

Employment of Elderly Workers in Japan: the Limits of the Current System and Assessment of the Conditions for the Emergence of a New Dynamics

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Abstract

This paper draws on current literature and data from interviews undertaken from 2014 to 2017 in Japanese service and manufacturing large companies. The objective is to examine the emerging patterns in the structure and direction of employment of the middle-aged (over 50) and older workers (over 60) categories of workers. The paper assesses the current situation in view of the demographic, economic, societal and institutional changes that occurred in Japan since the 1980s. It exposes the reasons why the traditional policies and practices that had made of Japan a country considered a success in the management of those categories of workers are now socially and economically unsustainable. Then, it analyses how large companies attempt to re-create a dynamic in the HRM system that would maintain and create decent jobs for the large and heterogeneous group of over 50 workers who are linked to them by employment relations of diverse nature. The paper explains the threats companies and workers face in an environment that imposes strong socio-economic and institutional pressure and the opportunities that could also be created. It assesses the outcome of the companies' initiatives, their merits and limits to optimize both the contribution to the organization and the workers' employment conditions.

Keywords: Elderly workers, career plateau, pension eligibility, social security system, work-retirement practices.

Introduction

Japanese HRM system peculiarities should normally have led to poor labor market dynamics for older workers. Yet, evidence suggests that a mix of institutional, socio-cultural, economic and demographic reasons created a virtuous circle in their treatment that made of Japan a model of management of older male workers. Japan was able to maintain at work a very large number of

them in relatively good conditions for both parties during a period that started in the 1970s and continued until the last decade (Asao, 2017). It helped to mitigate the economic cost of the population aging, while providing for experienced and skilful human resources and giving opportunities to retired workers to remain included in society and economy.

Gradual transformation started in the 1980s alongside with institutional changes, such as the lift up of mandatory retirement to 60 and the beginning of the reform of the public pension system. The shift of large Japanese companies toward a shareholders' driven corporate governance system also challenged the tenets of the HRM system. The required transformation of organizational design (flattening of the organizations), career development, wage curves, training organization and objectives, began to impact the management of all workers, including the middle-aged and older segments (Yatabe, 2015).

Japanese public authorities and private organizations efforts prevented the entire system to collapse up until the beginning of the 2010 but those efforts could not stop rapidly declining efficiency and effectiveness thereafter. In Japan's 'superaged' society – with a large aged population coupled with a low fertility rate – the current system reveals unsustainable. It has to be reconsidered lest it hinders the fulfilment of Japanese society' economic, social and societal needs. Japan cannot afford to have old people not fully contributing to the economy. Unable to move smoothly towards definitive retirement they would strain furthermore the social security system and depress the already atone domestic demand. The concern goes beyond purely economic matter if aging is understood in a broader perspective that also encompasses social and societal dimensions: the duty to promote the well-being of the senior citizens in creating the conditions to keep them socially integrated and able to fulfil their social needs (Office of the Prime Minister, Government of Japan, 2017).

Institutional changes in the pension and retirement system, and the enactment of more stringent laws aiming to not only protect the working conditions of old workers but also to prolong employment up to a higher age now impose very strong pressure on companies. They face the imperative, requiring numerous trade-offs, of devising and implementing policies and practices that offer more and better – more stable, better paid, offering skill and knowledge evolution, and respecting work/life balance – employment to a rapidly increasing large population of middle-aged and older workers. Thus, more efficient and effective use of older workers' skills and experience, internally and externally, is a crucial imperative.

Working-age population is bound to decline significantly with complex potential positive and negative impact on traditional HRM policies and practices. This is particularly the case of the life-cycle contracts. It offers opportunities while creating threats. On the one hand, the demographic

trend and the diversification of companies' skills needs imply that companies may face increased difficulties in filling their vacancies. To continue focusing only on passive policies and practices to control the evolution of the aging workforce and to rely routinely on existing skills without offering new career and upskilling opportunities cannot satisfy the skilled older workers. It may be argued that, maybe for the first time in the post-war period, the skilled older workers will have enough bargaining power to obtain better working conditions in the framework of the internal labor market but also in the external labor market. As a result, while creating constraints, efforts to become employers of choice for the skilled segment of the older population can help to create competitive advantages provided that specific attractive monetary and non-monetary packages are offered to the more demanding old workers' segment.

On the other hand, companies face the immense challenge of managing an aged segment of the workforce not only much larger than before but also more heterogeneous in term of skills and knowledge, and life and professional expectations. Older workers cannot afford to be as accommodating as before because the stakes are higher for them. Until recently the large majority of them did not feel socially and economically threatened because they were sure that they would be able to retain decent standards of living after retirement. They are now becoming unsecure employees fearing of dropping out of the middle class and becoming working poor in a society where deselection is socially unacceptable and the safety net is thinner than in Western European welfare states (Martine, 2012). At the same time companies do not have the same level of external financial and functional flexibility: they are losing the latitude of picking and choosing the workers they want to retain and are under strong legal pressure to close the gap between treatment of the permanent and non-permanent workers (Debroux, 2016). Although higher mobility can be expected the large majority of old workers are likely to stay in the same company that worked for when they reached 60. The low level of up-to-date skills and knowledge during the later stage of the pre-retirement period is bound to prevent many of them to move out in good conditions. It forces companies to rethink the career management – training, evaluation, reward, career development – of the entire workforce, starting from the entry level in the organization.

The basis of the traditional virtuous circle

The co-existence of the internal labor market with spot markets for non-permanent workers Japanese organizations are flatter than before with much less layers of hierarchical positions. However, in relative term they are still relatively tall type of multilayers organizations. By and large, despite continuous adjustment companies continue to manage compensation and retirement policy of the permanent workforce based on deferred wage theory with earnings slopes steeper

than productivity increase (Lazear, 1979). Although much less realistic than before and bound to fade away with the advent of the new generation it still creates a quasi-bond that is repaid in the later stage of the career and is dependent upon sufficient effort (Jackson, 2016). Under the skill grading system (shokuno shikaku seido, the ranking according to which the content of the work is assumed to reflect the skill level) the promotion in the hierarchy (shoshin) is yet assumed to follow the variations in worker productivity growth. In about 85% of large companies this is still combined with mandatory retirement at 60 and in about 45% of them managers in the 50s continue to have their career evolution curtailed: they relinquish managerial responsibilities a few years before retirement, generally between 55 and 58 whatever their contribution to the organization and their capabilities to pursue a managerial career (Yatabe, 2017).

This is considered a return of the benefit of deferred wage system and the expectation of retirement allowance linked to the duration of tenure in the same company. The retirement allowance sharply increases when tenure is over 20 years. In the case of a full 38 years career in the same company it can amount to 10 to 15% of life earning in large companies (Sueki, 2013). With adjustment related to the sum calculation (see details later) it is still the norm in the immense majority of the large companies and continues to play an important role in the overall stability of the HRM system in maintaining long-term strong ties between the 2 parties (Sueki, 2016).

In counterpart, retired workers are paid a lower salary under less advantageous status than before retirement. Companies have always assumed (generally rightly) that most senior workers had low job and career expectations other than retire smoothly. Thus, they do not think that old workers who have enjoyed permanent employment until retirement are entitled to ask for more (Sueki, 2013). This way of thinking is reinforced by the dominant Japanese legal policy in this regard. It presupposes that workers who are re-hired after retirement would earn lower wages than before retirement with less duties and responsibility in counterpart. In some cases, the courts have judged that workers had to accept post-retirement lower wage despite unchanging scope of work. Conversely, there are also opposite judgements that considered the rehired working conditions so much lower that they were running against the spirit of the Act on Stabilization of Employment of Elderly Persons of 2004 (Hosokawa, 2018).

Although the issue is still strongly discussed and debated – especially in view of the gradual rise of the eligibility age to receive the public pension – the employment system has made possible to re-hire workers to perform menial jobs but also jobs very often similar to those performed before retirement, fitting with their capabilities. In both cases the cost for the company has been low while being also beneficial for the workers as long as the possibility existed to receive a part of public pension while working, with financial incentives partly compensating the income drop when it was

too large (Sueki, 2016).

As a result, workers were not discouraged to stay in the labor market, albeit under lower conditions. Conversely, employers were naturally considering older workers as valuable human resources during the whole post war period. However, there was little incentive to do more than exploiting existing assets. Companies assumed that the organizational identity of retired workers would remain strong enough to keep workers motivated and globally satisfied. So, in such a system, as long as the flow of new workers is strong enough to assure the smooth transition of generations, there is little urgency that older workers, especially white-collar workers, should still acquire new skills. The premises of the last 10 years before retirement and of post-retirement employment were that no specific incentive policy had to be devised. In fact, Japanese companies started in the 1990s to curtail training investment in general but more specifically of over 50 workers while smoothing their compensation curves to cope with lower growth and aging of the workforce (Sueki, 2016).

For the companies – and workers alike – it makes sense to promote younger managers and to devote training resources to the younger segments of the workforce. Early retirement from managerial functions has a management rational: the opportunity to rejuvenate management in providing for internal promotion to younger managers while capping the cost of the deferred wage system. As a result, senior workers are not expected to benefit from career advancement and little alternative types of employment are thought about. Not only do they relinquish their managerial duties but they also do not progress anymore in the skill-grading system (Yatabe, 2017). A number of former managers are put into ‘specialized’ types of jobs (*senmon shoku*) where they can utilize skills and experience but many pre-retirement senior white-collar workers are in positions not reflecting professional skill, experience and expertise.

The workfare-centered HRM system

In general term workers’ selection decisions are made on the basis of past experiences, current perceptions, and future expectations. In this sense selection decisions are strategic from both the organization and employee perspectives. HRM practices, strategic decisions leading to staff selection and/or de-selection of workers are culture-specific in terms of the normative values, expectations and behaviours they elicit (Jackson and Debroux, 2016) in regards of work, career and characteristics of the psychological contract. Furthermore, it is pointed out that they are influenced by the formal and implicit institutionalized policies that, when made explicit, might be interpreted as artefacts or observable expressions of organizational cultures (Jackson, 2016). Other factors also combine to influence decisions relating to selection and/or de-selection, for example, the social perceptions of what is or is not available in the labor market – internal and external to the organiza-

tion and from both employees and organization viewpoints – for a particular work function or role. The fundamental question is to assess whether an individual worker appears replaceable or should be replaced and/or moved to another function or role with the same or different status going with similar or different compensation package (Jackson, 2016).

In this respect it can be argued that the management of Japanese middle-aged and older workers reflects socio-economic and cultural tendencies engrained into the national HRM system. Historically, Japan has always privileged workfare over welfare. Policy-makers encourage the unemployed or inactive back into jobs or urge those in employment to delay retiring. This mindset reflects societal norms concerning work and rights and duties in society that transcribe in typical behaviour and attitude. Surveys show that Japanese people desire to work as long as they can. The impact of social norms also appears in the restrictive unemployment allowance system (Seike, 1998) and in the seikatsu hogo (minimum income allowance for people who cannot assure their own financial needs) welfare system that imposes normative restrictions on life-style to those who can benefit from it.

The concern for the damage that long disconnection from the labor market could cause is economically rational in the internal labor market logic based on constant up-skilling and the important role of on-the-job type of learning in many occupations: people have to come back to work as soon as possible lest their productivity drops, subsequently hindering their progression in the hierarchy and in the skill-grading system. At the same time what could be perceived as social ‘free-riding’ is proscribed by the dominant group of reference (the company for the salaried persons) and by society, especially when public money is utilized.

This workfare policy has been cost efficient and effective for both the state and business for a long period of time between the 1970s and 1990s. As long as the corporate pyramid of age remains balanced it naturally fits with the establishment of clear boundaries between ‘younger to older’ workers one and the chronological advancement from one category to the other. People should stay at work as long as they can but without hindering the efficiency and effectiveness of the entire socio-economic system.

In fact, the drift toward career plateau, i.e., the difficulties to have access to higher managerial position in the organization, especially to move from kacho (section chief) to bucho (general manager) position is a perennial issue since the 1980s in Japanese companies. Research shows that opportunities to accede to managerial positions are likely to be even smaller in the years to come – moreover since a younger and younger age – and to move up in a specialized function is also expected to be increasingly difficult (Yatabe, 2017).

In such context early exit from managerial function has become even more important with

the flattening of the organizations during the last two decades that led to a smaller number of managerial slots. The external labor market for managerial jobs started to expand in the 1990s but it is only during this decade that it started to offer in sizeable number opportunities of equivalent career elsewhere for the workers who were definitively not selected in the promotion tournament system. As a result the perceived threat is the creation of a large segment of 'trapped' middle-aged workers reaching a career plateau. They would be difficult to motivate without much opportunity to be promoted. So, early exit from managerial position must be pursued in order to promote younger managers. However, the cost of under-optimizing managerial talent increases and the obligation to keep all wishing workers until they are 65 makes the schemes unsustainable if they do not go with up-dating of skills that keeps the old workers' contribution high enough to pay the wage they require to maintain good standards of living.

Likewise, the willingness to maintain the deferred wage system always justified the inferior treatment of the re-hired retired personnel. Retirement naturally means a relative weakening of the strong ties between employees and employers associated to the relationship-based psychological contract that is considered a traditional characteristic of Japanese organizations (Jackson, 2016). After retirement the 2 parties may still be entitled to believe they have a mutual commitment but it is also understood that it is more contingent than before retirement.

At many Japanese companies, the wages of permanent employees are determined not by the content of job duties but rather by age, years of service, experience, and general job competence coming from involvement in the constant diffusion of information and knowledge. When workers are outside of the skill-grading system the active relational psychological contract naturally becomes a passive one, mostly of transactional nature. The understanding is that once the retirement allowance has been paid the transactions are now based on time frame, scope of occupations, monetary valuation, and specificity and explicitness of promised type of job (Yatabe, 2017). Adjustment in working time, scope of work and work geographic location was generally sufficient to elicit loyalty and dedication from them after retirement and subsequent re-hiring as contractual worker. So, the conditions were fulfilled to have the internal labor market with deferred compensation and retirement allowance as incentive and the quasi-spot basis external labor market for retired workers with contemporaneous incentives co-exist for a while without strong strains. Companies did not have to think in term of efficiency wage (Shapiro and Stiglitz, 1984). Skirting was not an issue and smooth management of motivated retired workers at low cost was assured.

Emergence of a new institutional environment

The economic and societal imperative to optimize the old workers' assets

The underlying message of the recent laws is clearly spelled by the public authorities: Japan cannot under-optimize any kind of human resource. The period of casualization of the spot labor market to the point that about 40% of salaried people are not in regular employment is over: the government intends to reverse the trend (Office of the Prime Minister, Government of Japan, 2017). The changes concern all categories of workers, with strong emphasis put on female labor but the focus on old workers' employment is also significant. Japan's public authorities' recent efforts to prolong or sustain working life reflect a concept of aging that is encompassed in the 'ageless society' philosophy they promote in line with the European 'Active Ageing' initiatives (World Bank Group, 2016). The 'ageless society' concept aims to instil dynamism in the elderly labor market in focusing on employability and optimizing of the integration of elderly people in economic and social life. No upper limit should be decided in setting the threshold between working and retirement age.

Since April 2013 male workers' eligibility age for the fixed part of public pension is 65 and in 2018 it became the same for female workers. 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).

The raising of the age of pension eligibility means that the income of older workers between 60 and 65 would decline significantly without higher public support if the employers do not pay the difference. Even if one part of it can still be received until 2025, in view of the relatively low pension level the option of completely leaving the labor market during those 5 years is not a realistic option for the large majority of salaried people (Sueki, 2016). To increase public wage support between 60 and 65 is very difficult in view of the public deficit and the trend is rather more to curtail it. In such conditions retired workers cannot easily accept under par wage (OECD, 2013).

It requires the continuation of access to training up until 60, so that re-employment over 60 will be facilitated for the benefit of both parties. Workers will need treatment respecting the ILO No. 100 Convention on equal wage for equal work, the implementation in earnest of the law proscribing age discrimination, and the respect of the right to a meaningful job until complete retirement at 65 or beyond. As mentioned earlier many Japanese people are not only able to work longer but prefer and choose to work. However, for economic but also societal reasons, they want a decent work as defined by the ILO, i.e., giving the opportunity to fulfil their self-esteem and self-achievement needs besides the economic ones (Yanagisawa, 2005). Recent studies show that retired workers are very reluctant to accept jobs that they consider unworthy of their skills and levels (Yatabe, 2017).

Moreover, care of parents is no more the quasi exclusive duty of women. Work/life balance policies also concern male old workers who have to take care of their parents in a country where more than 5 million people are over 80 (OECD, 2015). The enactment in the year 2000 of the Law on Care Insurance makes mandatory the contribution of everybody over 40 to an insurance that would serve to cover part of the care cost in old age (Tsutsumi, 2015). However, in order to curtail the cost of residential care the emphasis of the law (through the incentive policy) shifts toward home care. About 100000 people – mostly middle-aged salaried people in the 40s but also people in the 50s and 60s – are obliged to stop working every year because of parents' care (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.

Acceptable level of motivation is likely to be difficult to maintain if many workers stay in the labor market purely out of financial necessity and work full-time without being able to keep decent living standards. Companies acknowledge that they could end up with many elderly 'trapped' workers with low commitment and productivity. This is all the more a plausible hypothesis because of the traditional emphasis on acquisition of firm-specific skills that makes Japanese workers (especially the current generation of older workers) much less mobile than those in other advanced economies. Added to the already mentioned relatively low level of investment in training of the over 50 years old workers that would increase their mobility in the labor market before and after mandatory retirement and to have a wider career choice the chances for reemployment of retired people are not good and the duration of unemployment is long (Sueki, 2016).

Up until the end of the century transferring redundant workers in good conditions in another organization gave the opportunity to continue to train the over 50 remaining workers (especially blue-collar workers) and thus to have them maintaining appropriate level of skill and ability necessary to pursue high level activities after retirement. But large companies have looser relationships with Japanese suppliers in globalized supply. Many suppliers are more reluctant to recruit over 50 workers whose work experience and knowledge may not fit to their needs and/or are obsolete and whose coordinating role between the 2 organizations is less important than before. This is true in manufacturing but also in the 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 a selection that fits their needs and have to take care of many workers with obsolete skills.

Results of the field survey

Data were collected by means of literature review and through survey interviews among managers in public organizations and among Japanese and non-Japanese HRM academic specialists. Data also originate from interviews made from 2014 to 2017 by the author in 12 large Japanese companies in manufacturing and service industries.

Semi-structured interviews (each of 50 to 60 minutes) in HRM departments and of 3 line managers have been performed in each company. The questions focused on eliciting data about the manner the companies attempt to manage their middle-aged and older workers.

The gradual shift towards individualization of career and compensation

Adoption of pay for performance systems since the 1990s goes with stricter assessment of actual mastering of skills reflected in individual performance. Annualization schemes also permit to link more accurately compensation and performance and to cap the labor cost (Debroux, 2016). 8 respondent companies have annualized schemes and no bonus is paid anymore in the case of managers in 5 of them. In all the 12 companies compensation of workers who will reach 50 in the 10 to 15 years to come is expected to be more strongly linked to productivity growth than in the case of the previous generations, and this from an earlier stage of the career. The retirement allowance remains a lump sum paid at time of retirement (Sueki, 2016) but it is calculated in a growing number of companies according to a point-based system that links the final sum to individual performance. It helps to cap its cost but it can also create significant sum differential in the total of the career that is expected to make of the retirement allowance a more dynamic incentive tool than it is now (Sueki, 2016). The point system is adopted in 3 of the companies but they declare that it is still too recent to see the financial and motivational impact of the policy. The companies do not expect that it will be significant in the short and medium terms.

The shift towards a shareholders' driven corporate governance, inducing pressure for higher ROE and ROI drive companies to focus on projects that are more short-term oriented and focused. Overall Japanese companies evaluate more strictly the efficiency and effectiveness of the programs, select more carefully the recipient, and there is more emphasis on custom-made off-the-job learning emphasizing skill specialization (Debroux, 2016). This is also observed in almost all respondent companies. As a result, they anticipate that when workers, including white-collar ones, will enter in the 50s they will master a portfolio of more specialized skills that can still be used by the company than the current generation. Moreover, they point out that a very important aspect of the shift toward specialization is that workers will be expected to have built up higher capability of learning new skills.

In a country where the HR department traditionally plays a central role in career management this concern reflects the viewpoint in many companies, encouraged by government and the leading employer federation, the Keidanren that higher workers' involvement in their career is necessary. It may mean participation to seminars and study groups inside and outside the organization, to off-the-job training programs to polish existing skills but also to acquire new ones that may be disconnected from present activities (Yatabe, 2017). It re-joins the position expressed by Prime Minister Abe's recent employment reforms that put strong emphasis on individualistic work ethics (Kojima et al., 2017) and to have the mindset to manage their career more autonomously (Yatabe, 2017).

The shift towards more diversified work patterns

For certain types of manufacturing jobs specialized skills and know-how facilitate the integration of older workers in inter-generational teams and thus maintain rewarding jobs for a relatively small number of them. In all 5 respondent manufacturing companies, HR managers attempt to mix younger and older workers in production teams. The latter ones are mostly pre-retirement workers that companies expect to continue to work after mandatory retirement. Specific equipment is developed for them (and also for female workers) and the lay-out facilities are revamped in order to allow them to work with less physical efforts. Likewise working time and standards are adjusted in order to fit with their characteristics. The respondent companies recognize that for a sizeable number of jobs redesigned for old workers the initiatives are short or medium term. It is aimed to facilitate smooth slowdown towards complete retirement while filling current gaps in the labor market. Many manufacturing and service jobs will disappear when the current generation retires for good or will have to be completely redesigned with different competency frameworks. Know-how linked to experience is still precious for some jobs, but the overall importance is decreasing. Respondent companies' opinion is that the number of old workers is likely to increase in the years to come but a long-term strategy to keep older workers at work until 65 and beyond can only result from HRM transformation starting in the early stages of the career. Emphasis on a more individualized approach of learning is likely to accelerate.

Conversely, they expect that such tendency will facilitate the transfer to other organizations of those whose skills do not fit with the business strategy and the recruitment of needed workers in the external labor market. This makes capability building in the HRM departments and among lines managers more important to manage the denser and more diversified in-out flow of workers at all stages of the HRM process: recruitment and selection, career counselling, devising of adequate training programs, dispatching in the right place in the organization, appropriate scope of work, evaluation and reward package. The HRM department is expected to play a more active role of

strategic partner in charge of devising and implementing the policies alongside line managers.

In general term HR managers commonly assume a strategic imperative to retain workers for as long as they are assessed to be assets rather than costs. For this reason, the HR managers are challenged both to select and to continue re-selecting (retaining) value-adding workers effectively. The newly enacted laws dealing with age discrimination and protection of non-permanent workers render more difficult to passively enjoy the vast spot labor market. However, the respondent companies believe that the Japanese government is unlikely to move up the retirement age to 65 in the short-term future (although they already prepare for it) because it does not want to impose too strong pressure on companies during this transitory period.

Therefore, companies expect they will be able to retain a degree of temporal, functional and financial flexibility because the latitude to change the status and treatment after retirement at 60 will remain in place. They are confident that they will not have to offer large wage rise. The higher cost of the post-retirement workers can be somehow covered by the lowering of the treatment of the pre-retirement workers. Better treatment of non-permanent workers can be based on fringe benefits, coverage of transportation cost, and other measures that can be negotiated on an individual basis.

The need for stricter career follow-up and selection

For many old workers training programs to have them acquire up-to-date skills and knowledge are not only costly but also risky because of the higher unpredictability of the physiological and psychological dimensions for this segment of the workforce than for the other workers on-going monitoring (career counselling, assessment of performance and of fitness) (Yatabe, 2017). For those reasons and in view of the wide variety of needs and life/career expectations of the elderly workers the respondent companies point out that selection and monitoring have to start about 10 years before retirement and proceed on a permanent basis in order to mitigate the cost and difficulty of long-term planning. In the 3 finance and insurance companies hearing and counselling activities are organized every year for the employees aged 55 and over. It is also true in the 5 manufacturing companies but only every 2 years from 56 years old onward. Career counselling in the other companies is also important but it is organized on an ad hoc basis. All respondent companies declare that they want to know as precisely as possible the learning potential but also the career intention of the prospects. It is important in order to understand to what extent they will be able to utilize them after mandatory retirement: workplace location, working hours, scope of duties, etc, and the type of training they might need.

New types of work patterns and related incentives

All respondent companies recognize that new types of monetary and non-monetary incentives are needed, alongside with more diversified patterns of work, to maintain high task and organizational commitment from older workers. 10 out of the total of respondent companies have adopted varied forms of work patterns of intrapreneurial (shantai venture) and entrepreneurial (shagai venture) nature that encourage workers to think about a 'second career' outside of the company. 80% of them have initiated the programs in the 1990s. It started with internal cafeteria-type of training unrelated to the actual jobs performed by the workers. Interested workers were allowed to devote time to participate. It gradually enlarged to a wide array of off-the-job programs in line with the deregulation drive in the 1990s that became a key element of government's objective of increasing external labor 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 (Ministry of Labor, 1994).

Upscaling and enlarging of the scope of these 'second career' types of programmes is generally done in collaboration with public (national but especially local) authorities and private organizations such as the employers' organizations and chambers of commerce. 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.

It is observed that the self-employment option is said to attract a small number of pre-retirement workers in large companies, especially if the specialized training they undertake goes alongside with valuable professional certifications (Yatabe, 2017). Nevertheless, the respondent companies expect the immense majority of their over 50 workers to remain salaried persons up until retirement. The creation of own job will never involve more than a small minority (less than 5% overall) of them. In some sectors, for example in the financial and insurance businesses elderly specialized retirees with the right certifications and portfolio of relationships have the possibility to start a business on their own (or to work as free-lancer working for the former employer) and they most often do not remain in the company after 60. Opportunities may also exist in IT and other

technical fields but those traditionally offered in retailing and personnel services that traditionally represent the bulk of self-employment projects are much more limited than before, although some respondent companies encourage participation to training in franchise or NPO management. Internal ventures with experienced workers engaged in training, education and guidance of young employees may be promising, for example in the companies recruiting foreign workers but it cannot be expected to ever become a significant job creation avenue.

Respondent companies implement multi-pronged policies and practices, some being just stop-gap measures to cover HR gaps in specific jobs and divisions while others might offer longer term and deeper perspectives. This is in line with what had been observed previously in another study (Debroux, 2016). They share the view that in current circumstances about 80% of over 60 old workers – especially white collar workers but also a large number of blue collar workers because of the drastic changes in manufacturing process that render obsolete the skills of experienced workers – become ‘cost’ rather than asset if companies have to assure that compensation (even without all kinds of fringe benefits) amounts to about 70% of pre-retirement level.

With the exception of the 3 respondent companies which decided to move up retirement at 65 the others’ position is that it would be counterproductive to do so in the present environment. They believe that mandatory retirement at 65 could accelerate the move away from regular employment before retirement if it does not go with a broader revamping of the regulatory environment, including notably the possibility of laying-off pre-retirement regular workers. It would replace the lost opportunity to transfer workers to affiliate companies and would give flexibility to select employees fitting their needs with more certainty. After retirement it would be possible to offer them better work and thus better pay conditions.

The 3 respondent companies with retirement at 65 have developed similar strategies. It is pointed out in general term that 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 over 60 workers are likely to continue to shift to non-regular status after retirement (Yatabe, 2015). This is observed in these 3 respondent companies as well. With no difference with the other respondent companies many workers do not want or cannot work full-time. So, traditional part-time jobs are maintained in usual spot market conditions. At the same time, in order to have the full-time workers maintain an income close to 70% of the pre-retirement income the 3 companies adopt a system according to which part of the wage of the pre-retired over 55 workers is deduced every month. So, it becomes a kind of pre-retirement forced saving with workers paying in advance part of the salary they will receive after retirement. In fact, in doing so they just anticipated on what the government intends to do with the new law on equal wage for equal work: the treatment of all

permanent workers will be lowered, so that it covers the higher cost of the retired non-permanent ones. In this respect too, the policy of the respondent companies is in line with what Nabeta (2016) had observed in another study.

Law significantly facilitating lay-off are unlikely to emerge in Japan in the foreseeable future because of the strong social embedment of the long-term job guarantee social norm but also because of the recognition that neither the state nor companies and the workers are ready to cope with such change nowadays. Gradual evolution can be expected with the emergence of new working status that will provide for financial, temporal and functional flexibility while diluting the rigid regular/non-regular status dichotomy. 'Limited' (in some dimensions) but regular types of jobs with some access (albeit different from 'non-limited' employment) to bonus, fringe benefits, and equal salary for equivalent job exist for a long time already but it covers a very large variety of status that entertain legal uncertainty. So, the government intends to give a legal status to the concept of 'limited regular' employment (Debroux, 2016). The job limitations make possible to compromise over wage and fringe benefits if the terms of the deal are flexible but nonetheless legally protected. It could make regular retirement employment more affordable to companies while responding to the employees' needs for smooth transition to definitive retirement. One point that remains unclear is related to access to training, meaning new skills and possible career evolution of the limited schemes.

In the 3 respondent companies with retirement at 65 a mix of several working conditions is observed. The programs focus on geographic restrictions, work scope and time. It goes with leave from the company and re-employment with a 5 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. It is in the range of 65 to 75 % 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. In the 3 companies the retirement allowance is paid at 60. Thus, it does not include the last 5 years of the career. Bonus is paid in the 3 companies, but it is about 4 times lower than before 60. Working time, scope of work, geographic location are all adjusted according to the needs of the 2 parties. There are no specific training programs for those workers although they may have to undertake some in the framework of the work. So far, companies declare workers are not expressing particular desire to acquire new skills or to see their career evolving. The key concern is related to transfer in a workplace fitting with the needs of both parties, as well as working hours in order to satisfy the need for care of elder parents. The key point that is discussed with trade unions 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 simple as possible as explained in other studies (Debroux, 2016; Nabeta, 2016).

As expected, the gap in current and potential capabilities among old workers is said to lead to the emergence of a dichotomic market. Respondent companies believe they will keep struggling in the following 10 to 15 years to utilize effectively many old workers who are redundant but have little mobility in the labor market. They 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 based on experience that workers have accumulated overtime.

In the Japanese service sectors improvement is linked to the adoption of technologies, including in the fields of the service-related respondent companies (Ueda, 2012). Increasingly higher ICT literacy is required and understanding of the new (mostly) internet-driven business models is a must. It may take about 10 years before more specialized white-collar workers replace the current over 50 generalists. However, the manufacturing companies add that appropriate skills and experience is also increasingly a concern in the case of elderly blue-collar workers. Many of them have skills and experience that are not suitable for the new types of occupation in their own field.

Conversely, demographic trends mean that the critical assessment of perceived 'asset value' is bound to become a two-ways street in a labor market where skilled older workers are likely to benefit from a seller labor market in certain sectors. This may lead to their decision to stay or quit according to what the organization offer in monetary and non-monetary terms, including evolving career and attractiveness of the job (Debroux, 2016; Jackson, 2016). As mentioned before the weight of the remaining organizational identity coupled with the firm-specific portfolio of skills were generally strong enough among retired workers to elicit for a while motivation and acceptance of lower working conditions in their former employer's premises. This period is probably over for the majority of them because of the higher mobility in the labor market and the gradual erosion of the long-term trust and loyalty after 20 years of wage stagnation, the scarcity of transfer and dispatching to jobs linked to skill development, the placement in non-core divisions or jobs in the organization or in jobs inappropriate to the skill level (Yatabe, 2017). Moreover, as pointed out before more older workers are likely to be recruited from outside. Thus companies have to be prepared to an on-going mutual 're-selection' process, during which each party critically re-assesses the asset value of continuing the relationship. They have to be ready to become 'employer of choice' for the best old workers in the market. It requires to think in term of efficiency wage to select, keep and optimize

the talent of the best old workers.

Indeed, lest they may suffer from skill gap companies may have to offer more attractive contracts offering longer-term job guarantee, career evolution and higher content types of job. It becomes a key condition to retain the best old workers and attract prospects in the external labor market.

Conclusions

While pursuing a pro-active workfare policy, Japanese authorities and companies have never really thought until the last decade about policies that would favour old workers' employment 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 labor policy, changes in the labor supply structure (overall reduction in the labor force on the one hand, increase of women and older people in the labor 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.

If non-permanent work conditions can provide decent work treatment to a large number of 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 gradually shifts towards 67 and even 70 years old (World Bank Group, 2016). In micro-economic term it would mean that the talent of the older workers is at last better utilized. From a social and societal viewpoint it would mean that older workers can contribute more fully to society while continuing to enjoy decent standards of living.

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