

Handout for the ESRI International Conference
August 2, 2016, Tokyo
Towards a Life-long Active Society
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[I] Unprecedented Population Ageing in Japan

- (1) Level of Ageing
- (2) Speed of Ageing
- (3) Depth of Ageing

[II] Japan's Baby Boomers and the 2025 Problem

- (1) Baby Boomers from Japan's Short Baby Boom
- (2) Rapid Increase in Social Security Benefit Expenditures

[III] Sharp Decline in the Labor Force

- (1) The Era of Labor Shortage
- (2) Projection of Declining Labor Force
- (3) Necessity to Increase Labor Force Participation

[IV] Possibility of a Life-long Active Society

- (1) Life-long Active Society as a Solution
- (2) Strong Motivation among Older People to Continue Working

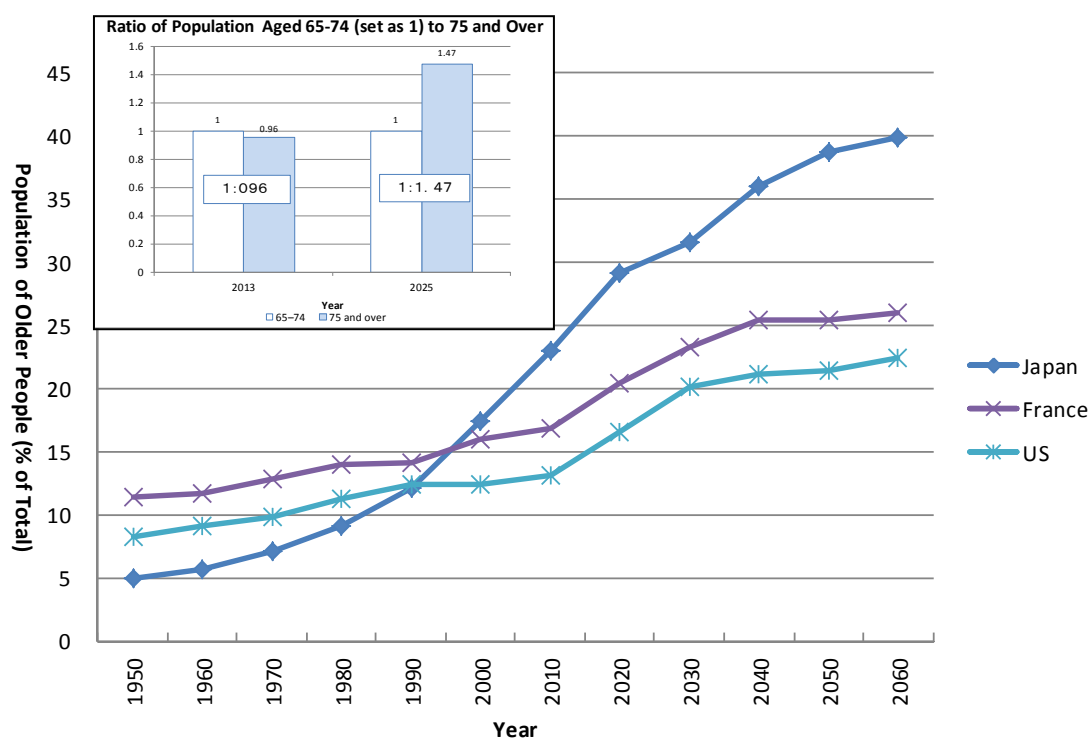
[V] Public Pension and Mandatory Retirement as Obstacles

- (1) Public Pension's Earnings Test Scheme
- (2) Utilization of Older Worker's Abilities

[VI] Necessary Reforms in Employment Practices

- (1) Raising the Mandatory Retirement Age
- (2) Revision of Seniority-based Wages
- (3) Moving towards a Life-long Active Society

[Figure 1] Proportion of Older People Aged 65 and Over



(Source) National Institute of Population and Social Security Research, *Population Statistics* (2015)

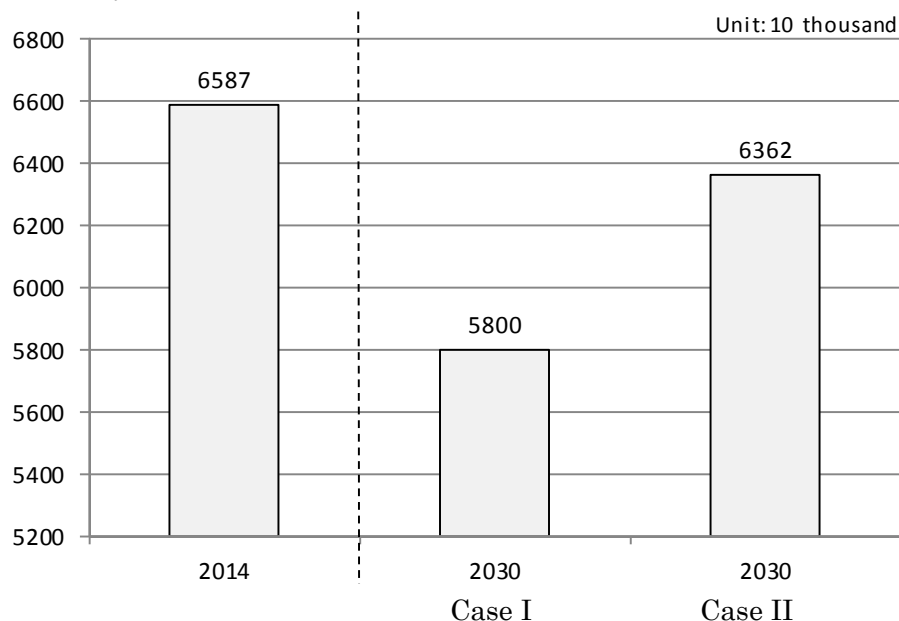
[Table 1] Prospects for Social Security Benefit Expenditure

Unit: trillion yen
(% to GDP)

	FY2012	FY2025	FY2025/FY2012
Social Security Benefit Expenditure	109.5 (22.8%)	148.9 (24.4%)	1.36
Public Pension	53.8 (11.2%)	60.4 (9.9%)	1.12
Medical Care	35.1 (7.3%)	54.0 (8.9%)	1.54
Long-term Care	8.4 (1.8%)	19.8 (3.2%)	2.34
Child Care	4.8 (1.0%)	5.6 (0.9%)	1.17
Others	7.4 (1.5%)	9.0 (1.5%)	1.22
GDP	479.6 (100%)	610.6 (100%)	1.27

(Source) Ministry of Health, Labour and Welfare

〔Figure 2〕 Projection of the Labor Force



Case I: Labor force participation rates remain constant

Case II: Labor force participation rates of women and older people will increase

(The necessary increase of the labor force participation rate for Case II)

Males	60-64	77.6%	→	89.3%
	65-69	52.5%	→	67.9%
Females	30-34	71.0%	→	84.6%
	35-39	70.8%	→	83.8%

(Source) The Study Group Report on Employment Policies, Ministry of Health, Labour and Welfare

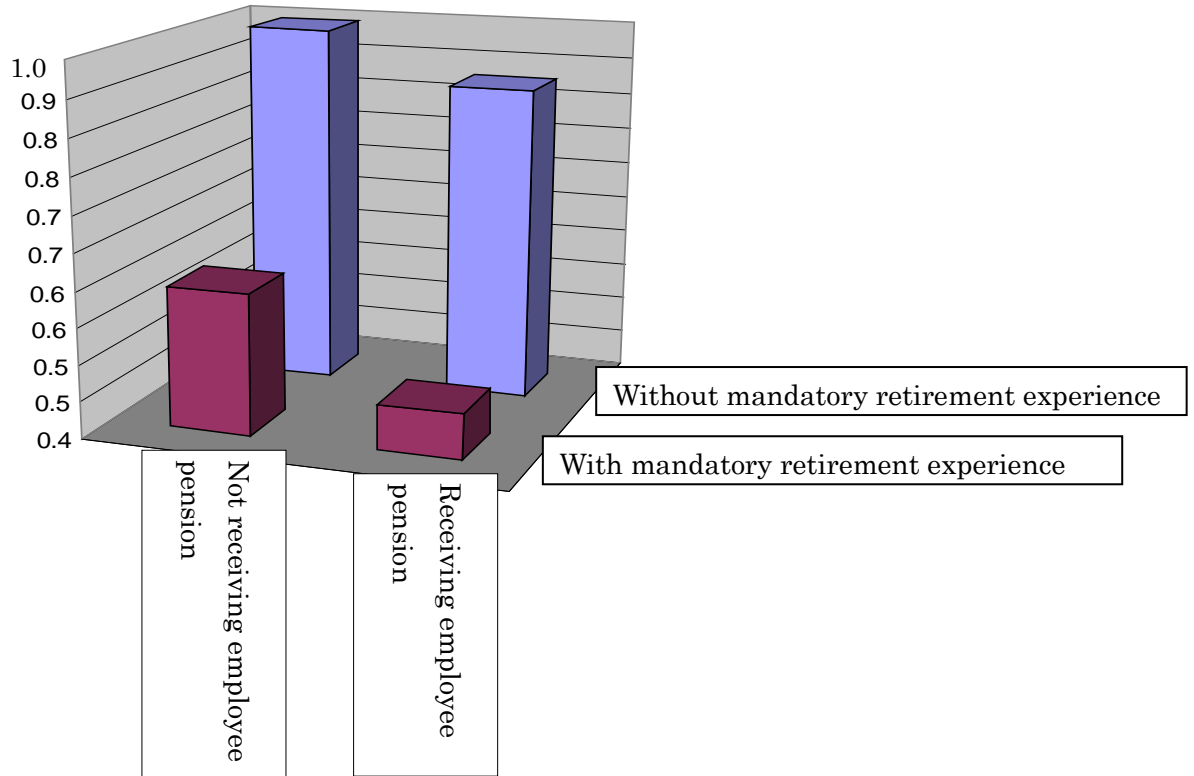
〔Table 2〕 Labor Force Participation Rate of Older People in Japan and Other Developed Countries (2014)

(Unit: %)

	Japan	America	Germany	France
Males aged 60-64	77.6	61.9	63.3	27.2
Females aged 60-64	48.7	50.2	48.8	26.6
Males aged 65 and above	30.2	23.0	8.2	3.4
Females aged 65 and above	14.5	15.1	3.9	1.8

(Source) Labour Force Survey from the Statistics Bureau, Ministry of Internal Affairs and Communications / OECD Database (2015.11)

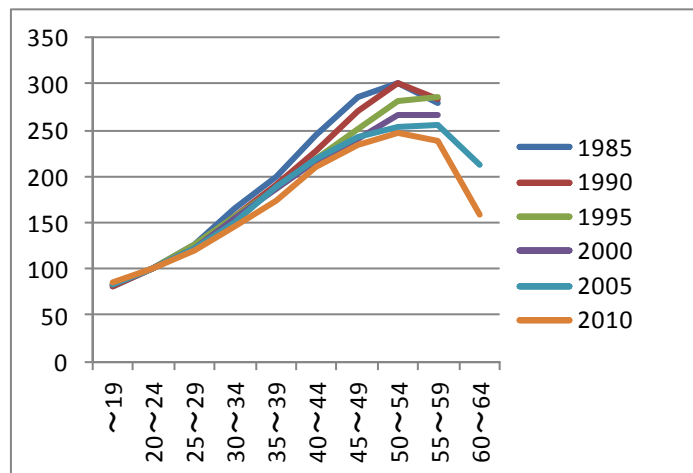
[Figure 3] Proportion of older people in the same occupation as at age 55, classified by public pension payment and mandatory retirement experience



(Source) Seike, A. and Yamada, A., 2004. *The Economics of Older Workers* (in Japanese). Tokyo: Nihon-Keizai Shinbunsha.

[Figure 4] Changing Trend of Seniority-based Wages

Ages 20-24=100



(Source) Ministry of Health, Labour and Welfare, *Basic Survey on Wage Structure* (1985, 1990, 1995, 2000, 2005, 2010)