

## **Summary and Policy Implications of the OECD and MHLW Joint Event on Elderly Employment Policy 2024**

### **1. About the Joint Event**

On October 30<sup>th</sup>, 2024, the OECD and the Japanese Ministry of Health, Labour and Welfare (MHLW) jointly organized an event on elderly employment policy in Tokyo, Japan. The workshop brought together Japanese and international experts and aimed to discuss ways to enhance labour market participation of older workers, improve understanding of Japan's elderly employment policy and share good policy practices based on international experience.

### **2. Labour Market Trends in the Context of Japan's Aging Population**

Japan is one of the most rapidly aging countries in the world, with the share of the labour force aged 60 and above expected to rise from 26.4% to 31.2% in 2040. In international comparison, the employment rate for workers is exceptionally high, at 74.0% for those aged 60-64, 52.0% for those aged 65-69, and 18.4% for those aged 70 and over in 2023. Notably, about 85% of workers older than 60 express a desire to work in their older years, according to the Annual Report on the Ageing Society FY2024.

The Japanese labour market has traditionally been based on long-term employment, where workers are typically recruited as fresh graduates and remain with the same firm, with wages increasing in accordance with years of service. Although this system has evolved over time, many companies still maintain long-term employment practices.

Regarding senior workers, many companies set mandatory retirement ages at 60 or higher and re-employ workers after retirement to enable those who wish to continue working. According to the Act on Employment Security of Elderly Persons, employers are required to secure stable employment until age 65, either by raising the mandatory retirement age, introducing a continuous employment system, or abolishing the mandatory retirement age. According to the 2023 Report on the Employment Conditions of Elderly Persons, most companies (68.1%) maintain a mandatory retirement age of 60, with 69.2% introducing a continuous employment system. The Revised Act, effective from 2021, also requires employers to endeavour to secure job opportunities for workers until age 70, and 29.7% of companies have implemented this measure.

The Japanese ecosystem system of hiring new graduates, providing firm-specific development opportunities until mid-career and mandatory retirement has contributed to long-term human resource development and helped achieve low youth unemployment rates, among other benefits. In the course of time, it has been gradually improving in line with changes in the demographic structure, and efforts have been made to harmonise it with the social welfare system, including the pension system. However, there is a growing need for the system to become more flexible and better adapted to current realities, such as the fact that, gender inequalities persist with women being more likely to be employed on non-regular contracts, as well as the fact that the job quality among older workers requires rapid improvement. A transformation is needed that supports a more flexible and diverse

working environment and strengthens the functions of an evolving labour market, while maintaining its original benefits.

### **3. Key Discussion Points at the Event**

The conference focused on the role of employer practices in creating age-inclusive workplaces, as well as the role of lifelong learning with a view to enhance labour market participation of senior workers.

The event also focused on promoting access to good quality jobs in which seniors are engaged and remain productive at later stages of their career.

#### **3.1 Improving Workplace Environments for Long-Term Engagement of Senior Workers**

To encourage the active participation of senior workers, it is essential to create an environment that allows them to balance caregiving and health needs with flexible working arrangements. At the conference, several researchers highlighted the role of flexible working practices as a key tool to help senior workers manage these needs, which often increase by age.

##### ***Towards the Development of Flexible Work Practices***

The need for flexible working arrangements extends beyond elderly workers. According to OECD data, employees – especially women – place considerable value on flexibility. Promoting greater flexibility, such as in working hours, locations, or teleworking, can help workers remain in the labour market for longer. Many OECD countries have moved towards increasing employees' access to flexible work in recent years. For example, from April 2024, all employees in the UK will have the right to request flexible working from their first day on the job, including adaptations to their working hours, start and finish times, and their work locations. While Japan has made progress with teleworking and other flexible work arrangements, opportunities are relatively limited prior to the mandatory retirement age. Although flexibility increases after reemployment, in cases where workers have insufficient skills, there is a possibility of a reduction in wages due to changes in job roles or employment types. Therefore, it is crucial to establish employment practices that enable workers, including older employees, to work flexibly throughout their careers, tailored to their individual circumstances.

##### ***Health Investment Leads to the Empowerment of Senior Workers***

In addition, investing in health support and preventive measures plays a significant role in managing an aging workforce. OECD research shows that poor health is a key factor leading to premature labour market exit, with 25% of workers aged 50-64 who voluntarily leave their job doing so due to poor health. Employers can introduce preventive health measures to enable employees to preserve their health and stay in the workforce for longer. In Japan, where healthy life expectancy has significantly increased, companies are increasingly investing in preventive health measures. For instance, some companies have introduced smoke-free work environments, health seminars and initiatives for early detection of medical conditions, along with follow-up tests and examinations for affected employees. As Japan faces a declining population and growing demand for an active participation by senior workers, creating workplace environments that also focus on health will become ever more essential.

## ***Diverse and Inclusive Employment Management Approaches to Promote the Active Participation of Senior Workers***

More broadly, a range of workplace practices can help create an age-inclusive working environment. This can include mentoring programs, unbiased hiring processes, creating mixed-age teams and workplace accommodations as well as job redesign. Governments can support employers, particularly SMEs, in developing specific practices for age-appropriate workplaces. In Austria, for instance, the Public Employment Service provides free counselling to companies on issues such as job redesign, working time policies and hiring practices.

### **3.2 Improving Workplace Environments for Long-Term Engagement of Senior Workers**

#### ***Building a Career Path with an Eye on Life After Retirement***

The event also focused on the crucial role of career guidance and lifelong learning in enabling workers to develop their careers throughout their working lives, particularly in the context of structural changes such as digitalization and the net-zero transition. Comparative OECD data indicates that literacy and numeracy levels are very high in Japan, but the use of skills at work is comparatively low. Additionally, significant inequalities exist in digital problem-solving skills, with gender disparities in basic data processing skills. In order to thrive and remain active throughout a long professional career, it is essential to provide the necessary support to enable individuals to use their own skills effectively and to the fullest. Lifelong learning systems can address skill mismatches and inequalities, helping to address labour shortages and support longer working lives.

Career systems are essential for helping workers plan and identify potential career paths. In Japan, career paths are often shaped through internal job rotation systems, and there is insufficient support for more autonomous career development. Given this situation, career support that takes into account post-retirement transitions is becoming increasingly important. The transition into a new role after the mandatory retirement age could provide an opportunity for reflection and the adoption of career paths that are better suited to older age.

Examples from other OECD countries highlight the importance of enabling reflection on career transitions early on, starting in the mid-career, to enable long-term planning and potential mobility. For instance, in Australia, the Skills Checkpoint for Older Workers Program offers skills assessment and the development of a career plan for workers aged 45 and above who are recently unemployed or at risk of unemployment.

Supporting career development both inside and outside of companies is crucial, and it is important for the government to actively promote the widespread adoption of career consulting to help build career paths, including for senior workers.

#### ***Promoting Education and Training Programs to Support Long-term Workforce Engagement***

In addition to career guidance, support for participation in education and training is crucial. Participation rates in formal and non-formal training in Japan are below the OECD average. Most training takes place in the workplace and there are stark disparities in participation between regular and non-regular workers. Several subsidy programs provide financial support for training participation, including the Human Resource Development Subsidy, which funds training through companies, the Education and Training Benefits, which offer direct support to individuals, and the Job Seeker Training Subsidy, which targets individuals who are not covered by unemployment insurance.

These programs are aimed at improving access to training and skills development, particularly for those who face barriers to participation.

Examples from other OECD countries show how training can be financed outside the workplace. In Finland, the Service Centre for Continuous Learning and Employment finances short-term training courses, based on foresight analyses on competences and labour market needs. Workers aged 55 and older, a group underrepresented in training participation, are particularly targeted by the program.

In addition, the conference highlighted the importance of flexibility in adult learning provision. For instance, senior workers in particular can benefit from systems for the recognition of prior learning, which certify the skills attained through work experience or other means. France has a long-established system for recognition of prior learning, allowing skills acquired in various ways to be assessed. This can be achieved through portfolios, interviews, and task performance. Certification enables adults without formal education to enrol in education and training programs.

#### **4. Conclusion**

Through discussions at the event, it was understood that in Japan, the employment practices of mass recruitment of new graduates, long-term employment, and mandatory retirement constitute the labour market ecosystem, and that Japan's mandatory retirement system operates with mutual agreement between employers and employees. However, challenges remain in Japan's labour market such as rigid employment practices including a lack of flexibility in work arrangements, low engagement, gender disparities, and wage reduction after mandatory retirement. Therefore, it is crucial to introduce flexible working arrangements that meet the demands of the current situation and address these challenges.

As the population declines and the labour supply is expected to be limited in Japan's labour market, it is crucial for seniors to participate and remain active in the workforce. As their participation has been steadily increasing, it is now crucial to focus on the quality of employment. Moving forward, it will be more important to ensure that seniors can work in ways that align with their individual circumstances and skills, allowing them to thrive regardless of their situations.

To this end, it is important to closely monitor the state of elderly employment in Japan and continuously investigate initiatives that enhance the well-being of senior workers. These efforts could serve as valuable examples for other countries and contribute to global discussions on aging and employment.

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