed males in the 55-59 age group comprise 90.1%, those in the 60-64 age group are 49.5%, thus many elderly over 60 are employed. Additionally, more than 50% of non-employed people in the 60-64 age group (31.2%) and more than 40% of nonworking in the 65-69 group (50.5%) are seeking jobs respectively.

Moreover, employed females in the 55-59 age group comprise 62.2%, those in the 60-64 age group are 42.3%, and those in the 65-69 age group are 28.5%. In addition, more than 30% of non-employed people in the 55-59 (37.8%) age group and in the 60-64 age group (57.7%) and more than 20% of non-employed people in the 65-69 age group (71.5%) are seeking jobs respectively (Chart 2-2-2).

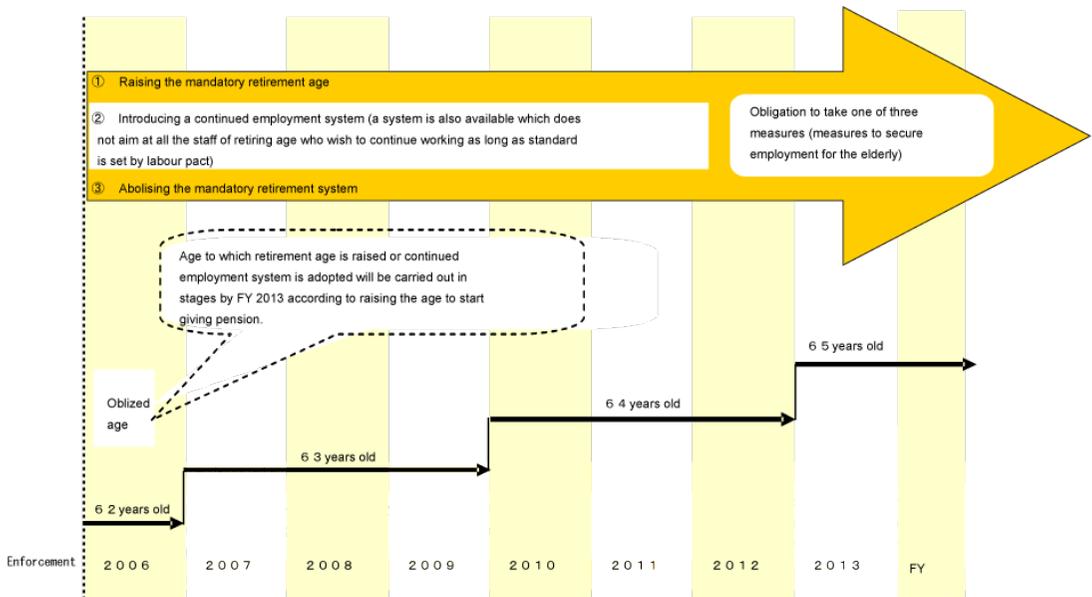
Figure 2-2-2 Elderly Employment and Unemployment Situations



Source: Created by Cabinet Office based on Minister's Secretariat, Statistics and Information Department, Ministry of Health, Labour and Welfare's "Survey on Employment Conditions of Elderly Persons" (2004)

Since the labour force is expected to decrease in the future due to the rapid progression of a declining birthrate and aging, it is important to utilize the ability of elderly people effectively. To address this, implementation of measures to secure employment of the elderly is obliged under the "Law Concerning Stabilization of Employment of Older Persons" (Chart2-2-3).

Figure 2-2-3 Obliging Enterprises to Take Elderly Employment Security Measures Under the revision of the Law Concerning Stabilization of Employment of Older Persons



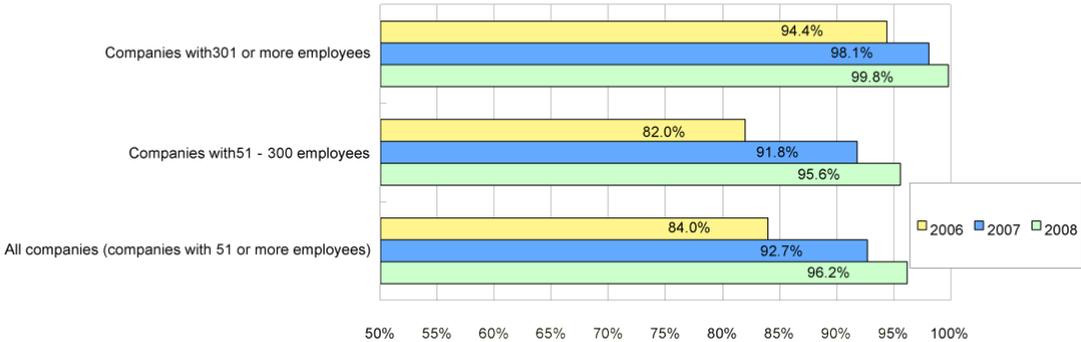
[\*Special measures if talks fail despite the efforts to discuss]

Employers of large companies are supposed to set the standard for the elderly aimed under the continued employment system such as working regulations and introduce the system based on the standard by March 31, 2009, and employers of small and medium companies by March 31, 2011.

Measures to secure the employment for the elderly, as of June 1, 2008, have been taken by 96.2% of companies in total, and have steadily become common in 99.8% of large companies with 301 or more employees and 95.6% of companies with 51 to 300 employees. This shows that regular workers of 60 or more have greatly increased (Charts 2-2-4, 2-2-5).

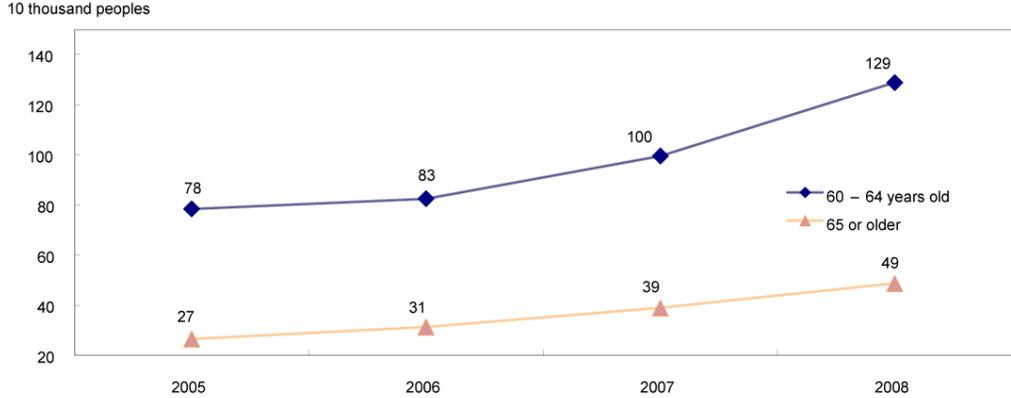
On the other hand, there is a concern that deteriorating economic conditions since the fall of 2008 will affect the employment of the elderly.

**Figure 2-2-4 Percentage of Companies Having Taken Measures to Secure Employment for the Elderly**



Sources: Employment Security Bureau, Ministry of Health, Labour and Welfare's survey

**Figure 2-2-5 Number of Regular Employees by Age**



Sources: Employment Security Bureau, Ministry of Health, Labour and Welfare's survey

## **2. Support Efforts to Stabilize Elderly Life and Employment**

As mentioned in 1, the public pension supporting the income of the elderly not only covers about 70% of average incomes of elderly households but also plays an important role in elderly life in the development of nuclear families, birthrate decline and aging since about 60% of elderly households depend entirely on public pension.

Meanwhile, in our country, the labor force rate for the elderly is larger than that of other developed countries so that it is important to enable elderly people who are willing to work to continue working. In order to maintain the vitality of Japan's economic society, it has become much more important to enable the elderly with a strong desire to work to harness their long years of knowledge and experience and keep being active as supporters of the society.

For this reason, it is indispensable to ensure the stable income security and employment opportunities for the elderly. The public pension system presents a great challenge such as taking measures for people with low pension or without pension benefit, strengthening the minimum security function of basic pension as well as ensuring the sustainability of the system. In addition, in order to ensure their employment opportunities, it is important to fulfill the measures for employment development for senior citizens including the continued employment system which whoever is willing to work can continue working until 65 and to realize the society where people over 65 can work regardless of age, taking the severe employment situation, declining birthrate and aging into consideration.

### **(1) Income Security**

In response to the stable income security for the elderly, the public pension system is the central to the income security after retirement in Japan and indispensable for the Japanese people's lives. Under the public pension system, its stable management across generations is an essential condition to secure the public trust on the system. Thus, the system was reviewed under the pension system reform in 2004 and has been steadily reexamined to ensure the balance between long-term payment and burden and the sustainable system.

### **(Raising the portion of state subsidy for basic pension)**

The pension system reform in 2004 showed a way to raise the portion of state subsidy for basic pension from one-thirds to one-half.

Based on this way, step-by-step raise of the share of national funding to basic pension was carried out in each fiscal year, and “Bill to Reform a Part of Bills to Partially Reform the National Pension Act“ has passed and has been proclaimed at the ordinary Diet session in 2009 to fulfill one-half portion of state subsidy for basic pension starting from FY 2009.

### **(Strengthening of Minimum Security Function of Basic Pension)**

Now that many elderly people started to receive full pension for 40 years subscription in the matured pension system, it also became clear that there are people without pension or with a small amount of pension, coupled with the criticism about expanding income disparities among the elderly.

In such a situation, in response to the roadmap of strengthening the social security function shown in the ““midterm program” to develop the sustainable social security and to ensure its stable revenue source’ which was decided at the end of 2008, the supplementary provision of the above-mentioned “Bill to Reform a Part of Bills to Partially Reform the National Pension Act” includes the study provisions to progressively strengthen the minimum security function of basic pension after studying its implementation and securing the necessary stable finance resources for it. The challenge will now be to establish concrete measures such as strengthening the minimum security function of basic pension, based on the “midterm program,” the study provisions and the discussion on a roadmap to secure the stable finance resources.

### **(2) Securing the Employment Opportunity**

#### **(Steady Implementation and Fulfillment of Measures to Ensure Elderly Employment)**

In order to ensure the employment opportunities for the elderly, it is necessary to secure the employment of people aged up to 65 and to steadily implement measures to secure the elderly employment.

For this reason, in addition to giving advice and instruction to companies which

have not introduced the job security measures for the elderly and focusing guidance on companies with 31 or more employees, Hello Work staff provide a fully-detailed career counseling and job placement such as encouraging more companies to offer employment to all staff who wish to continue working under the continued employment system.

### **(Subsidy Measures for Business Operators to Secure Elderly Employment Opportunities)**

To fund measures to secure elderly employment opportunities, efforts are being made to encourage business operators to offer elderly persons some form of work such as subsidy for raising the retirement age (to subsidize small and medium-size business operators who have raised the retirement age to 65 years, introduced the continued employment system for people aged 70 or older who are willing to work, or abolished the retirement age system), subsidy for trial employment of middle and old aged people (by supporting business operators that hire middle-aged persons aged 45 or older on a trial basis (monthly payment of 40,000 yen per person with 3 months of benefit term at maximum )), subsidy to develop the employment of specific job seekers (to subsidize some part of their wages to business operators who hire elderly persons introduced by the job placement office 'Hello Work' as continued hired workers).

### **(Companies where people can work until age 70)**

It is important to make efforts to promote the society where people with willingness and abilities can work regardless of age. Based on the job security until age 65, in anticipation of the future when baby boomers will be reaching 65 years old in 2012, the government will promote workplaces where elderly people after their mid-60s can work by promoting and encouraging "businesses to raise the retirement age until 70" for the time being.

In the long run, in accordance with the review of seniority payment system and the fulfillment of job capability evaluation system, establishment of the system which enables individual workers to choose their retirement age instead of a unified retirement system.



It is important to offer elderly persons willing to work some form of work with income security to make the most of their knowledge and ability of long years in order to lead a stable and meaningful life. Since this is also important from the view point to maintain Japan's economic vitality, efforts are being made to ensure the sustainability of public pension system and elderly employment opportunities.