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Elderly workers in Japan: The need for a new deal**

This discussion draws on current literature and data from five case studies in order to highlight main explicative factors of the peculiarities in terms of how elderly workers continue to be employed in Japan. It assesses the direction followed by public authorities and private organisations to keep elderly people at work in acceptable social and economic conditions. Evidence suggests that Japan has been successful in social and economic terms in the management of older workers. Historically, policy-makers in Japan tend to encourage the unemployed or inactive back into jobs or urge those in employment to delay retiring in order to avoid a long disconnection from the labour market. As a result, older employees tend to stay in the labour market in larger numbers and for longer time than in most European countries. However, this discussion demonstrates how such policy outcomes come with complications, even paradoxes. For example, it could be argued that mandatory retirement age at 60 combined with *de facto* acceptance of age discrimination, and large differential of treatment between regular and non-regular employment have largely contributed to explain the higher labour force participation rates for older workers. Overall, this discussion concludes that traditional policies and practices of Japanese human resource management in relation to employing older workers are now unsustainable under the impact of demographics, the socio-cultural context, the regulatory environment and the subsequent need for changes in the social security system. Overall, the argument is developed that, in relation to the employment of elderly workers in Japan, there is a need for a new deal.

Key words: retirement, retirement policies, pension eligibility, social security system, Japan, new deal (JEL: J14, J21, M12, M52, M54)

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** Article received: December 15, 2015

Revised version accepted after double blind review: January 11, 2016.

Introduction

Evidence suggests that Japan has been successful in social and economic terms in the management of older workers (Sueki, 2013). This national tendency has been translated systematically into the national system for human resource management (HRM) in Japan. Historically, policy-makers in Japan tend to encourage the unemployed or inactive back into jobs or urge those in employment to delay retiring in order to avoid a long disconnection from the labour market. As a result older employees tend to stay in the labour market in larger numbers and for longer time than in most European countries, including Germany (ILO, 2013).

Correspondingly, policy at the national level has given the opportunity to large companies to utilize dedicated human resources at reasonable cost and to the public authorities the possibility to slow down the rising deficit of the social security system. However, there was always little attempt to optimize the talent of elderly people after mandatory retirement in teaching them new skills and to allow them to shift gradually to complete retirement in good conditions. Little public money has been devoted to training institutions for all types of workers, including the older workers until the last decade (Johns & Urasawa, 2011). Many of them occupy under-qualified jobs. They are also not given the opportunity to acquire new skills and they are not paid fairly. Other older workers perform qualified jobs and were reasonably rewarded so far because financial incentives complementing public pension could be added to their wage.

However, these traditional practices appear increasingly unsustainable under the impact of demographics, the socio-cultural context, the regulatory environment and the subsequent need for changes in the social security system. Japan cannot afford not to continue to train older workers in order that they have marketable skills, even age sixty and above. The raising of the age of eligibility for receiving public pension means that the income of older workers would decline significantly without other kinds of public support, something that is very difficult in view of the public deficit, or companies' acceptance to pay higher wage, something that the large majority of companies declare to be beyond their means and economically unrealistic. Thus, it may be time to examine how the traditional practices of managing elderly employment can evolve, what kinds of new HRM approaches can be tried, what form of new deals might be offered to employees, and how these might be implemented.

Context

Low fertility rates and rising life expectancy are causing the ratio of Japanese workers to retirees to shrink. Between 2010 and 2040, the share of Japan's working-age population will fall by more than 10 per cent (World Bank Group, 2015). Japan went from having one of the lowest dependency ratios in 1960 to one of the highest in the world nowadays. It is bound to escalate further and projected to more than double in the following twenty years (ILO, 2013).

In Japan as in many countries ageing is still often correlated with less dynamism and entrepreneurial spirit, and lower productivity. However, efforts to prolong or sustain working life are increasingly understood in a broader and deeper perspective. It is increasingly thought that no upper limit should be decided in setting the threshold be-

tween working age and retirement age. Many people are not only able to work longer, but prefer and choose to do so. Surveys suggest that Japanese people recognize the need to work longer and the desirability in terms of economic benefits and strengthened social engagement (World Bank Group, 2015). Research also suggests that the productivity of elderly workers may be maintained for some types of tasks: for example, through innovative technologies in shop floors and in offices. Because healthy life expectancy is increasing, cognitive decline is found to start later in life (Skirbekk, 2013). Evidence also shows that the ability of elderly people to learn can improve, given the right circumstances. Their learning outcomes are particularly responsive to motivational factors and supportive attitudes in the workplace (Kessler & Staudinger, 2007).

Examples show that creativity and drive can develop through lifetime (Bussollo, Koettl, & Sinnott, 2015) and that different work-life practices can be introduced in organizations at the level of HRM policies, leadership and management. Examples of such pro-active policies have emerged in the United Kingdom, such as the New Deal 50 Plus, or in Finland and other European countries, and in the United States. Those policies were backed up by both public and private concerns and aimed to instil dynamism in the elderly labour market in focusing on employability and optimizing of the integration of elderly people in economic and social life based on active ageing concept (Yanagizawa, 2005). Because it was not perceived as urgent until recently in the internal labour market Japan has been late to follow those examples and to shift from its passive stance towards more active policies. However, public and private initiatives are now taken to develop practices that fit with the multiplicity character of ageing in the Japanese economic and socio-cultural context.

Against this background, three aspects are liable to have an influence on elderly employment in Japan. First the socio-cultural context can explain some behaviours and attitudes. Second the legal framework underlying employment and social protection can encourage or impose constraints on its expansion and shape its characteristics. Third, ageing employees presents an issue for management because the workforce' age structure is increasingly polarized between young and old workers.

The socio-cultural impact

Japanese culture is claimed to place a strong value on remaining productive as long as possible throughout the life course. Even among older workers, a symbolic high value is put on work (Nakane, 1970). The respect for age and experience, and its association to wisdom that is traditional in the Japanese Confucian culture and the subsequent supposedly positive image conveyed by older workers could also explain the high employment rate of older workers (Benson & Debroux, 2013). According to Martine (2012) it was observed in a 2005 survey on the optimal employees' retirement age that 32 per cent of Japanese respondents answered 70 years old, while the same age was mentioned by 14.6 per cent of Americans, 4.6 per cent of French people and 2.4 per cent of German people. It was also estimated pointed out that 37 per cent of males and 41 per cent of females in Japan want to pursue professional activities as long as they are able to do so (Kajitani, 2008).

However, while the strong work ethic of older Japanese workers and respect given to age in Japanese culture cannot be denied (cf. Benson & Debroux, 2013) there is no indication that it translates into positive management practices in regards to elderly workers. As in Western societies public and business policy shows ambivalence concerning the economic contribution of older employees. Its value is often put in doubt and the cost of older employees is claimed to be an impediment to employment (Martine, 2012). It seems to reflect the overall societal feeling. Care of elderly people strains the time and financial resources of families in a period of low growth and stagnating disposable income, and old people are often considered a cost and burden (Martine, 2012).

The impact of the regulatory changes

Japan's workfare policy appears in the restrictive unemployment allowance policy and in the post-retirement policy that combines work, pension and retirement in particular among male workers (Seike, 1998). This workfare policy has been cost efficient and effective for both the state and business. Labour force participation rates of Japanese males are higher than in Europe for every age group. Among the social segment of European males aged 55 to 59, less than 70 per cent are employed or seek for employment. In 2012 the corresponding figure in Japan was 94 per cent. In the 60 to 64 year old age group the Japanese participation rate was almost double of the European figure (ILO, 2013).

Workfare policies have been implemented while keeping in mind the long-term ageing. Mandatory retirement age has gradually moved up from 55 to 60 and, in parallel, the age of eligibility to receive a public pension has also risen. Mandatory retirement at 60 still remains legal, a lower age than in most other advanced economies. For a long while employers could require workers to retire at that age and were under no obligation to keep workers on beyond the mandatory retirement ages they had set.

However, a new amendment to the law in 2004 made mandatory to put in place by June 1, 2006 an employment system that was aiming to expand employment up to 65. Employers could choose among three options: 1. keeping of mandatory at 60 while assuring employment up to 65 (*koyōenchō seido*); 2. extension of mandatory retirement at 65 (*teinenenchō*); 3. abolishment of the mandatory retirement age (*teinenhaishi*). This new regime was directly linked to the reform of the pension system that envisioned the gradual rise of public pension eligibility age (MHLW, 2014). So far few companies have moved up retirement age to 65 or scrapped the mandatory retirement system. However, since April 2013 male workers' eligibility age for the fixed part of public pension is 65 and it will be the same for female workers from 2018 onwards. The eligibility age for the earning-related part of the pension will move up gradually from 2016 onwards to reach 65 for all organizations in 2025 (MHLW, 2014). Since the same year 2013 companies are obliged to keep on their payroll until age 65 all workers wishing to continue working (MHLW, 2014).

Challenges to traditional career and reward structures

Demographic, socio-cultural and regulatory changes challenge the assumptions of the business model in regard of wage structure and career development for all age seg-

ments of the workforce, with a strong impact on older workers' employment (Sueki, 2013). According to the Lazear differentiated wage theory (Lazear, 1979), the lynchpin of the career and reward structure put in place in Japan post war period the wage-earnings profile is made steeper than the age-productivity profile that is frequently non-linear and stagnates or declines in older age. The organization pays to the employee a wage that is lower than his/her marginal productivity in the first stage of the career but is higher in the second stage of the career. So mandatory retirement is part of the incentive structure. It is directly linked to the long-term job guarantee for regular workers, going alongside with seniority evaluation and reward correlated to the assumed value of experience and continuous acquisition of mainly firm-specific skills. In order to not lose the benefit of the rent workers are induced to keep making efforts and not to leave the organization lest they could be transferred elsewhere in places where they do not receive the same treatment. The consequence would be a heavy opportunity cost. But the system works only if the firm can terminate the contract at a certain age. If for some reason the firm cannot make older workers retire it would cost too much to pay relatively high wages for relatively low productivity (Aoki, 1988).

Methodology

Data were collected by means of literature review and through survey interviews among senior managers in public organizations and among Japanese and non-Japanese academics who are HRM specialists. Data also originate from interviews made in 2014 and 2015 by the author in five Japanese companies. Two of them are in manufacturing (automotive parts and components, machine tools) and three in service sectors (general retail store, bank and insurance). They have from 750 to 10000 employees and employ post-mandatory retirement old workers of various statuses in the 60 to 64 years old and over 65 years old segments.

Semi-structured interviews (each of 50 to 60 minutes) in HRM departments and of three line managers have been performed in each company over a period from 2014 to 2015. The survey questions focused on eliciting data about:

- The current situation in regards of elderly employment (60 to 64 years old and over 65 years old workers categories): characteristics of the workers, types of jobs they perform and working conditions, process of selection of the workers and follow-up after the selection (training, personal and career counselling), current key issues and problems
- Envisioned changes in policies and practices related to the elderly workers and reasons of the potential changes: selection, work status, appraisal, reward, training and development
- Issues that come to the fore to implement the changes, such as the short-term and long-term impact of the regulatory changes on elderly employment; the overall impact of changes in elderly workers' management on the other workforce' segments (for example on the patterns of career development and on overall wage curves); the more heterogeneous expectations of elderly workers regarding their career; the inter-generational relationships on the shop floors and offices

- Development of new policies and practices in order to cope with the issues here above mentioned

Findings

The key findings indicate that all respondent companies believe that they will have more elderly workers in the years to come. They prepare for this prospect but several general recurrent issues come to the fore:

1. The current regulatory environment is a main source of uncertainty that impedes the development of new policies: it is both over-regulated (lack of flexibility to lay-off regular employees, for example) and under-regulated (lack of clear legal framework to introduce new work status, for example).
2. HRM practitioners believe that mandatory retirement will be lifted to 65 years old in the foreseeable future. However, none of the five companies has taken the initiative to do it so far, mainly because it would cause rigidities in view of the difficulties of laying-off regular workers.
3. If the public authorities want companies to fulfil their obligations in this regard there is also a need for more varied and more efficient public policies in regards of training and development of old workers. Private business cannot cope alone with those issues, especially because of the growing need for completely different types of skills and abilities now required in most activities
4. In view of the wide variety of needs and life/career expectations of the elderly workers, career counselling is necessary long before official retirement and training needs have to be accessed more precisely
5. In all five companies successful initiatives have been taken that have the potential to be significantly expanded in the years to come. It is notably the case of building of inter-generational teams and of the adoption of limited regular employee' status.
6. Changes related to wage and training of the elderly employees have a deep impact on key tenets of the skill-grading system and the wage curves of all workforce' segments.

Discussion

In response to the findings listed above, the following discussion highlights distinctive features of the HRM system in Japan in relation to older workers before going on to assess some of the implications for future HRM policy and practice: for example, in respect offering older Japanese workers a 'new deal'.

Current weaknesses of Japanese workfare policies

Japan gradual pre-mandatory retirement typically takes the form of moving from a primary to a secondary career job with the existing employer or being 'loaned' (*shukko*) or definitively 'transferred' (*tenseki*) in another organization (Casey, 2005). This allows gradual retirement by downshifting at the end of career. Selected workers have also always been allowed to stay at work after mandatory retirement. For many retirees it means 'bridge jobs' between the career occupation and full retirement. In the case of routine and menial works gradual retirement takes the form of switch to part-time

employment. But many workers are actually performing skilled jobs in similar conditions that those they were in before official retirement. Because it may mean shorter working hours and less demanding duties this may justify lower compensation even in the case of continuation with a regular employee' status. However, the key explanation of the differential in post mandatory retirement compensation is that even in the cases of similarly demanding jobs re-employment most often goes with a shift to lower paid non-regular employment (Imai, 2011).

Thus far, companies were able to devise policies enabling them to take advantages of existing skills and experience and to keep older workers beyond mandatory retirement age at relatively low cost. They could be paid wages about 30-50 per cent lower than before retirement, which made them competitive compared to younger workers. This was made possible because of the characteristics of the in-work pension system but also of financial incentives. For example, companies receive subsidies for offering reemployment or extended employment. Wage subsidies are also available through the unemployment insurance system to full-time workers aged 60-64 who earn less than 75 per cent of their former wages, so the take-up that is paid through the unemployment system is low (Martine, 2012). Such flexibility of wages often meant de facto acceptance of age discrimination because similar jobs were not equally rewarded. But receiving about 75 per cent of their former wage (financial incentive included) explains why many retired workers were eager to perform the same jobs as before retirement.

Shedding redundant workers in good conditions by transferring them in another organization gave the opportunity to train the remaining selected workers (especially blue-collar workers) even when in their 50s. Doing so, older workers maintained appropriate level of skill and ability necessary to pursue activities after retirement. But the transformation of the industrial structure makes more difficult to transfer redundant workers. Large companies have looser relationships with Japanese suppliers, reducing the opportunities of transfers. Moreover, although SME employ the large majority of elderly workers most of them have made their career in those companies and often have high firm-specific skills and experience. Suppliers are more reluctant to recruit elderly workers whose work experience and knowledge may not fit to their needs and/or are obsolete. This is true in manufacturing but also in service sectors where long-term relationship with customers is a key success factor (Nabeta, 2011).

So, just at the time employers are legally obliged to keep a larger number of workers Japanese companies have less opportunity to make the same workers' selection. The five respondent companies declare that they seldom continued to invest in the up-skilling of the large majority of over 50 years old workers until about 10 years ago, especially the white-collar workers. It is the legal and business pressure, including the difficulties to secure qualified younger manpower in some occupations but also the obligation to keep redundant workers that forces companies to reconsider in a longer perspective the training, dispatching and integration policy of their older workers.

Pension arrangements

The rise of the age of eligibility to receive public pension makes work a necessity for many elderly workers. It not only can put inactive people in dire financial situation but without possibility to receive part of the pension many 60 to 64 elderly workers could also become working poor, unable to move smoothly towards definitive retirement if nobody pays the difference. Their social and economic contribution would be smaller, i.e., they would be unable to contribute to the alleviation of social security cost and many of them could even be forced to sell assets to survive, with negative consequences on the real estate market.

There is a growing unbalance between the amount entering the pension system and the money going out for the beneficiaries. Expenses for social security already amount for about 30per cent of the total general budget (Hansen & Imrohroglu, 2013). It can hardly be financed anymore by debt in view of the dire state of public finance. Use of consumption taxes to finance pensions is driven partly by the reluctance to raise payroll tax rates further. In contrast to the United States and European countries, where contribution rate or retirement-age changes to the social security system seldom occur, Japan's pension system is re-evaluated at least every five years to balance premiums and benefits with existing socioeconomic conditions (Hansen & Imrohroglu, 2013). Those conditions being unlikely to improve much if at all, the minimum rate of pension for 60 to 64 workers amounts that is already quite low by international standards, i.e., about 45per cent of wage at the time of retirement may continue to decline and increase the necessity for elderly workers to work in good conditions (OECD, 2013).

Even those over 65 tend to stay in the labour market because pensions may not be high enough to sustain their standards of living. Elderly Japanese are already de-saving (World Bank Group, 2015). They need to be able to keep their standards of living while taking care of their parents in a country where more than 5 million people are over 80 (OECD, 2015). The enactment of the Law on Care Insurance in 2000 makes mandatory the contribution of everybody over 40 to contribute to an insurance that would serve to cover part of the care cost in old age (Tsutsumi, 2015). However, the state still count on families. In view of the cost of residential care the Japanese government is shifting the emphasis of the law (through the incentive policy) toward home care. Although limited help care from outside can be expected the family burden is bound to increase. Already about 100000 people are obliged to stop working every year because of parents' care. Many of them are in the 50s and 60s (Tsutsumi, 2015). This calls for companies to give the opportunity to older workers to continue to work while keeping decent standards of living and fulfilling their duties to the family.

Japanese governments do not seem eager for the time being to make retirement mandatory until 65. The five respondent companies agree with business in general that it would be counterproductive for elderly employment in the present environment. At the opposite of the wish of government to see a shift away from non-regular employment setting they believe that mandatory retirement at 65 could accelerate the move away from regular employment before retirement if the reform is not made with a

broader revamping of the regulatory environment. Notably, employment of a larger number of older workers requires changes in the possibility of laying-off regular workers. It would give flexibility to select employees fitting their needs before they retire.

Self-employment?

During the last decade (up to 2013) the two manufacturing respondent companies declare that directly re-employed workers (including in subsidiaries) amounted to about 30 per cent of the total of retirees, the large majority of them production workers continuing to work full-time. In the retail company the ratio was close to 20 per cent. Conversely, it was about 15 per cent in the financial institutions. In the latter three cases most of the occupations were unskilled and semi-skilled part time jobs. In financial and insurance businesses elderly specialized retirees with the right certifications have the possibility to start a business on their own and they most often do not remain in the company. This line of thought must be understood as a willingness on the part of the five respondent companies to make older workers more autonomous to the point that they can create their own job. It re-joins the position expressed in some European countries, for example the United Kingdom, that self-employment may be a promising avenue to sustain activities of elderly people (Hatfield, 2015).

By international comparison, the percentage of self-employed old people in Japan is already quite high (World Bank Group, 2015). Nevertheless, the respondent companies declare that adoption of innovative new work patterns of entrepreneurial nature is necessary that encourage workers to work on 'second career' outside of the company. All five of them have started such programs twenty years ago, for example in developing cafeteria-type of training unrelated to the actual jobs performed by the workers. It was in line with the deregulation drive in the 1990s that became a key element of government' objective of increasing external labour mobility, especially of middle-aged and elderly workers. Through revision of the Temporary Agency Work in 1994 occupational limitations for workers above 60 were almost completely removed. Only activities that are not permitted remained listed in the law. The objective of the law was to expand employment opportunities, especially after retirement (Ministry of Labor, 1994).

However, with the legal obligation for employers to keep regular workers until age 65 there is a need for up scaling and enlarging of the scope of the programmes. The five respondent companies declare that it is beyond their resources of individual businesses to take care of a so large number of old workers who would need comprehensive retraining. They claim that to keep them in employment in good economic conditions can only be done in collaboration with public (national but especially local) authorities and private organizations such as the employers' organizations and chambers of commerce.

Increasing involvement of public authorities

In line with the initiatives taken by the United Kingdom and Scandinavian countries Japan has reinforced its public employment services in the last decade. It has been done in opening offices that support older job seekers and incumbent workers

through miscellaneous programs such as: Career Exchange Plazas to help middle-aged and older white-collar job seekers work in close cooperation with Talent Banks; Vocational Experience Utilization Centers to provide free placement services and dispatching services for over 60 personnel; Industry Employment Security Centers to provide matching services to middle-aged or older workers; elderly Employment Support Centers/Corners in all prefectures to provide assistance to middle-aged and older workers to develop career life plans. These services reflect the broader concept of ageing that is encompassed in the ‘ageless society’ philosophy promoted by the government in line with the European ‘Active Ageing’ initiatives (World Bank Group, 2015).

Implications for HRM policy and practice:

The aforementioned challenges and changes to established HRM policy-making and practices strongly suggest the need for a ‘new deal’ that would satisfy the workers, the public authorities, and the companies or employers. Example HRM implications of working towards such a deal are given here.

The skills of older workers

The companies participating in the aforementioned survey recognize that monetary and non-monetary incentives are needed to maintain high task and organizational commitment from older workers, especially if they stay in the labour market out of necessity without being able to keep decent living standards. Eventually companies acknowledge that they could end up with low productivity elderly ‘trapped’ workers. This is all the more a plausible hypothesis because of the emphasis on acquisition of firm-specific skills that makes Japanese workers (especially older workers) much less mobile than those in other advanced economies. As a result, once unemployed, the chances for reemployment are not good and the duration of unemployment is long.

There are mixed opinions about older worker costs, technological competence, flexibility, and the ability to adapt to new work patterns often undermine efforts to get companies to recruit and retain older workers and limits the options for continued employment (Iwata, 2003). It appears in the declaration of the respondent companies. All five of them share the same opinion in regard of the problems to create enough good jobs for elderly people inside the company because of the difficulties to acquire new types of skills. In general terms it can be recognised that productivity decrease is observed in job tasks where problem solving, learning, and speed are important, requiring ‘fluid’ abilities, whereas for work tasks where experience and verbal abilities matter more that requires ‘crystallized’ abilities, less or no reduction in productivity occurs among elderly workers (Skirbekk, 2008). Respondent companies are globally appreciative regarding older workers’ loyalty, dependability, and judgment. However, they make rather negative assessments of attributes that could be considered ‘fluid’ abilities such as technological competence (including but not limited to IT literacy) and functional flexibility, which are viewed as critical in today’s workforce and may be more important than the ‘crystallized’ abilities that workers have accumulated over-time.

In the Japanese service sectors where productivity tends to be low anyway (cf. Ueda, 2012) improvement is likely to be linked to the adoption of technologies, in-

cluding in the fields of the three service-related respondent companies. Increasingly higher ICT literacy is required and a grasp of new (mostly) internet-driven business models is a must. To the question that the problem may be more serious in the case of white-collar employees who very often have not acquired new skills in the 50s respondent companies answer that it is generally true. It may take a generation before more specialized white collar workers who made their career under performance-driven evaluation and reward systems and have received more specialized training replace the current white collar generalists. However, the two manufacturing companies add that appropriate skills and experience is also increasingly a concern in the case of elderly blue-collar workers. Technological and market environment changes leads to deskilling of many occupations but also to the need for up skilling of others. Many blue-collar workers have skills and experience that are not suitable for the new types of occupation in their own field.

Private initiatives to integrate the older workers

Nevertheless, the respondent companies believe that opportunities can be created for elderly labour with the right skills or the capability to acquire new ones. This calls for life-cycle approach to labour force activity that would increase the chances of prolonging employment by ensuring higher and more adaptable skills at work. Productivity is not only an individual but also a team concept, and evidence shows that the skills of old and young workers may be used complementary in some contexts. Grund and Westergaard-Nielsen (2008) point out that companies with workers of mixed ages are more profitable than those with exclusively young or old workers.

In the two respondent manufacturing companies, HR managers are making efforts at different stages in this line of thought to accommodate the needs of older workers. Attempts are made to mix younger and older workers (mostly pre-retirement workers but with in mind that a sizeable number will continue to work after mandatory retirement) in production teams. In general term Japanese companies have always put strong emphasis on shop floor, incremental (*kaiizen*) type of production process innovation (Koike, 1997). It is also observed in the respondent companies. Skilful use of technologies gives the opportunity to old workers to work with less physical efforts. Specific equipment is developed for them (and also for female workers) and facilities revamped. Working time and standards are adjusted in order to fit with older workers characteristics. Training is a key element and companies are ready to continue to train over 50 years old workers provided that they have enough learning potential and the appropriate psychological and physical profiles. This means that regular assessment of the situation is necessary for workers aged fifty-five and over.

In the finance and insurance companies hearing and counselling activities are organized every year for the employees aged fifty-five and over. It is also true in the two manufacturing companies but only every two years from 56 years old onward. The companies declare that they want to know as precisely as possible the learning potential but also the career intention. It is important in order to understand to what extent they will be able to utilize older workers after mandatory retirement (workplace location, working hours, scope of duties, etc) and the type of training they might need.

The obsolescence of the Lazear theory?

Although they remain important in some industries to nurture unique knowledge and organizational skills firm-specific skills are said to be comparatively less important in both service and manufacturing industries. Too high reliance on them may even hinder the ability to react to discontinuities. It makes not only difficult to justify high wage for old workers (Keizer, 2010) but as the five companies pointed out it forces them and the other companies to reconsider the whole process of skill acquisition and thus the wage curves at an early stage of the career.

Japanese companies have already integrated the impact of ageing in their wage curves. Male wages rise until about ages 50-55 after which they fall sharply (Ministry of Health, Labor and Welfare, 2014). However, it is only in the years to come that the shift away from seniority and the introduction of performance driven appraisal and reward systems since the 1990s are likely to start having a significant impact on older workers' income (Sueki, 2013). Wage curve are likely to flatten at a still earlier age than before. If it goes alongside with reconsideration of the practice of the retirement allowance (*taishokukin*) which represents around 10 per cent of the total work-life revenue (Sueki, 2013) the Lazear theory could become irrelevant with far-reaching consequences on elderly employment.

It could be argued that the shift away from seniority system may be beneficial to (some) to both parties. Especially when coupled with skills erosion, the seniority system was undermining efforts to promote the employment of white-collar older workers – too many of them where not re-employable in skilled jobs. From now on companies could be more enticed to continue to devote resource to specialized training to the older workers who already have specialized knowledge and still have learning potential.

Opportunities for higher status flexibility

Given the likely re-interpretations of the predictive power of theory-driven calculations such as those proposed by Lazear, and in view of the wide disparity in terms of business needs, skill level, physical capabilities, and variety of life-style and time availability across the age segment in question, many elderly workers are likely to continue to shift to non-regular status after retirement. At the same time it is a plausible hypothesis that regular-types of jobs can also be created. Although the rules relative to lay-off are unlikely to be changed abruptly gradual evolution can be expected. It will probably be linked to the emergence of new working status that will dilute the regular – non-regular status dichotomy and leads to 'limited' (in some dimensions) but regular types of jobs with access to bonus, fringe benefits, and equal salary for equivalent job. Because of job limitations, it would be possible to compromise over compensation if the terms of the deal are flexible and nonetheless legally protected. It could make regular elderly employment more affordable to companies while responding to elderly employees' needs for smooth transition to definitive retirement.

Although the regulatory environment remains unclear there are already companies that have introduced a similar status of limited regular employees that is aimed at elderly employees. It is the case of the five respondent companies. A key point is that

employees are given the choice between different options about the scope and requirements (difficulty of the tasks, physical and psychological requirements) of duties, working hours and workplace location. The scope of work often remains the same as that of pre-retirement regular employees with little restrictions on the performed tasks. But working hours are generally shorter with introduction of flexitime schedule for those who have care duties or prefer to decrease working time or work only during certain hours. In this respect a wide range of variations is observed with working hours staggering, working bands and core time systems applied on an *ad hoc* basis.

Limited regular employment can be of several types. Generally, a mix of several working conditions is observed. In the two respondent manufacturing companies the programs focus on geographic restrictions. It goes with leave from the company and re-employment with a five years contract in a subsidiary where the workers are expected to stay until definitive retirement. Wage level differs according to the region in which elderly workers are re-employed (workplace locations are divided into groups according to the cost of living), and according to the scope of work. Wage is in the range of 65 to 75 per cent of pre-retirement wage, a level comparable to that of the compensation paid to non-regular employees receiving financial incentives and part of the pension. There are cases where jobs characteristics are similar to those of typical regular employees in terms of working hours and scope of work but the jobs are geographically limited (*de facto* meaning transfer in a workplace fitting with the needs of both parties). Conversely, there are cases in which the jobs' scope and duties are limited, as well as working hours in order to satisfy the need for care of elder parents but there is no geographic limitation. The key point that is discussed with trade unions and other employee associations – usually compliant – is maintaining respect for internal equity in the setting of different wage levels on the grounds of the varied job limitations. This expectation leads to rules of arbitrage that are kept as stable and as relatively uncomplicated as possible.

Conclusions

While pursuing a pro-active workfare policy, Japanese authorities and companies have never really thought until recently about policies that would favour old workers' work in good conditions (decent wage, consideration of age limitation in term of working hours, mobility, scope of work) and a smooth transition toward retirement. The low mandatory retirement age that was combined with financial incentive have made many companies complacent in this respect. In addition to the challenges regarding labour policy, changes in the labour supply structure (overall reduction in the labour force on the one hand, increase of women and older people in the labour market on the other) urge public authorities and companies to consider utilizing elderly workers more efficiently and effectively as part of a new employment deal.

The proposed new deal further suggests more flexible pathways as a means of increasing the length of an individual's working life. The self-employment option may attract some older workers, especially if the more formal training goes alongside with valuable professional certifications, but most old workers can be expected to remain salaried persons. If non-regular work conditions can provide decent work treatment to a large number of 60 to 64 retired people, and flexible but regular types of jobs can be

created for some of them, convergence with other advanced countries could occur in regard of the mandatory retirement age. In macro-economic term it would put Japan in the mainstream of the advanced countries where retirement age shifts towards 67 and even 70 years old (World Bank Group, 2015).

Finally, the challenge to provide decent and meaningful jobs for all workers will remain difficult for HRM policy makers and practitioners to tackle, in Japan as in Germany. However, working towards a concept of a ‘new deal’ as outlined in this discussion should become more palatable for business and the unions to accept a move towards mandatory retirement at 65, and even older. As a result it could lead to the building of an employment system making effective use of elderly workers in both economic and social terms.

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