

# Special Feature: The 2007 Problem

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## Changing Employment Status

The mass retirement of Japan's baby boomers, about 6.8 million of them born in the postwar years of 1947 through 1949, started in 2007. This phenomenon is expected to have a big impact on the Japanese economy and society in many ways. The largest number of them, more than 3 million, may retire in 2007. As a result, the decline in the labor force due to the aging society with a falling birthrate, the financial burden of their retirement benefits, and the passing on of veterans' skills to the younger generation have become major subjects of discussion in recent years.

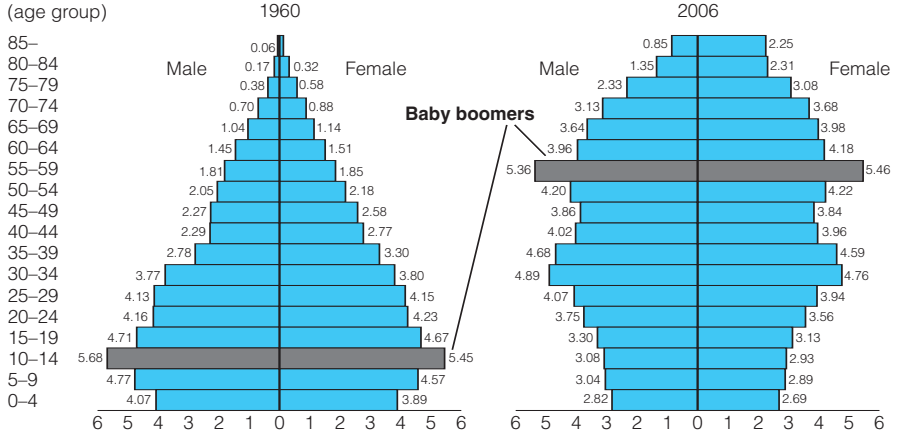
The Japanese government responded to this "2007 problem" by revising the Law for the Stabilization of Employment of the Aged in April 2006. The revised law obliges companies to adopt one of the following three measures: (1) Raise the retirement age to 65 years, (2) abolish mandatory retirement, (3) introduce a continued employment system. A survey of 12,181 companies with 300 employees or more conducted in April-May 2006 by the Ministry of Health, Labor and Welfare (MHLW) shows that 96% of the total have already introduced a continued employment system. Another survey conducted by Teikoku Databank in August 2006 shows that 53.3% of companies with baby boomers on their payrolls answered that they had "concerns" about the 2007 problem; 74.1% of the respondents said the biggest problem to be the imparting of veterans' skills and knowledge to the next generation.

Amid the aftereffects of the collapse of the bubble economy, companies held back on new recruits for several years, creating a hiring "ice age" that brought about the aging of the workforce in Japan. According to the Ministry of Education, Culture, Sports, Science and Technology, the employment rate of new university graduates was under 60% from 2000 to 2005. In 2006, however, the rate recovered to 63.7%, almost the same as the 1998 level, thanks to an increase in hiring of new graduates to make up for the mass retirement of baby boomers and the economic recovery.

According to the MHLW's survey of 50–59-year-olds, more than 70% of them said they would like to keep working after age 60, showing that many baby boomers have a high work ethic. However, many of them also said that they did not wish to work full-time as they wanted more time for their hobbies and volunteer work as well. Their continued activity is expected to generate a new business market and boost the Japanese economy.

## Japan's Population Structure by Age Group

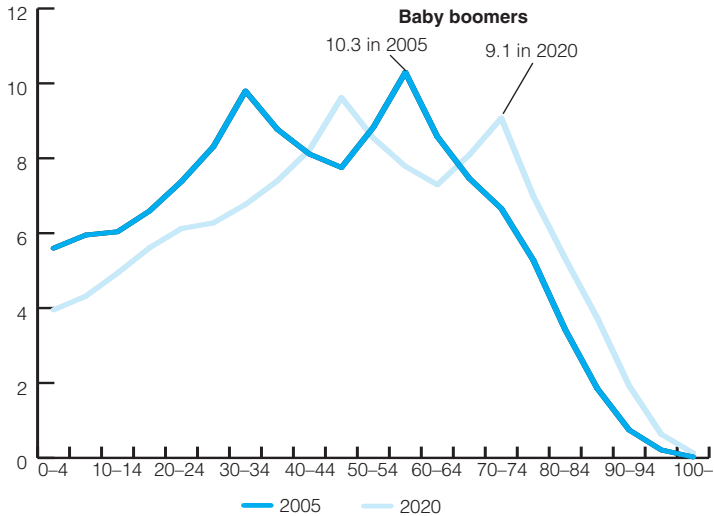
(million persons)



Source: Statistics Bureau and Statistics Center, Ministry of Internal Affairs and Communications, *Jinko suikei* (Current Population Estimates), 2006.

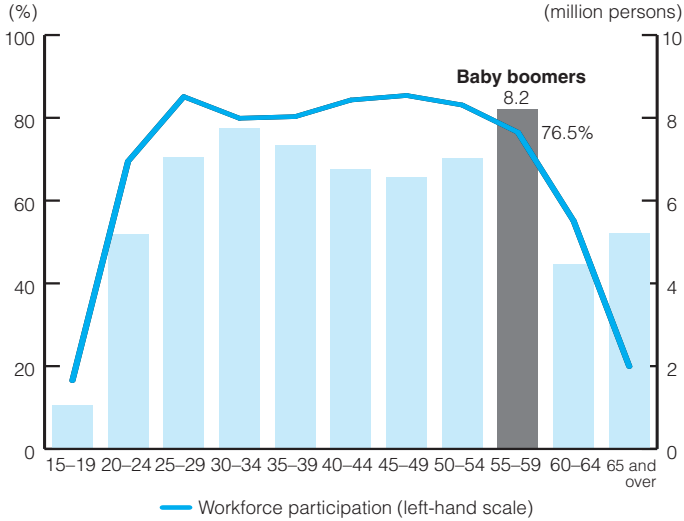
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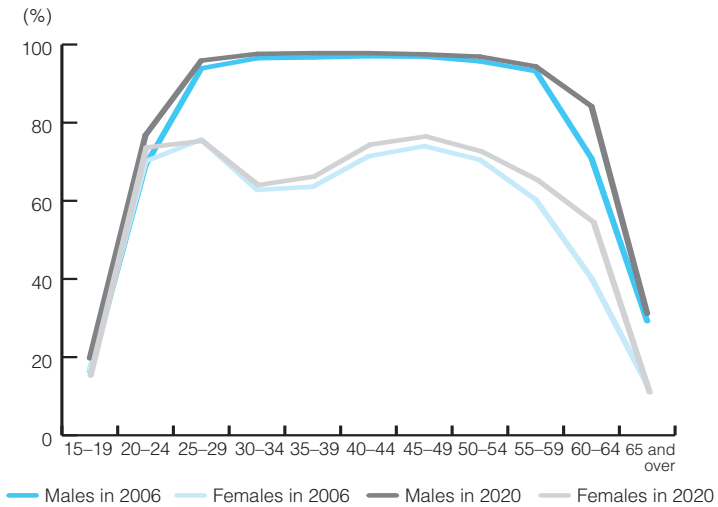
Source: National Institute of Population and Social Security Research.  
 Note: Figures for 2020 are estimates.

## Workforce and Workforce Participation by Age Group, 2006



Source: Ministry of Internal Affairs and Communications, *Rodoryoku chosa* (Labor Force Survey).

## Workforce Participation by Gender and Age Group



Source: Ministry of Internal Affairs and Communications, *Rodoryoku chosa* (Labor Force Survey); National Institute of Population and Social Security Research, *Jinko tokei shiryoshu* (Population Statistics of Japan), 2006.

Note: Figures for 2020 are estimates.

## Workforce Participation by Country, 2005

(%)

	Age 50–54	Age 55–59	Age 60–64	Age 65 and over
Japan <sup>a</sup>	83.1	76.5	55.1	19.9
USA	79.8	71.4	51.6	15.1
UK	38.6 <sup>b</sup>	–	–	–
France <sup>c</sup>	83.8	61.9	17.6	1.2
Germany	84.6	73.2	31.6	3.3
Sweden	86.7	82.4	60.9	n/a
Korea (ROK)	73.8	64.9	54.6	30.0

Source: Ministry of Internal Affairs and Communications, *Rodoryoku chosa* (Labor Force Survey), 2006; International Labor Organization, *Year Book of Labor Statistics*, 2006.

Note: Figures are the percentage of workforce population in the total population aged 15 years and over.

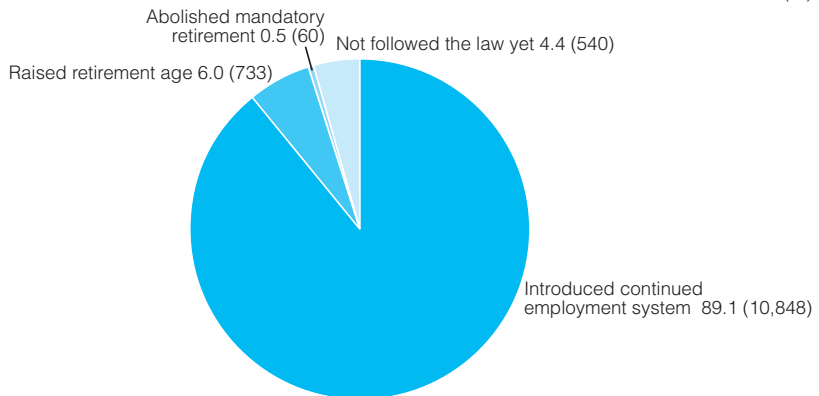
a. 2006.

b. 50 and over.

c. 2004.

## Application Rate of the Revised Law for the Stabilization of Employment of the Aged

(%)



Source: Ministry of Health, Labor and Welfare.

Note: The survey targeting 12,181 companies with 300 employees or more was conducted in April–May 2006. Figures in parentheses are the numbers of companies.

## Opinion Survey 1

**Corporate Awareness of the 2007 Problem by Industrial Sector** (%)

	Concerned	Not concerned	Don't know
Agriculture, forestry, and fisheries	65.0 (13)	25.0 (5)	10.0 (2)
Finance	40.5 (34)	40.5 (34)	19.0 (16)
Construction	62.6 (567)	30.5 (276)	7.0 (63)
Real estate	28.8 (34)	56.8 (67)	14.4 (17)
Manufacturing	61.4 (1,378)	31.7 (712)	6.9 (155)
Wholesale	46.2 (1,049)	43.5 (987)	10.3 (234)
Retail	40.9 (113)	45.7 (126)	13.4 (37)
Transport and warehouse	62.1 (162)	31.0 (81)	6.9 (18)
Services	45.2 (323)	44.5 (318)	10.2 (73)
Others	36.4 (4)	45.5 (5)	18.2 (2)
<b>Total</b>	<b>53.3 (3,677)</b>	<b>37.8 (2,611)</b>	<b>8.9 (617)</b>

Source: Teikoku Databank, Ltd.

Note: The survey of 20,071 companies was conducted in August 2006. Of those, 9,997 gave valid responses. There are no baby boomers in 3,092 out of the 9,997 companies. Figures only show companies with baby boomers. The number of companies is in parentheses.

## Opinion Survey 2

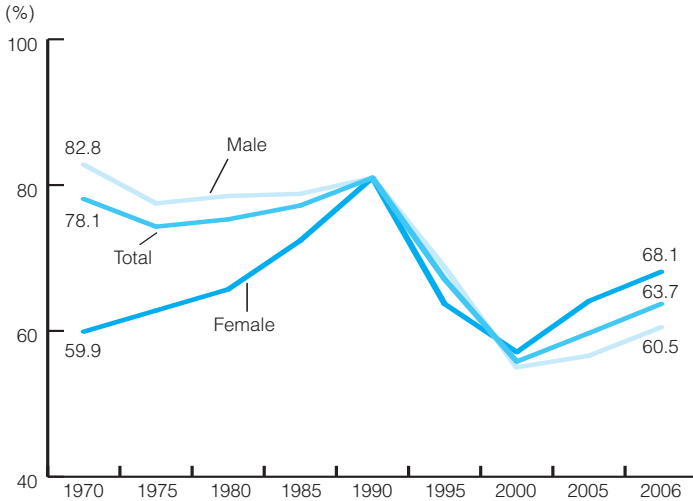
**Specific Concerns About the 2007 Problem by Industry (multiple answers)**

	Impart of veterans' skills	Ensuring workforce
Agriculture, forestry, and fisheries	69.2 (9)	46.2 (6)
Finance	67.6 (23)	50.0 (17)
Construction	80.8 (458)	54.3 (308)
Real estate	76.5 (26)	52.9 (18)
Manufacturing	85.1 (1,172)	48.0 (662)
Wholesale	61.9 (649)	58.6 (615)
Retail	61.1 (69)	60.2 (68)
Transport and warehouse	51.9 (84)	74.1 (120)
Services	71.8 (232)	54.8 (177)
Others	50.0 (2)	100.0 (4)
<b>Total</b>	<b>74.1 (2,724)</b>	<b>54.3 (1,995)</b>

Source: Teikoku Databank, Ltd.

Note: The survey of 20,071 companies was conducted in August 2006. Of those, 9,997 gave valid responses. This question was for the 3,677 companies answering that they had concerns about the 2007 problem in "Opinion Survey 1." The number of companies is in parentheses.

## Trends in Rates of Employment Among New University Graduates



Source: Ministry of Education, Culture, Sports, Science and Technology, *Gakko kihon chosa* (Basic Survey on Schools), 2006.

### Opinion Survey 3

#### Would you like to keep working after the age of 60?

(%)

	Yes	Not at all	Don't know
Male	82.1 (50.5)	14.0	4.0
50-54	82.0 (53.1)	14.1	3.9
55-59	82.1 (48.3)	13.9	4.0
Female	60.4 (41.1)	34.3	5.3
50-54	61.0 (44.8)	34.1	4.9
55-59	59.9 (38.0)	34.5	5.5
<b>Total</b>	<b>70.9 (45.7)</b>	<b>24.4</b>	<b>4.6</b>
<b>50-54</b>	<b>71.2 (48.8)</b>	<b>24.4</b>	<b>4.4</b>
<b>55-59</b>	<b>70.7 (43.0)</b>	<b>24.5</b>	<b>4.8</b>

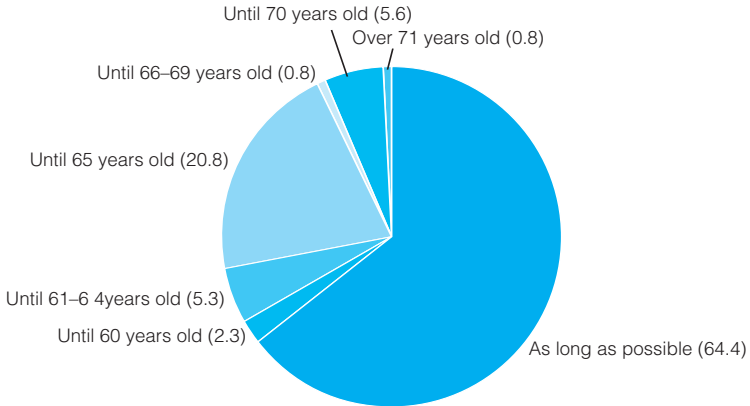
Source: Ministry of Health, Labor and Welfare, *Dai ikkai chukonensha judan chosa* (The First Longitudinal Survey of Middle to Older Aged Persons), 2005.

Note: Figures in parentheses show the percentage of people who answered "wish to work as long as possible."

**Opinion Survey 4**

**Until when would you like to work?**

(%)



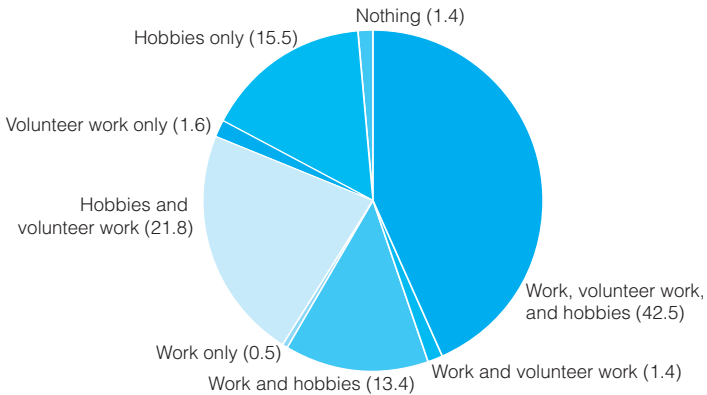
Source: Ministry of Health, Labor and Welfare, *Dai ikkai chukonensha judan chosa* (The First Longitudinal Survey of Middle to Older Aged Persons), 2005.

Note: The question was for the 70.9% who answered in "Opinion Survey 3" that they would like to keep working.

**Opinion Survey 5**

**What would you like to do after retirement?**

(%)



Source: Hakuholdo Inc.

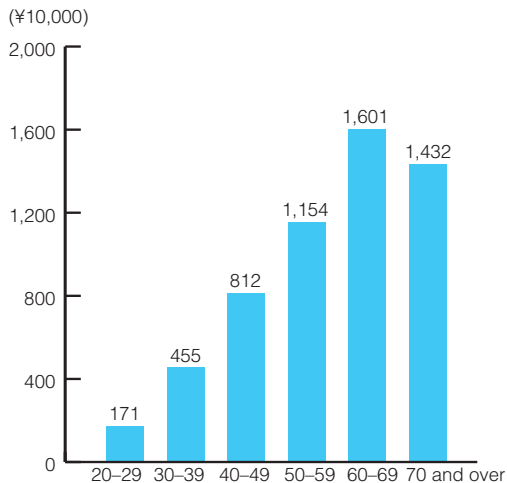
Note: The survey of 360 baby boomers born in 1947-49 was conducted in July 2005.

## Increasing Polarization of Savings

Middle- to older-aged people, including baby boomers, have a large amount of financial assets. The average amount of financial assets is ¥11.54 million for people in their 50s and ¥16.01 million for people in their 60s. The value of assets held by baby boomers will become even bigger when they receive their retirement benefits. Traveling is of particularly high interest to baby boomers, and living abroad for a long period of time after their retirement is becoming quite popular. Australia, Malaysia, and Hawaii were the top three destinations in 2005 due to their good public security and reasonable cost of living. The battle among major travel agencies has been heating up, focusing particularly on how to attract large numbers of baby boomers. In September 2003, JTB, one of the largest travel agencies in Japan, opened an agency specially targeted at the wealthy class in the 40s–60s age range in Ginza, known as Tokyo’s affluent district. H.I.S. followed JTB, opening an outlet in June 2005, also in Ginza. And now Kinki Nippon Tourist is ready to open a “tailored-to-order” luxury agency in May 2007 very close to these two stores.

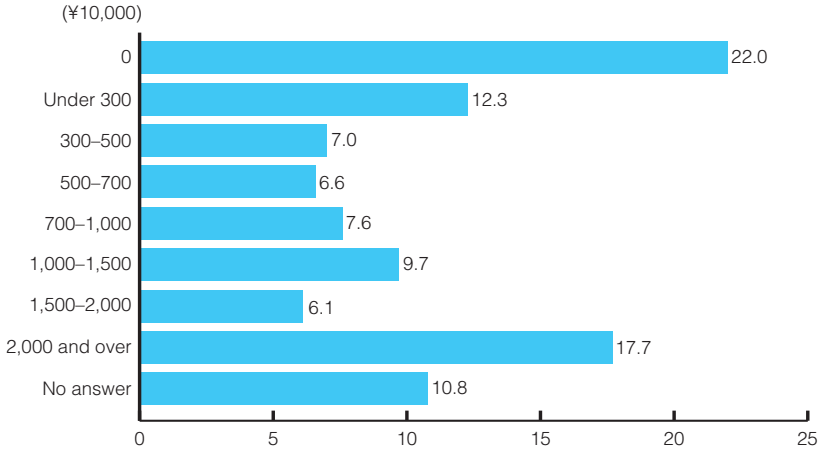
On the other hand, polarization of savings among baby boomers is becoming obvious. A survey by the Financial Services Agency shows that 22% of people in their 50s do not have any savings and more than 40% have savings less than ¥5 million. Although luxury package tours are gaining a lot of attention, many baby boomers are insecure about their future in respect of both money and health, and naturally tend to go on short domestic trips or enjoy such leisure activities as walking or gardening in their neighborhood.

## Average Household Financial Assets by Age Group, 2006



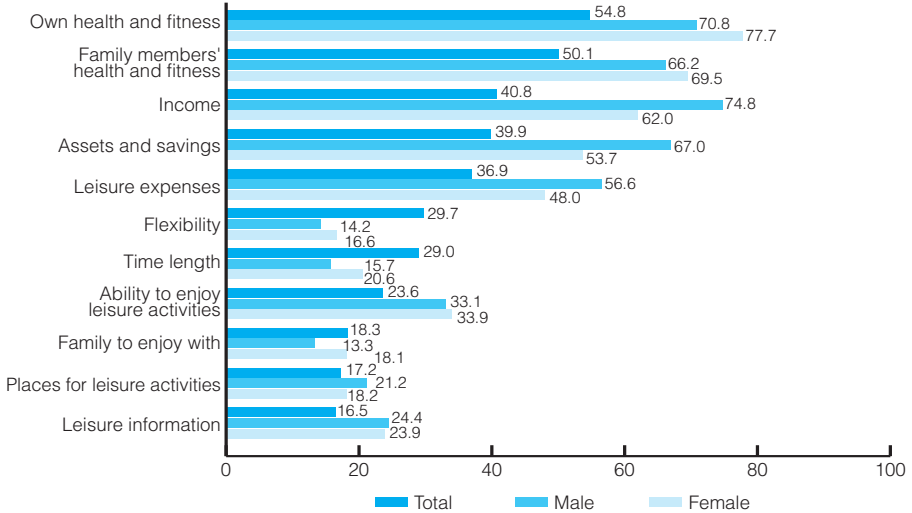
Source: Financial Services Agency.

## Distribution of Financial Assets of People in Their 50s, 2006 (%)



Source: Financial Services Agency.

## Main Concerns About Leisure Conditions After 10 Years (%)



Source: Japan Productivity Center for Socio-economic Development, *Reja hakusho* (White Paper on Leisure), 2006.

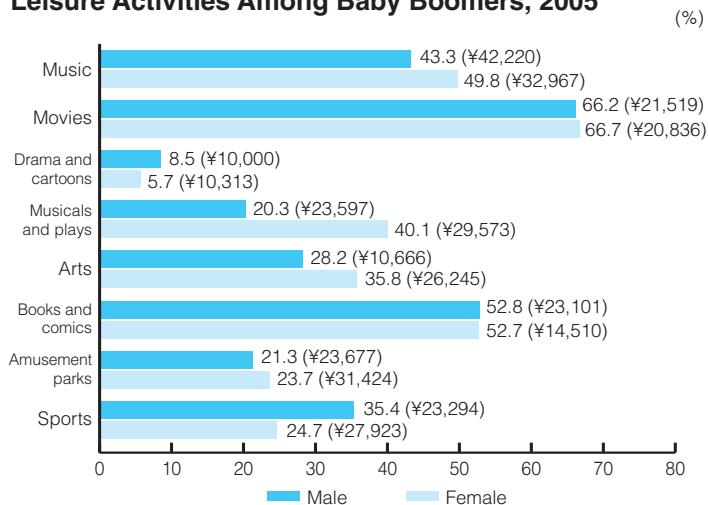
## Popular Leisure Activities Among Baby Boomers

According to the White Paper on Leisure 2006 issued by Japan Productivity Center for Socio-economic Development, baby boomers are keen on urban-style leisure pursuits, such as music, movies, and domestic tourism; health-conscious activities, hiking, and walking are also popular. In 2007, 21 out of a total of 91 activities surveyed by the white paper were "senior activities," in which 50% or more of the participants were aged 50 or over. When 10 "semi-senior" activities are added, the total comes to 30, compared with only 10 in 1997. This illustrates how quickly baby boomers have become involved in leisure activities.

According to the Cabinet Office, 45.5% of 50 year olds living in urban areas wanted to spend their weekends in the countryside, and as many as 28.5% were even interested in moving to such an area. Competition for them among local municipalities that have been suffering from depopulation is heating up, with projects and events to promote weekend tours and "U-turn" and "I-turn"\* movements. Amid the shrinking population, these municipalities are facing difficulties with not being able to improve community-support systems. Their inadequate health-care systems, combined with low employment opportunities, may slow down the move of urban retirees into these communities.

\* I-turn: Moving from a city to a country area with no connection to one's hometown.

## Popular Leisure Activities Among Baby Boomers, 2005



Source: Hakuodo Inc.

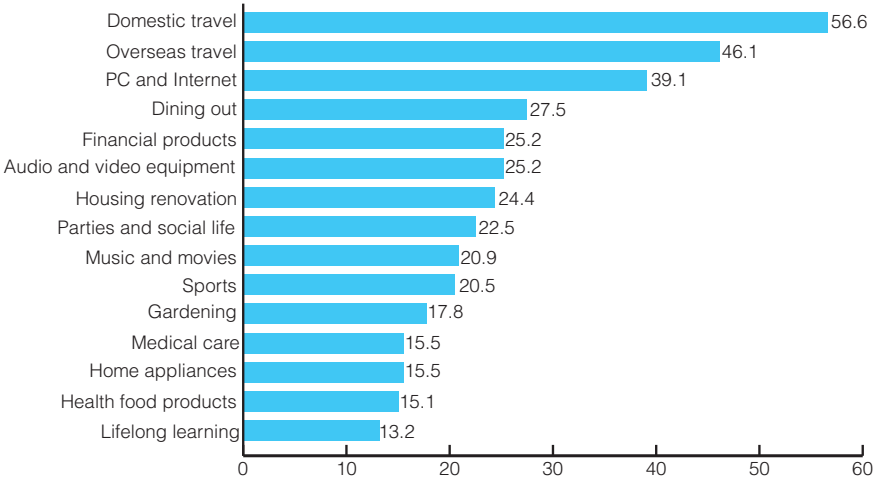
Note: The survey of 584 baby boomers born in 1946–51 was conducted in January 2005. Figures in parentheses show average annual expenditure.

Opinion Survey 6

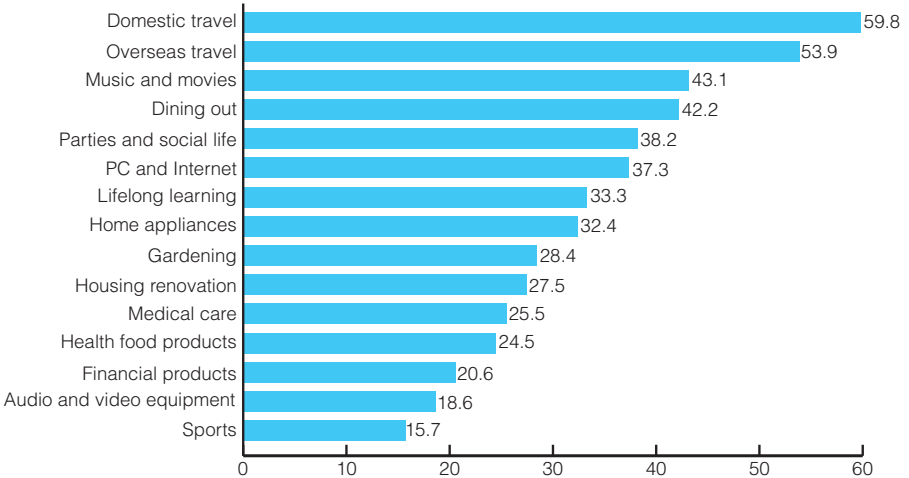
What would you like to spend money on after retirement?

(%)

Male baby boomers



Female baby boomers



Source: Hakuholdo Inc.

Note: The survey of 360 baby boomers born in 1947-49 was conducted in July 2005.

## List of Senior Activities and Semi-Senior Activities, 2007

(%)

Senior activities (21 activities)		Semi-senior activities (10 activities)	
<b>Sports</b>			
Gateball	90.9	Golf practice range	48.5
Golf	59.1	Training	47.0
		Jogging	45.6
<b>Hobby and creative</b>			
Traditional dance	73.7	Literature creation	49.0
Gardening	69.0	Pottery	48.9
Traditional singing	66.0	Dressmaking	48.5
Ballroom dancing	63.3		
Going to variety shows	61.2		
Do-it-yourself	59.3		
Going to plays	58.3		
Art appreciation	55.8		
Calligraphy	53.9		
Tea ceremony	53.8		
Flower arrangement	52.2		
Choral singing	51.4		
Photography	51.4		
<b>Leisure</b>			
<i>Go</i>	74.0	Lottery	49.0
<i>Keirin</i> (bicycle racing)	50.0	<i>Shogi</i> (Japanese chess)	45.8
Car racing	50.0		
<b>Tourism and outdoor</b>			
Mountain climbing	60.7	Overseas travel	49.3
Domestic travel	50.7	Picnic and hiking	45.4
Events	49.9		

Source: Japan Productivity Center for Socio-economic Development, *Reja hakusho* (White Paper on Leisure), 2006.

Note: Senior activities are those in which 50% or more of the participants are aged 50 or over. Semi-senior activities are those in which the ration is over 45%.

## Leisure Participation of Baby Boomers, 2006

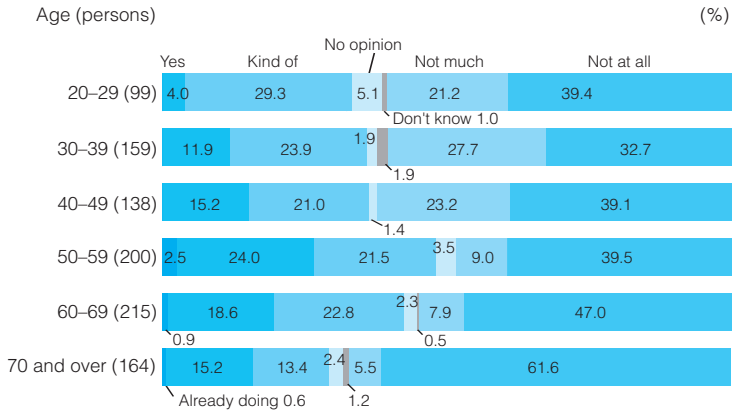
	Total average	Baby boomers	Baby boomers (male)	Baby boomers (female)
(%)				
<b>Sports</b>				
Golf (at course)	9.8	13.3	20.5	5.8
Golf (at practice range)	9.4	10.1	13.4	6.6
Jogging, marathon	19.2	22.2	19.7	24.8
Aerobics, jazz dance	4.0	4.8	1.6	8.3
<b>Hobby and creative</b>				
Do-it-yourself	9.7	14.5	26.8	1.7
Viewing sports (excluding TV)	14.7	13.7	22.0	5.0
Photography	10.3	10.5	15.7	5.0
Gardening	29.4	46.4	39.4	53.7
Viewing art (excluding TV)	12.4	17.7	11.8	24.0
Watching plays (excluding TV)	10.5	15.3	7.9	23.1
Going to concerts	22.3	27.0	17.3	37.2
Handknitting, weaving	10.7	8.5	0.0	17.4
Dressmaking	6.8	7.7	0.0	15.7
Choir	2.9	3.6	0.0	7.4
<b>Leisure</b>				
Lottery	39.7	51.2	59.1	43.0
Bar, pub, etc.	32.6	34.3	49.6	18.2
Horse racing	6.8	7.7	10.2	5.0
Sauna	8.8	9.7	13.4	5.8
Pachinko (Japanese pinball game)	15.5	15.7	25.2	5.8
Mah-jong	6.9	7.3	10.2	4.1
Go	3.2	3.6	6.3	0.8
Nightclub, cabaret	3.2	3.6	6.3	0.8
Dining out	64.8	66.1	59.8	72.7
<b>Tourism and outdoor</b>				
Mountain climbing	6.0	8.5	8.7	8.3
Driving	47.3	47.6	53.5	41.3
Entertainments, exhibitions	21.9	30.6	26.8	34.7
Domestic travel	52.9	60.1	50.4	70.2
Picnic, hiking, walking	23.8	27.8	26.8	28.9
Overseas travel	11.7	15.7	11.0	20.7

Source: Japan Productivity Center for Socio-economic Development, *Reja hakusho* (White Paper on Leisure), 2006.

Note: The list shows leisure participation of baby boomers that is higher than the average.

**Opinion Survey 7**

**Would you like to spend your weekends in the countryside?**

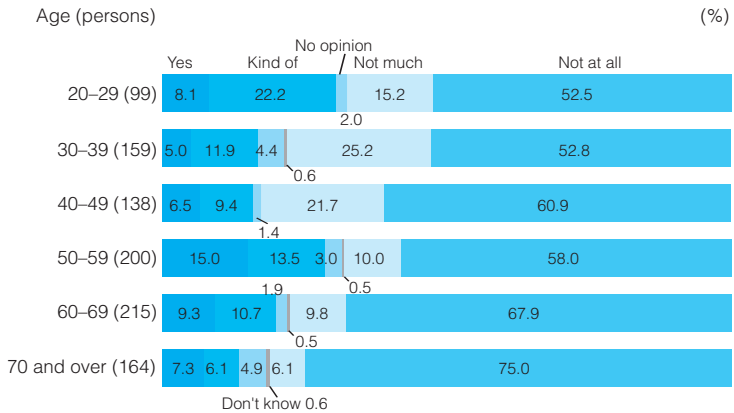


Source: Cabinet Office.

Note: The survey was conducted in November–December 2005.

**Opinion Survey 8**

**Would you like to move to the countryside?**

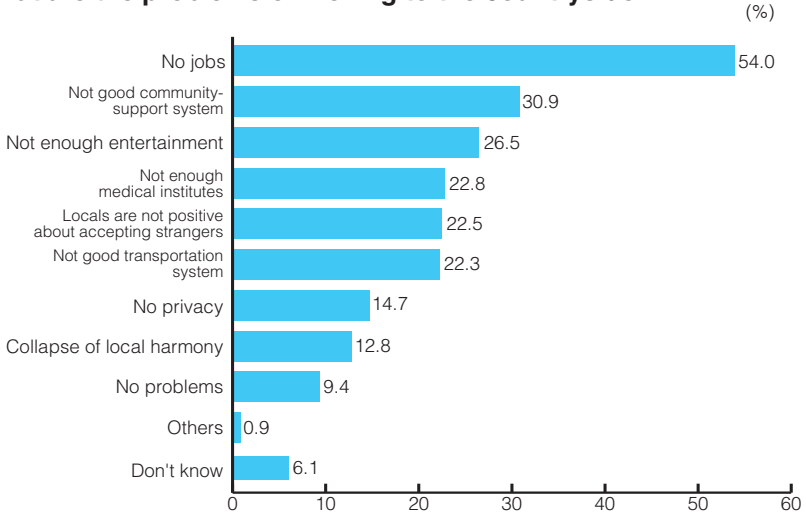


Source: Cabinet Office.

Note: The survey was conducted in November–December 2005.

Opinion Survey 9

What are the problems of moving to the countryside?



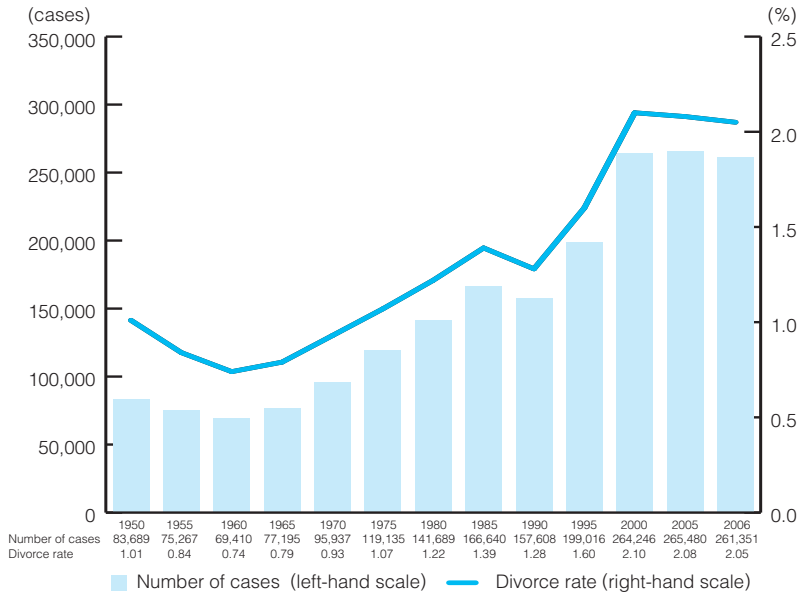
Source: Cabinet Office.

Note: The survey was conducted in November–December 2005.

## Divorce Rate May Rise After April 2007

Another noteworthy topic related to the 2007 problem is speculation that the divorce rate may rise after a new pension system took effect in April 2007. The new law allows housewives to claim up to half of their husbands' pension in a divorce settlement. According to the MHLW, Japan's divorce rate grew steadily from 1990, but, after peaking in 2002, it dipped to 2.05 per 1,000 persons in 2006, marking a decrease for four consecutive years. Now it is speculated that a large number of housewives are preparing to divorce and that the divorce rate may increase dramatically after April 2007.

### Trends in Divorce Rate



Source: Ministry of Health, Labor and Welfare, *Jinko dotai tokei* (Demographic Statistics), 2006.