



AGEING AND EMPLOYMENT POLICIES

WORKING BETTER WITH AGE

How does JAPAN compare?



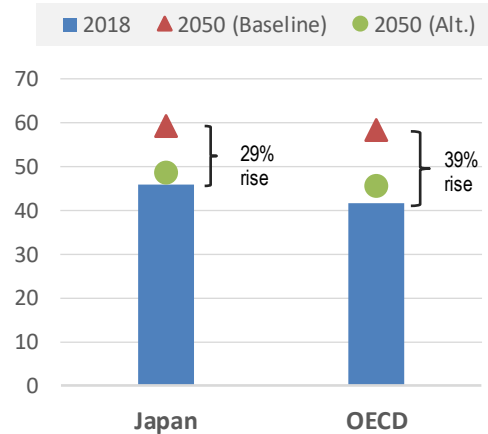
More must be done to address rapid population ageing

Based on current retirement patterns, the OECD projects that for Japan the number of older people (50+) out of the labour force because of inactivity or retirement who will need to be supported by each worker could rise by around 29% from 46 per 100 workers in 2018 to 59 per 100 workers in 2050. Thanks to Japan's high employment rates at an older age and a relatively high effective retirement age (see chart below), the increase is somewhat smaller than the projected rise for the OECD area of nearly 40%. Nevertheless, it would put severe upwards pressure on social contributions paid by Japanese workers to finance retirement schemes.

With a delay in the average age at which older workers leave the workforce as well as a reduction in the gender gap in labour force participation at younger ages, the projected rise in Japan could be

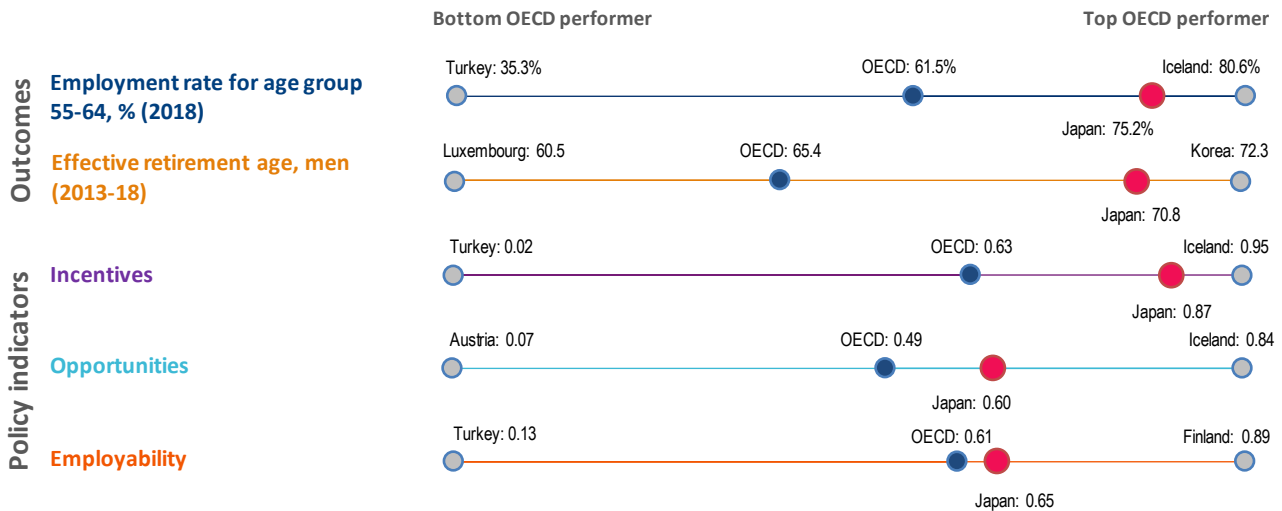
cut to just 5% compared with 9% for the OECD as a whole.

Older inactive persons (50+) per 100 workers



Note: The baseline projection assumes retirement patterns remain unchanged. The alternative projection assumes a delay in retirement as well as a reduction in the gender gap in labour force participation at younger ages. Source: OECD (2019), *Working Better with Age*, Ageing and Employment Policies, OECD Publishing, Paris, <https://doi.org/10.1787/c4d4f66a-en>.

labour market outcomes, incentives, opportunities and employability for older workers in Japan



Note: The employment rate corresponds to the share of people aged 55-64 who are working. The effective retirement age corresponds to the weighted average age at which workers initially aged 40 and over withdrew from the labour force over a 5-year period based on changes in labour force participation by 5-year age groups. The policy indicators are normalised between 0 and 1 for all countries for the latest year available and are constructed so that higher values correspond to better employment promoting policies for older workers. Each indicator represents a simple average of the following variables:

- Incentives: i) current official pension ages (average for men and women); ii) gross pension replacement rates; and iii) impact on benefits when working and deferring pensions.
- Opportunities: i) retention rates; and ii) full-time earnings ratio 55-64/25-54.
- Employability: i) participation in training; ii) job strain; and iii) life expectancy at 65.

Source: OECD (2019), *Working Better with Age*, Ageing and Employment Policies, OECD Publishing, Paris, <https://doi.org/10.1787/c4d4f66a-en>.

Promoting employment at an older age

In terms of policy levers to promote employment at an older age, Japan performs above the OECD average in terms of **incentives** to work longer, job **opportunities** at an older age and **employability** of older workers (see the chart above). However, there is still scope to do more relative to the best OECD performers in terms of opportunities and employability.

Where further reform is needed

As recommended in the OECD's recent country study of Japan (OECD, 2018), further action should be taken in the following areas:

- Undertake *further reform of mandatory retirement age and seniority wages* to encourage employers to hire and retain older workers.
- *Tackle labour market dualism* by reducing the incentives for employers to hire workers using non-regular, precarious forms of employment.
- *Invest in lifelong learning* to help older workers as well as younger low-skilled adults to upgrade their skills and maintain their employability. This implies reducing age barriers to access quality training as well as those related to skills and type of employment contract.
- *Improve job quality* to increase opportunities for workers to continue working at an older age by: tackling excessive hours of work; adequately implementing the Work Style reforms; and adopting more systematic and obligatory psychosocial risk assessment of working practices.

Reducing the gender gap in labour force participation is crucial

Moreover, Japan must encourage greater involvement of Japanese women at younger ages

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in the labour market, which would help to soften the projected decline in its labour force over the next decades as well as reduce the rise in the number of inactive older people per worker. At just under 79% in 2018, the participation rate of prime-aged women (25-54) in Japan is well below the rate in a number of other advanced OECD countries. Even for those Japanese women who return to work after having children, poor job quality is a major issue as many of them end up in a non-regular job, often with a junior, part-time position. Greater opportunities for flexible working time are necessary, to allow women to manage better their work and caring responsibilities for children and elderly parents. This would help promote greater and more effective participation of women in the workforce.

“Japan already has one of the highest labour force participation rates for older people in the OECD” said Stefano Scarpetta, OECD Director of Employment, Labour and Social Affairs, at the launch of the report taking place in Tokyo. “But Japan needs to do more to make its labour market more inclusive for women, non-regular workers and the many workers who face a job change following mandatory retirement at 60”.

References:

OECD (2019), *Working Better with Age, Ageing and Employment Policies*, OECD Publishing, Paris. <https://doi.org/10.1787/c4d4f66a-en>.

OECD (2018), *Working Better with Age: Japan, Ageing and Employment Policies*, OECD Publishing, Paris. <https://doi.org/10.1787/9789264201996-en>

