

*Social Aspects of Life Innovation on the European and Japanese Societies*

10:00 Prof. Masahiko Yoshii, Kobe University

*“Overview of the Lost Two Decades and the Ageing Society in Japan”*

10:10 Prof. Naoki Mitani, Kobe University

*“Ageing and Employment Policies in Japan”*

10:40 Prof. Yuki Sekine, Kobe University

*“Social Security in an Ageing Society: Challenges and Responses”*

11:10 Ms. Laure Batut, European Economic and Social Committee

*“Social Innovation and Active Ageing”*

Discussant: Mr. Georgi Stoev, European Economic and Social Committee

The 3rd Kobe University Brussels European Centre Symposium was held at Thon Hotel EU in Brussels on December 6, entitled “Green Innovation and Life Innovation – for sustainable growth and society by Japan-EU collaboration.” Session 2 was a workshop titled “Social Aspects of Life Innovation on the European and Japanese Societies” held from 10:00 to 12:30.

This workshop was organized in continuation to the conference on the ageing society, jointly held by Kobe University, EUJ-Kansai, and the European Economic and Social Committee (EESC) in Brussels in March 2012. The aim of the workshop is to discuss positive aspects of an ageing society including the advancement of assistive technology and the new market needs instead of the burden on social welfare or the downside of the labor market.

The main themes of session 2 were social welfare systems and the labor market which Kobe University and EUJ-Kansai have been studying for years in collaboration with EESC. With more than twenty researchers and experts in attendance, the overview of changes in the labor market and social security policy in Japan was presented, which was followed by the recent trends such as increase in contractual employment and long-term unemployment within younger generation. The session was concluded with a shared understanding that we should explore economic opportunities and newly emerging needs in the ageing society and need to revitalize the younger generation. The session was followed by an active exchange of opinions and constructive discussion. The assistive technology for ageing society was discussed in session 4.

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## Prof. Dr. Masahiko Yoshii

Dean of the Graduate School of Economics, Kobe University

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### *“Overview of the Lost Two Decades and the Ageing Society in Japan”*



As Japanese GDP of 470 trillion yen in 2011 was almost the same level as that of 1990-91, we can say that Japan cannot recover from the lost two decades, and its future is still not bright. The stagnated situation, of course, comes mainly from the economic

reasons: demand and supply sides. But, the decreasing and ageing demographic structure is further complicating the problem. For example, a huge increase of the social security costs becomes more and more difficult to be sustained by the decreasing labor force. Nonetheless, we would like to focus on the encouraging side of the ageing society. Developing nursing technologies will create a promising industry. More and more elder people spend their ample money for travelling abroad. We should turn our attention to these aspects, thinking up new ideas to overcome negative aspects of the ageing society in Japan, and be a promoter of these new and creative ideas and technologies.

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## Prof. Dr. Naoki Mitani

Graduate School of Economics, Kobe University

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### *“Ageing and Employment Policies in Japan”*



Japan is challenged to prepare for the rapid ageing and declining population. Given the high labor force participation rate of the elderly, Japan has made efforts to promote employment for older workers by encouraging employers to retain older workers longer,

through the extension of mandatory retirement age or continued employment since mid-1970's. The recent regulatory measure to extend continued employment

until 65 years old for all mandatory retirees has significantly raised the employment rate of older workers, but it has brought the debate over the trade-off of employment between older workers and youth. Youth employment situation has deteriorated sharply after the Bubble Burst, especially late 1990's-early 2000's. With the stagnating economic growth, the dualism of the Japanese labor market has proceeded. Typically, the non-regular employment provides with fewer opportunities of training and lower wages. Consequently, the increase in non-regular employment among youth results in fewer marriage and further decline in fertility rate. Under the Japanese employment system, the lump-sum hiring practices of new school-leavers and placement by school had played important roles for relatively better performance of the Japanese youth labor market. The government is trying to restore these traditional institutions and to implement new measures to cope with increasing joblessness and employment instability among youth.

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## Prof. Yuki Sekine

Graduate School of Law, Kobe University

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### *“Social Security in an Ageing Society: Challenges and Responses”*



Japan's population has reached an ageing pace that is threatening its future well-being by inflating social security costs to an extent increasingly difficult to control. Successive governments' strategies have mainly focused on active ageing policies, counting

on Japan's large pool of healthy and motivated “senior citizens”, extending their employment possibilities and accordingly, seeking their extended financial contribution to social security costs. In recent years, public and academic debates on the concept of an « age-free » society, which is not only new in our country, but also largely contradicts our traditional employment practices, are also increasing. On the other hand, the trade-offs between older and younger generations, be it on their share of the labour market, or of social security duties and rights, constitute important concerns on tackling the challenges of ageing. The newest government has adopted in 2012 a series of reforms under the frame-

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work of a “Global Reform on Tax and Social Security”, which aim at regulating labour market practices and social security costs sharing that have affected the younger generations over the last years, as well as securing new ways for financing the future needs of our society with a concern to the burden put on the current and future youth.

## **Ms. Laure Batut**

European Economic and Social Committee

### *“Social Innovation and Active Ageing”*



#### Challenges for labour law and social security law

Economic stagnation in aftermath of 2 lost decades is still affecting social security – pension fund investment return.

Employment promotion policies focusing on older workers as pension age raised to 65 – had an effect on youth employment. Early retirement has never been a policy choice in Japan. Ratio for youth unemployment relatively is low and only recently has become a policy issue. Psychological/sociological aspects in youth unemployment include high psychological pressure education/labour market and rigidities in labour market that affect companies and labour law. Youth feel there is no second chance as the perception of gloomy prospects has come up due to aging society. Moreover, it appears that easy access to casual work in the service sector and comfortable short-term-work are also among them.

#### Leading to un/under employed youth

The labour law reform in late 80s/90s managed workforce which caused business demands for deregulation and blame for this phenomena. Two important laws have been introduced and contributed to precarious labour market: 1. Interim labour law; This has led to interim workers replacing regular workers as shown by statistics. Measures taken to avoid this have not worked.

2. Law on the stability of employment in 1947; This was to prohibit employment agency activities, but slowly was watered down. This has all led to an under-protected pool of workers.

Japan’s lifetime employment was once praised as a key to its success, while it is still accepted in the bigger com-

panies and still protected in law. However it is declining in quality. Companies are investing less in on-the-job training. Wages are lower and essentially quality is not what it was.

#### Leading to polarisation of labour market

LDP has not performed well since winning power in 2009. However, under Prime Minister Noda, good reforms have been made to protect interim workers: The maximum duration of 5 years has been regulated for fixed term labour contracts.

#### Social security challenges

Obvious challenges to control finance without raiding contributions or cutting benefits. Solving the problem, “Working poor”, needs to share the burden between young and old. Old people’s health costs have been increased and may lead to ending of certain subsidies and increase of VAT (probably to 8% or 10%). Income tax may also be raised to 45% and inheritance tax includes fewer exemptions.

Japanese health care requires equal access and should focus on prevention. When you reach 40 you begin contributions for elderly health care. When you reach 65 you start benefitting; 50% funded from insured and 50% from the government. In terms of workers’ insurance, casual workers are not covered. The system was never designed for this kind of worker.

Increasing ageing population is a rough challenge but could be a chance for economy if considered as active part of the whole society.