

CASE STUDY OF SUCCESSFUL SENIOR CITIZEN EMPLOYMENT IN JAPAN

INTRODUCTION OF “WOE” AND “ASE” BUSINESS MODEL

Iwao Kato,

Faculty of Economics and Business
Wako University
2160 Kanaimachi Machidashi
Tokyo, 195-8585 Japan

Fumitaka Furuoka, PhD

Beatrice Lim

Khairul Hanim Pazim

School of Business and Economics,
Universiti Malaysia Sabah,
Malaysia

Assoc. Prof. Balakrishnan Parasuraman,

PhD

Industrial Relations Program
School of Social Sciences, Universiti Malaysia
Sabah, PO Box 22144
88781 Luyang, Kota Kinabalu, Sabah,
Malaysia

Balan Rathakrishnan, PhD

School of Psychology and Social Work
Universiti Malaysia Sabah
Malaysia

ABSTRACT

This paper reviews the recent progress of Japan's senior citizen employment and undertakes a case study of one successful senior citizen employment that a company in Gifu prefecture Japan began eight years ago. In 2001, “Kato Sangyo”, one small company in Gifu prefecture, began the employment of over 60 years-old senior citizens. The company employed 15 senior citizens at first. The oldest woman employed by the company was 79 years old at that time. She is still now working for the company. At present, 40 workers out of total 96 employees in the company are over 60 years old. Regarding this challenging employment trial, many mass media including Wall Street Journal have already reported. The article of Wall Street Journal introduced the senior citizen employment of Kato Sangyo as one of the most successful employment model in Japan, and it took up Kato Sangyo as a symbol of Japan's recent changing employment circumstances. In addition, this paper provides a result of the recent interview to CEO of Kato Sangyo, and the questionnaire survey of the senior citizen workers of the company. This case study could be useful for the researchers who are interested in the senior citizen employment or the connected field.

Keywords: Aging society, Senior Citizen Labor Participation, Japan

1. Introduction:

Since the end of Second World War, Japan's economy has dramatically expanded. Its rapid economic growth was called "Miracle in East Asia"¹. However this economic prosperity has brought not only the improvement of people's living standard, but also the problems of depressing birth rate and aging society².

At present, the Japanese have the longest life span in the world. According to data released by the Ministry of Health, Labour and Welfare in 2007, Female average life span reaches 85.99 years and male average life span reaches 79.19 years. In comparison with sixty years ago, in 1947, their life spans were only 53.96 years for women and 50.06 years for men. Figure 1 shows that for past sixty years, their average life span has been lengthened steadily.

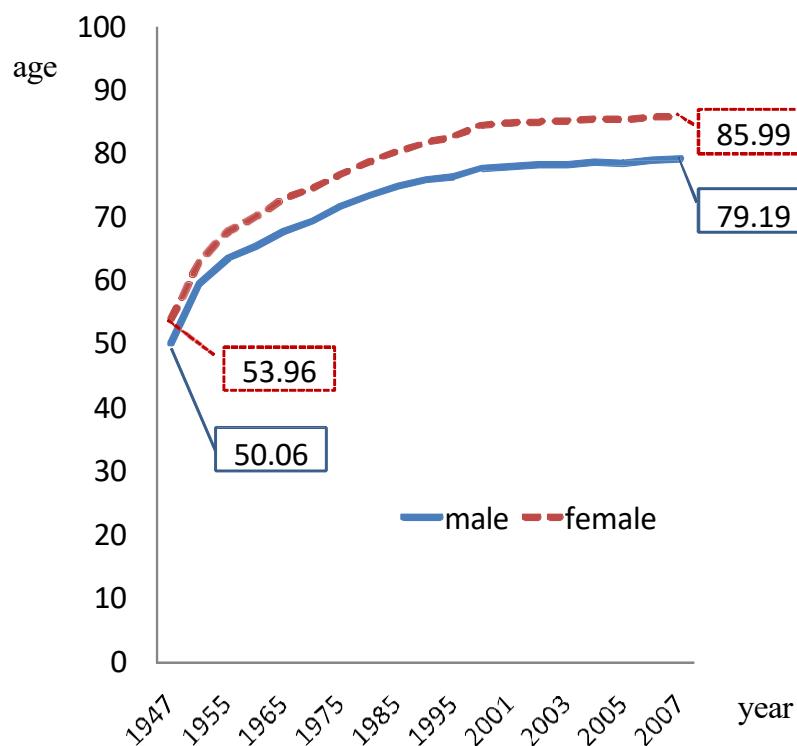


Figure 1: Average life span in Japan (1947-2007)

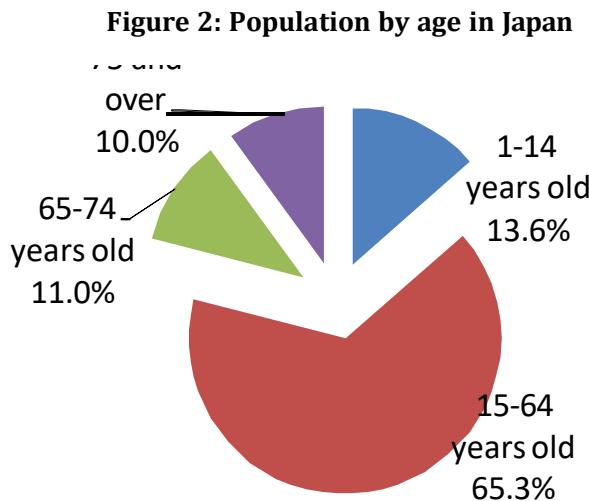
Source: "Vital Statistics" Ministry of Health Labour and Welfare

The 2008 Population Census shows that Japan's total population as October 1, 2007 was 127.63 million (62.21 million male and 65.41 million female). In the mid of 2007, the proportion of over 65

¹ Kenichi Ohmae, "The Next Global Stage Challenges and Opportunities in Our Borderless World", Wharton School Publishing, 2005, pp.201-202.

² In 2005, Japan's population decreased for the first time since 1899. Japan became the "population decline nation". In 2006, Japan's population once increased. However it decreased in 2007 again.

years old in Japan's population reached 21%. It indicates one in every five people is now a senior citizen in Japan. In particular, the senior citizen, older than 75 years old, called "latter period senior citizen", occupied 10% of the total population. It is first time that this ratio reached about 10% by the investigation of Ministry of Internal Affairs and Communications (MIC) in Japan which began in 1950 (see figure 2).



Source: "Vital Statistics" Ministry of Health Labour and Welfare

Not only in Japan, post-war economic prosperity has brought long life span and low birth rate but also in other advanced countries. National Institute of Population and Social Security Research (IPSS) in Japan released the international comparison census which is considering the ratio of population over 65 years old in total population. According to their statistics, the percentage of population over 65 years old in Italy was 19%, Greece was 18%, Portugal was 17%, France was 16%, and United Kingdom was 15% in 2005. Advanced European countries also have already become "aged society".

However, there are different circumstances between European nations and Japan. In comparison, the problem of Japan's society is their "speed". In fact, Japan has become "aged society" faster than any other advanced countries. In France, it took 115 years for the population over 65 years old to double from 7% to 14%. In Sweden, it took 85 years, in Britain it took 47 years and in Germany it took 40 years. In Japan, the year when the ratio of senior citizen comprised 7% of total population was 1970. And its percentage doubled to 14% in 1994. Japan spent only 24 years to have changed "aging society" to "aged society". This comparison is indicating that Japan should rush to solve the problems of "speedy" aged society³. Especially in case of Japan, it is expected that they will be suffering from shortage of young labor in the near future. This paper focuses on the possibility of senior citizen labor participation, after we briefly look at the statistical data of senior citizen in Japan.

2. Changing Japan's population "pyramid"

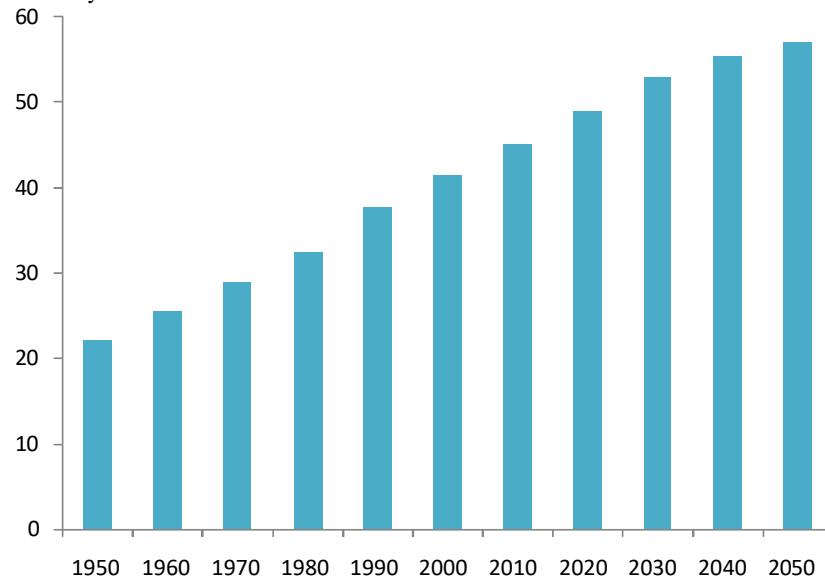
The figures, above mentioned, lead a very high average age for the Japan's society. MIC estimates that the Japanese average age will be 45.1 years old in 2010. From same estimation, the average age of whole advanced countries including Japan will be 39.7 years old and those of the world average

³ Keiko Wakabayashi, "Kinnen ni miru Higashi Ajia no Syoushi-Koureika", *Ajia Kenkyu*, Vol.52, No.2, 2006, pp.98-100.

will be 26.7 years old in 2010. For example, in Germany, their national average age in 2010 is expected to be 44.2 years old, in France, it will be 40.0 years old, in Korea, it will be 38.0 years old, in China it will be 34.9 years old, in Thailand it will be 34.7 years old, in Indonesia it will be 28.2 years old, in Malaysia it will be 26.3 years old, in Vietnam it will be 23.1 years old, and in Philippines it will be 22.8 years old. Compare with those countries, Japan is supposed to hold highest average age, and in the next forty years to 2050, the figure will reach nearly to 60 years old (see Figure 3).

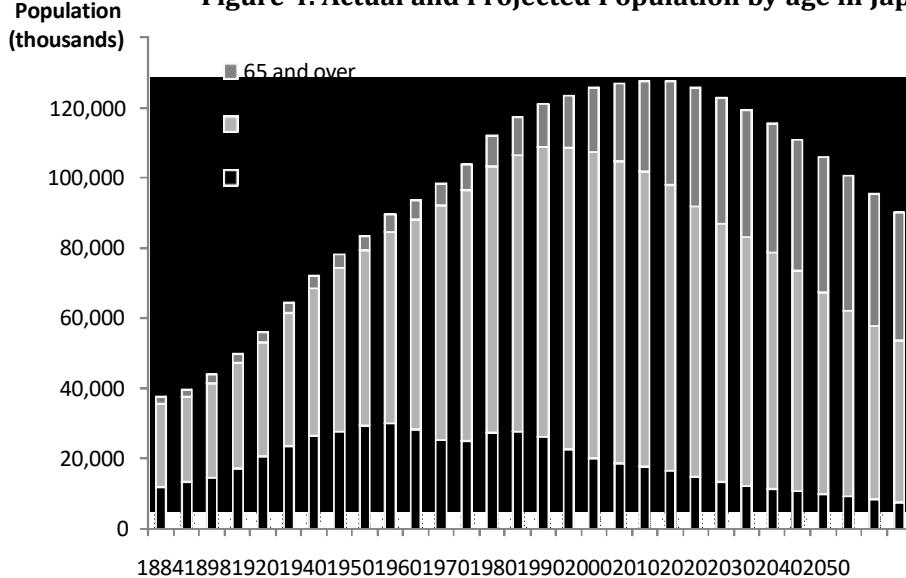
Figure 3: Japanese Average Age (1950-2050)

Source: Ministry of Internal Affairs and Communication 2008 Census



When the population over 65 years old comprises 7% of the total population, the society is called “aging society”, when this percentage reaches 14%, it is called “aged society”. Japan is already an aged society. In this context, one fifth of the population is sustained by other four fifth of the population in Japan.

Figure 4: Actual and Projected Population by age in Japan (1950-2050)



Source: Statistics Bureau, Ministry of Public Management, Home Affairs, Posts and Telecommunications, Population Census of Japan and National Institute of Population and Social Security Research, Population Projections for Japan: 2006-2055

In addition, the number of unmarried people in Japan is recently increasing. A 2005 national census showed that 47.1% of male in early thirties and 59.0% of female in late twenties were unmarried. Also, 32.0% of female in early thirties were unmarried. These percentages are more than twice the percentages of fifteen years ago. This phenomenon links to dropping birth rate. From 1947 to 2007, total fertility rate in Japan, which shows how many children a woman has in her life time, has been dropping. In 2008, total fertility rate has fallen to 1.36. Those figures conclude that more people are living to advanced age, while fewer children are being born. Naturally, the percentage of the elderly people of total population is increasing⁴.

Among European nations, France is supposed to be most seriously suffering from the process of aging population. In the year 2007, the average life span for female is 84.4 years old and the figure for male is 77.5 years old⁵. They are holding the longest life spans in Europe. On the other hand, their total fertility rate reached 2.01 in 2007. France has almost succeeded in stopping their total population decreasing down. Japan's authorities now pay attention to the method how French policy pulled up birth rate.

As a result of “speed” which Japan’s aged society is holding, the shape of population “pyramid” is now becoming distorted. The Ministry of Internal Affairs and Communications (MIC) in Japan announced on November 21, 2007 that the senior citizen over 65 years old reached 26,820,000. It is 21.0% of the total population as mentioned above. And with the same data, population under 15 years old was 17,400,000, which was 13.6% of the total population, and population aged 15-64 was 83,370,000, which occupied 65.3% of the total population. The senior citizen over 65 years old increased 930,000 in a year from 2006 to 2007. During the same period, population under 15 years old decreased 150,000. The number of children has continued decreasing, and the ratio of senior citizen occupying in the total population has continued soaring in this way approximately throughout. For decades, the total fertility rate in Japan has been decreased rapidly. A famous economist once predicted that if the situation does not change in the future, in the year 3400, only one Japanese person will be survived. Of course, he mentioned that the last Japanese person must be a woman.

3. Changing circumstances of labor market and opening days of senior citizen employment

As the number of the senior citizen increases, the productive population aged from 15 to 65, correspondingly decreases in Japan.

The Japanese Ministry of Health, Labor, and Welfare has been proceeding with legal reforms to extend the retirement age from 60 to 65. The Law Concerning Stabilization of Employment of Older Persons states that companies should employ workers until the age of 60. This target has nearly been achieved, and now companies are required to employ their workers until age of 65⁶.

Since 1960s, Japanese economic prosperity has lengthened people’s life expectancy rate and extended their retirement age. In 1960s standard retirement age was around 55 years old. In late 1970s, it became 60 years old. And now, it is going to be 65 years old. It is expected to be more extended in next decade. The employees of senior citizen, aged over 65 years old, have continued increasing

⁴ The number of birth in 2008 in Japan was 1,123,455. On the other hand, the number of death was 1,153,266. The number deducted from birth to death was -29,811.

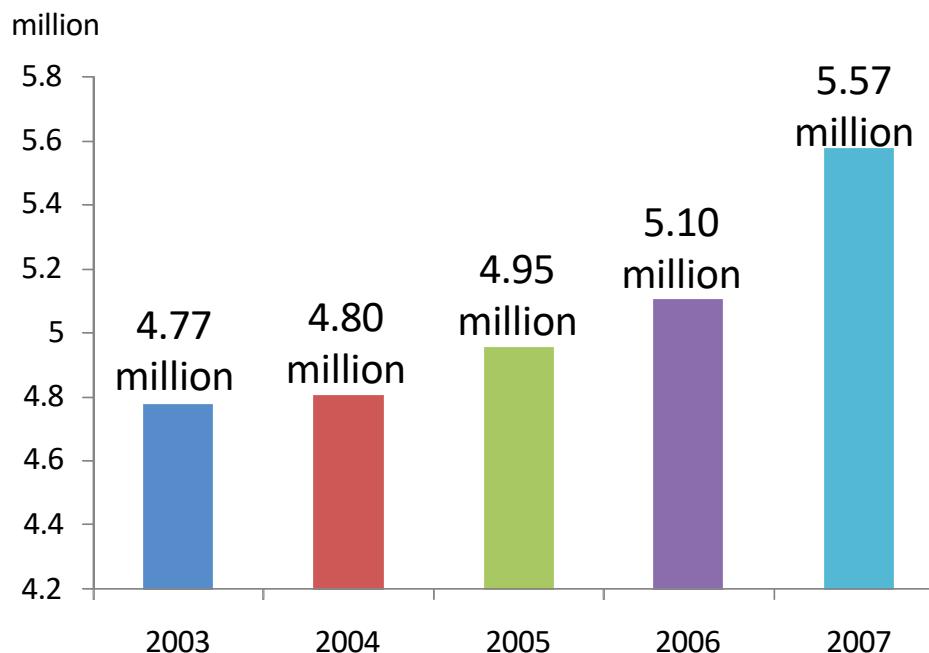
⁵ <http://mainichi.jp/life/edu/news/20090221k0000m040033000c.html>

⁶ <http://www.afpbb.com/article/life-culture/health/2336860/2525883>

⁶ NHK Overseas Broadcasting Department and Daiwa Institute of Research, “A Bilingual Guide to the Japanese Economy”, Kohdansha International Ltd., 2001, p.301.

while aging society advances. The senior citizen employees exceeded five million for the first time in 2006 and reached 5,570,000 people in October, 2007 (see Figure 5). This implies that one fifth of the senior citizen is working now. They composed 8.7% of the total employees in Japan⁷. It is predicted that this ratio would achieve 10% in the near future⁸.

Figure 5: Senior Citizen Employment in Japan (2003-2007)



Source: Ministry of Internal Affairs and Communications, Labour Force Survey for Japan: 2008

The key factor of this phenomenon is the decreasing productive population who are supporting the aging population. Apparently the most anxious problem of aged society is how to support the life of senior citizens. If the figure of birth rate is improved to 2.10 or more, there is not any concern. However, there are few hopes for its improvement in present Japan. Recently as the proportion of elder people in total population increases rapidly, the proportion of productive population aged 15-65 correspondingly decreases. It implies that it will be becoming more difficult to finance the burden of social insurance such as employees' welfare pension. The situation surrounding Japan's public spending is facing the critical moment. For example, the recipients of employees' welfare pension have increased by seven times, from 3.3 million in the year 1977 to 24 million in the year 2006. The number of recipients is expected to be growing continuously. The burden on Japan's society will surely increase. Not only senior citizens, but also middle aged people and young people are seriously worried about bankruptcy of Japan's pension system⁹. Public trust against pension system in Japan is becoming weak¹⁰. This kind of social phenomenon leads mistrust of government and its policy. Under these unstable social circumstances, senior citizens intend to protect their life with "self defense" action. It brings more senior citizen labor forces, who have longest life expectancy rate in human history, to the labor market. Already, the ratio of senior citizen labor participation has begun to

⁷ The number of the total employee was 64,240,000 in 2007.

⁸ Nippon Keizai Shimbun 29 November 2007.

⁹ Alex Kerr, "Dogs and Demon The Fall of Modern Japan", Penguin Books Ltd., 2001, p.256

¹⁰ Akihiko Matsutani, "Jinkougensyo-keizai no atarashii koushiki", Nippon Keizai Shimbun Press Co. Ltd., 2004, pp.130-134.

increase.

After the defeat of the Second World War, the size of Japanese government was minimized correspondingly and basically, social welfare function was performed by private institutions. The core of this model was a total employment strategy, which in turn was sustained by three pillars¹¹. First, big corporations institutionalized a permanent employment system, providing job security to their employees; second, medium-size and small companies, with support from state, organized numerous cartels to avoid bankruptcy and keep everyone in business; and third, family-owned mini shops were protected by heavy government regulations¹². All these measures served to reduce pressure on public spending for unemployment assistance and employee's welfare pension. Those days, people's average life span was not long, compared with the present ones.

And in Japan, the number of salaried workers has grown with the social welfare system maintained by private sectors. At present, approximately 80% of the work force consists of salaried employees¹³. In these circumstances, such as the social welfare is heavily depending on private sector, the Japan's post-war total employment strategy is now under heavy pressure of aging population.

4. Trend of female labor participation

It had been common phenomenon that Japanese women quitted their jobs to stay at home when they got married or had a first child. Many people in Japan still have such an image of women. It is still generally believed that Japan is a male-dominated society. At present, this is half correct and half is not correct.

Until the 1960s, many female labor forces worked in family business in the primary industries, such as agriculture, forestry and fishery. The labor force participation rate for women was over 50%. But during Japan's economic high growth period in the 1960s, the population working in these primary industries decreased, while the percentage of labors employed by secondary and tertiary industries increased. With this change, the number of women working for the primary industries decreased, and even in cities most married women became full-time housewives¹⁴.

Regarding the female labor participation in high growth period in the 1960s in Japan, Dr. Bai Gao (Duke University) mentioned in his book that Japanese high growth in the 1960s encouraged women to exit the labor market. While husbands' salaries continued to rise and disposable incomes grew in a climate of minimal unemployment and contained inflation, the rapid economic expansion brought Japanese households a variety of home electronics products¹⁵. As a result, a mass consumption culture emerged that had a profound impact on the ideologies of the women's movement in Japan. In the 1960s, so-called my home-ism promoted an ideal lifestyle in which the stay-at-home housewife enjoyed state of the art electric appliances in spacious, Western style kitchens¹⁶. These women's lives focused on the "interior spaces of the urban nuclear unit". Female labor force participation sank under 50%.

¹¹ Bai Gao, "Japan's Economic Dilemma", Cambridge University Press, 2001, p.114.

¹² *Ibid.*

¹³ NHK, *op.cit.*, p.301. Many companies have a retirement age of 60 years. Those salaried workers have spent almost all their life at work place. They might feel they have no place to live, after they retire. Everyday even weekday becomes holidays just like Saturday and Sunday for them. They consider that their entire life has been company-centered; they find it hard to find new hobbies and season for living.

¹⁴ NHK, *op.cit.*, p.179.

¹⁵ Bai Gao, *op.cit.*, p.143.

¹⁶ *Ibid.*

However those trends began to reverse in the middle of 1970s. The number of working women increased in the 1980s. The reason why the trend reversed in the 1980s was that traditional stereotype, such as “men work outside and women stay at home,” has been breaking down that more women intended to continue on to higher education. Also, women were having fewer children, and with the advent of modern household appliances less time need be spent on housework, so they began to have more free time¹⁷. Other factors were that there were more chances for married women to work and tertiary industries employ a relatively high percentage of women. In 1986, the Equal Employment Opportunity Law between Men and Women was adopted to eliminate discrimination between men and women for employment and promotion. In 1992, the Child-Care Leave Law went into effect. Under this law, all workers are entitled to child care leave until the child is one year old. In the 1980s and 1990s, the labor force participation rate for women exceeded 50% again. Since then, the ratio of female labor participation has been increased. According to Nippon Keizai Shimbun electronic databank, the female labor force participation rate reached 60.9% in 2006. Even the labor force participation rate for women aged from 60 to 64 was over 40%.

There are two understandable reasons of the recent increasing female labor participation. First, since the economic expansion so-called bubble economy was busted in 1990, Japan has been suffering from long depression¹⁸. Many housewives have been required to work outside to supplement husbands' reduced income. Second, under the economic deflation in the 1990s, more people thought they should work more and save more money for the future, because the income has not been increased. Especially the social circumstances of the aged female in Japan are severe.

In Japan, a woman who spends her entire life as a full-time housewife does not receive the employees' welfare pension. Right now, in Japan, salaried workers are supposed to pay into the employees' welfare pension fund about 10% of their income through their insurance fees. Full-time housewife who do not pay into the employees' welfare pension fund could receive national basic pension which is financed by nation. The amount of national basic pension is comparatively small and sometimes it is one fifth of employee's welfare pension. Widow could receive two third of husband's employees' welfare pension, after husband dies. However, in many cases, the amount of pension which widow receives is not enough to support their living costs. After aged females lose their husbands, they are often forced to work, because they lose one third of pension. The pension, itself is not big enough for the aged couple. According to the research by MIC in 2005, aged couples think almost 35,455 yen per month is shortage for their monthly expenses¹⁹.

Even the ordinary women are required to work to sustain the living cost after husbands die, or they are supposed to work to save money for their “future life” or long old age, when they already become “old”. It is hard for the aged female to get job opportunity. Only simple and low salary jobs are offered for aged female labor forces.

5. Kato Sangyo as pioneer company for senior citizen employment and Interview to CEO, Mr. Keishi Kato

On November 19, 2007, the author of this paper visited Kato Sangyo Co., Ltd. in Nakatsugawa-shi in

¹⁷ NHK, *op. cit.*, pp.181-183.

¹⁸ Akio Mikuni and R. Taggart Murphy, “Japan’s Policy Trap”, Brookings Institution Press, 2002, pp.145-170.

¹⁹ Banri Kaieda, “Akarui Teinen Lesson”, Kousei-do Press Co. Ltd., 2007, pp.20-21.

Gifu prefecture. The company is producing the car parts and the household appliances. Their anchor products are the body parts of "Pajero" of Mitsubishi Motors Corporation, soundproofing facilities on the highway, and the tank of the fan heater.

Kato Sangyo has a long history. The origin of the corporation dates back to the sword smith of the Edo or Samurai era. They have kept their original spirit. Every year, the employees of Kato Sangyo perform traditional ceremony for New Year's Day. They make "hoko" or small sword on the first day of the year. And they put it on religious Shinto altar where people are supposed to show their reverence. At present, the company holds over a hundred of "hoko". The form of "hoko" is slightly different every year. Changing shape of "hoko" seems to tell us that Kato Sangyo has flexibility to fit themselves for the changing circumstances.

The current Kato Sangyo is famous as a pioneer company of the senior citizen employment. Senior citizen employment in Kato Sangyo was initiated in April 2001 by Managing Director Mr. Keishi Kato (CEO at present). He put up a project team in the office and managed to reach enforcement. On 19 November 2007, the interview to the CEO of Kato Sangyo, Mr. Keishi Kato, was carried out.

From the interview, we can summarize the uniqueness of senior citizen employment conducted by Kato Sangyo is three elements as follows.

1. Recruiting only senior citizen
2. Offering normal job to senior citizen
3. Recognizing senior citizen as main player for production in weekend

To study more details of their successful and unique senior citizen employment, we now pick up some contents of Q&A interview to CEO of Kato Sangyo step by step. Some parts of the interview were reproduced.

5-1. Recruiting only senior citizen

Q 1: How many senior citizen employees are working for the company at present?

The total number of employees is 96 people. Among them, 40 workers are senior citizens. We call them "silver san" because of their silver color hair.

Q 2: Why did you begin the senior citizen employment?

A decade ago, the company faced challenges in keeping the products price competitive. At the same time, we, management worked hard to improve the profit rate of the company. In those days, our clients including some big enterprises gave us very strict orders about prices of our products. Therefore, we should consider reducing the cost. On the other hand, we needed to increase sales, because of the price cut. We were supposed to aim two completely different goals. Reducing the cost and increasing the sales at the same time were antinomy. In fact, the easiest solution was lay-off, though Kato Sangyo has kept lifetime employment system. Nobody in the company agreed with the idea that there was only one option of lay-off. The management tried to find any other option.

We had a long discussion and finally we arrived at one conclusion. The five days operating was then extended to Saturday and Sunday. We simply thought that further operating our factory on Saturday and Sunday could give us extra profits. We concluded that operating the factory even during holidays, could improve our profit. We thought it was a good idea. But there was another issue to solve. Who were going to operate our factory on Saturday and Sunday?

When we were looking for the solution, Prof. Kato's research team taught us a result of the

research investigation regarding the local senior citizens in Nakatsugawa-shi. We still keep your report on this matter. According to your report, there were a large number of senior citizens who wished to work, even though there were few chances to get any jobs. We immediately recognized this as the solution for our problem. We thought "that was it". The company started to consider hiring senior citizens to operate the factory on Saturday and Sunday. We started off with several examinations for the senior citizen employment in the factory, and finally decided to recruit the senior citizens to operate the factory on Saturday and Sunday.

Q 3: How did you recruit senior citizens?

The recruitment process kicked off with a local advertisement planner printing of color handbill to attract potential senior citizen workers. A photograph of a typical Japanese "grandmother" smiling in a rice field was taken by our young employee and printed onto the handbill. We put a sentence on the handbill. The handbill shouted "Saturday and Sunday are our weekday". Also printed were "we need people with passion, however there is an age limit. We want, people with passion, over 60 years old". The handbill was used as an insert in the local newspapers. The impact of the advertisement was impressive.

5-2. Offering normal job to senior citizen

Q 4: How was the application?

As mentioned above, we used the handbill as an insert in the newspapers. At the first day, the telephone of the company began to jangle from early morning. I received the first telephone call at 7:10 am, and the phone jangled in a whole day. There were over 100 applicants in a few days, though we considered employing only 10 senior citizens.

Q 5: How did you adopt applicants?

The applicants were interviewed in several days. Finally we adopted 15 senior citizens, 60 years old to 79 years old. We selected suitable people from a point of view such as "the adaptable potential". The situations of each applicant were examined carefully. As for the career of applicants, it was multifarious. For example, some of their former occupations were carpenter, fishmonger, mechanic of Japan Railway Company, stock dealer. In fact, from their employment record, there were not many experienced people who worked in a factory. Of course, there were some widows, living alone.

Q 6: Could you explain about the oldest employee?

The oldest woman we adopted was 79 years old. She rode a motorcycle to the company to take a job examination. At the interview, we felt that she was a cheerful person. We decided to adopt her. She is now managing the cafeteria at weekend. She prepares lunch meal and tea break for the senior citizen workers every weekend.

As a result, the idea is good that the oldest woman takes care of other "young" senior citizens. Her existence seems to have worked well for the other senior citizen employees. The atmosphere of the dining room at weekend became very warm and bright. We think that the dining room would not have become such had the company left dining room administration of weekend to young employee or an outside supplier. This caring woman has also done some sort of trouble consultation between senior citizen workers during lunch time.

As you see, senior citizen knows senior citizen most. Therefore, this is the most suitable reason that the oldest woman does care of the senior citizen well. I think a sort of "common sense", which young generation must support senior citizen, does not suit to our social order. I, by myself, previously thought that young generation must support senior citizen. But from a way of thinking that a young generation must support senior citizens, Kato Sangyo's idea is totally "reversed".

5-3. Recognizing senior citizen as main player for production in weekend

Q7: What is the most important matter to accept a senior citizen?

Of course, in creating conducive work environment for the senior citizens, the company has to be the technical barrier-free in the factory. However the most important thing as a saucer company of the senior citizen is that every single administration officers of the company have consciousness to take good care of senior citizens.

First, a company must not consider the senior citizens as simple cheap work force. Second, a company must be devoted to make the condition that the senior citizen employee can work for a long time in the company. And third, working for that company should be happiness and pride for senior citizens.

One of our female senior citizen employees once applied for a job of local supermarket in Nakatsugawa-shi. The job offered for her was to clean the restroom which the visitor used. Actually, many of the customers of the supermarket were her friends and neighbors, because it was a local branch. She told us that she had felt miserable all the time.

Why should we leave only easy work for senior citizens? I wonder why we can't imagine they do have big potential to work in various places. I think that the atmosphere in Kato Sangyo where senior citizens can work with their pride is a key factor for the successful senior citizen employment.

Q 8: Could you explain about the influence to the young employee of the company?

Since we started senior citizen employment in 2001, the consciousness that "our company is contributing to the local society" has sprouted among young employees. All employees regard the senior citizen employment as a company's social responsibility. Many young workers begin to be proud of the company's achievement.

As you know, we are producing some vehicle parts of "Pajero" of Mitsubishi Motors Corporation. When we see Pajero running in the town, we, Kato Sangyo employees, feel proud of it, but nobody of the passerby notices our products. Pajero is just Pajero, for everyone. In a sense of irony, our products or our achievement is invisible. Nobody knows our product itself. It is the desolate feeling of the subcontractor of the manufacturing industry. It may be exaggerated, but it is miserable reality that nobody realizes our work or the social significance of the company. This situation was changed, after we started senior citizen employment.

When a senior citizen worker thanks to a young employee, who teaches factory operation, the young worker feels that he or she is contributing to society. In addition, the local community praised our contribution to regional economy.

And if someone pays attention to our senior citizen employment, he generally would become interested in our products. It means that we have a chance to talk about our various products and our company itself.

We feel we are lucky to have an opportunity to explain our high quality products, because we have a confidence about our technology.

In fact, we received the order of more than 100 different parts used for a fuel tank of new airplane "Boeing 787" from Boeing Co. Ltd. recently. It is a large order for the next several years. Perhaps, there is only one company in Gifu Prefecture, which received such an order from Boeing Co. ltd.

Therefore, I could say that the senior citizen can become the leading player who gives the company a pride, vitality and spirit by various implications.

Q 9: Could you explain about an advisory group of senior citizens?

We, Kato Sangyo, have an advisory group consisting of eight people. These eight people are specialists, such as expert of safety management, expert of production technology, certified public accountant. All the members are senior citizens. We think that senior citizens can teach us a lot of useful knowledge which we do not have. I could say we are receiving many kinds of "supplement"

from senior citizen. This is our way of thinking.

We are now planning to learn Toyota production method from a person resigning from Toyota Motor Corporation this year. We are going to adapt Toyota production method into our factory in the near future.

Q 10: Could you explain about the future employment form?

The senior citizen employment would be growing; on the other hand, I think the employment system of the company will diversify more and more in the future. I think a local company should run at the tip, because the local community is losing the young population. We need to consider seriously about more utilizing of foreign trainee and female labor employment. In fact, we accept three trainees from China at present. And we must accept more industrial robots at the production line, and push forward to take the automation in the factory.

Q 11: Do you have any personal opinion about the practical use of the senior citizen employment?

I think that everyone in the world has a desire to "contribute to the society" or to "be helpful for the others". I feel that polarization of the mind structure becomes the problem. Capitalism without rules seems to produce excessive egoism. We have to look at the altruism. People have some altruism and some egoism in their mind. So, we have to hold social function to utilize the sleeping altruism in our society. One of the social functions for altruism is the senior citizen employment.

6. Modeling of Kato Sangyo's senior citizen employment; "WOE" business model

Through this case study, we could suggest one business model of senior citizen employment. It is so-called "WOE" model or "weekend operated by elderly". As mentioned already, a decade ago, Kato Sangyo was considering the narrow path to aim two different goals, "sales increase" and "strong price competitive", the task force of the company struggled to get the solution which is possibly introduced as "convenience factory open for 365 days with enforcement of weekend senior citizen employment".

Their senior citizen employment business model gave comparatively better advantage to Kato Sangyo than their previous sales records. Their annual turnovers increased to nearly 2 billion yen, from 1.5 billion yen, since they started to hire senior citizen in 2001. Since Kato Sangyo started to operate their factory on Saturday and Sunday, the factory has become "convenience store factory". At present, they are able to response to the customer's demands, for 365 days in a year. In Japan there are 110 holidays including Saturday and Sunday in one year. Until 2001, they did not operate the factory on holidays. This means they had lost a lot of opportunities.

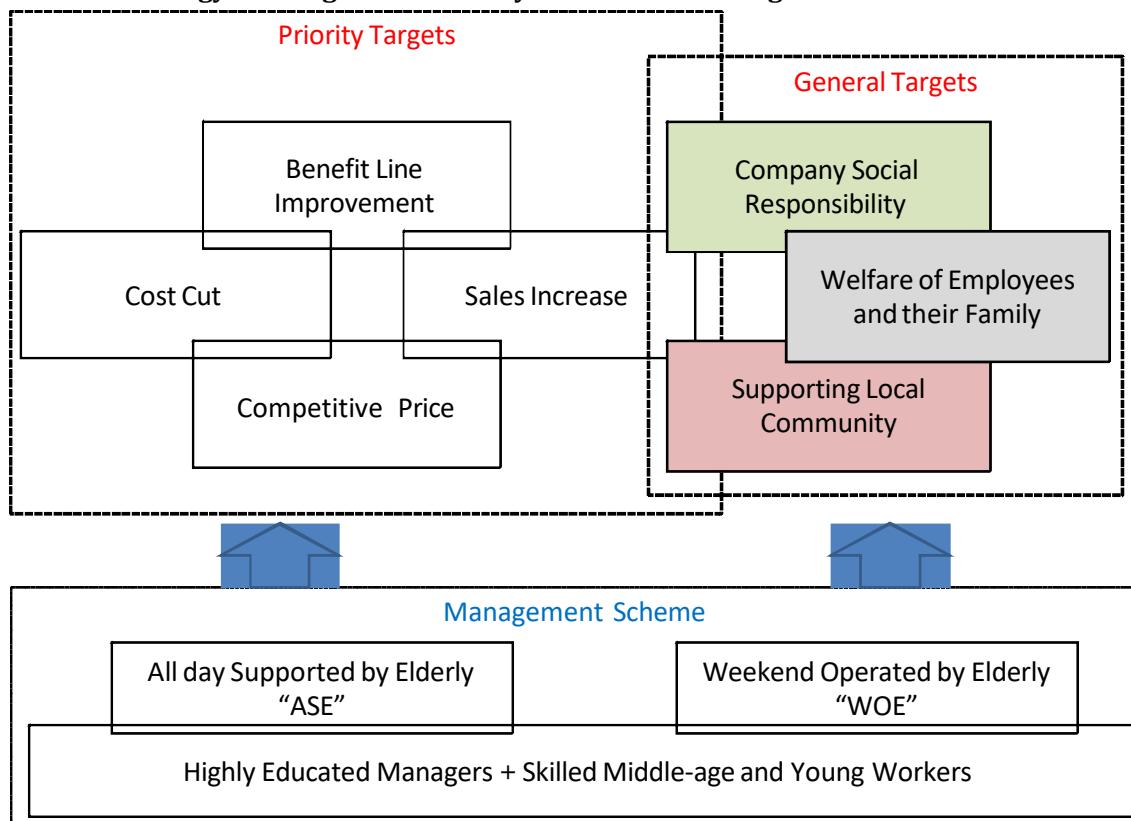
With WOE business model, Kato Sangyo's operation days were increased by almost 30%, and their sales increased by 30%. The increment of sales in Kato Sangyo should be seen in a bigger picture. Of course, it is not a simple story in that way. A longer activity day does not always bring bigger sales amount. Actually the relations of these two matters are very complicated. However, it is the truth that the senior citizen employment was big driving force for the improvement of the turnovers.

Initially senior citizen employees worked only on the weekend. Today, some senior citizen employees work as much as they want, partly just like normal employees from Monday to Friday. With their enforcement of partly weekday senior citizen employment, Kato Sangyo expects to aim 3 billion yen annual turnover four years later.

The fact mentioned above and their expectation of future turnover indicate that Kato Sangyo has already extended their business model “WOE” to “ASE” or “all day supported by elderly”. At the last of this section, we conclude that “WOE” and “ASE” business models could make factory to be “convenience factory”. At same time, we can get the summaries, that these models give companies opportunities to improve their profit line.

Figure 6 shows us how Kato Sangyo has kept their business criteria since they started senior citizen employment in 2001. Since then, their business priority targets are basically following four issues such as sales increase, competitive pricing, cost cut and benefit line improvement. These four targets are related each other, for example cost cut allows company to realize competitive pricing, and relevant pricing fascinates demands for their products. All these linkage supports the company to improve their benefit line.

Figure 6: Kato Sangyo Management Priority Cluster and Management Scheme



Source: Modelled and illustrated by Iwao Kato, Wako University, 2009

During same period, Kato Sangyo has maintained so-called “general targets”, such as company social responsibility (CSR), welfare of employees and their family and supporting local community. CSR is generally mentioned that company which is a social organization is supposed to play important role as a reliable member of community to sustain social stability and prosperity. In case of Kato Sangyo, their WOE employment trial has suited to the concept of CSR. Kato Sangyo is located in east region of Gifu Prefecture, the middle part of Japan, where has a comparatively high proportion of elderly. The aged society in Gifu has needed to provide workplace for elderly. The local community which

Kato Sangyo belong to, has most welcomed Kato Sangyo's WOE or strategy of senior citizen employment for weekend operation.

Achievement of those general targets has given Kato Sangyo good reputation not only from local community, but also from whole nation. There are a lot of local communities having suffered from aging population in Japan; many of them have felt they could adapt WOE and ASE models for their area or they could adjust these two models to their own needs. Regarding WOE and ASE, model itself is simple, so the models have flexibility. Many people, organizations and local communities have thought they could extend models to whatever they needed.

As mentioned in the previous section, with WOE business model, Kato Sangyo's operation days were increased by almost 30%, and their sales increased by 30%. Of course, for the increment of their sales, the increase of operation days is key factor. However we should think that good reputation from society was also one of driving force for their sales improvement²⁰.

7. Conclusion

In a next few decades, Japan will become more serious aged society. As the population itself is decreasing, the proportion of its population aged 65 years or older will be increasing. The percentage of senior citizen in the population will reach 26.9 percent in 2020. It will reach 31.8 percent by 2030 and 36.5 percent by 2040. In 2050, the proportion of elder people in Japan's society will reach 40.6 percent. The pressure of widening aged society will require increases in public spending and the resulting huge budget deficit will inflict significant constraints on the future policy choices of the Japanese state²¹.

Under this severe social trend, Japan's society is supposed to begin to use the stock of senior citizen's manpower to fill the future lack of productive populations. This is the most expectable future scenery, though they have some more options.

Similar social problem will be widely shared among not only European countries but also Asian countries in the near future. At present, many Asian nations are developing their economy quite rapidly. With their economic prosperity, they are improving their average life span and also depressing their birth rate. In some Asian countries, the process of their aging population is faster than Japan which it took 24 years to have changed "aging society" to "aged society". According to the census of United Nations (World Population to 2300), China will take 23 years to double the proportion of over 65 years old population from 7% to 14%, from the year 2001 to the year 2024. Same data tells us that Korea will take only 17 years to double those of them, from 1999 to 2016. Singapore will take 16 years, from 2000 to 2016. Thailand will take 20 years, from 2005 to 2025. Malaysia will also take 20 years, from 2018 to 2038. Indonesia will take 19 years, from 2018 to 2037. Philippine will take 20 years, from 2024 to 2044. And Vietnam will take only 14 years, from 2020 to 2034.

²⁰ According to the research conducted by Prof. Susumu Nomura, Takushoku University, in Japan there are approximately 100,000 companies which have history of more than 100 years. This fact indicates that Japanese companies have tendency to pay more attention for their reputation from their community. Without good reputation, any companies can not survive for a long period.

²¹ Bai Gao *op.cit.*, p.248.

Though the serious situation as mentioned above is expected to happen in the future, we have so far simply have believed that our society should support elder people, and the suitable job for senior citizens must be created, or, the young generation should provide some easy and cheap work for the retired labor forces. However, in this century, senior citizen should begin to support society as a main player. The proportion of the elderly will be widened. Senior citizen will occupy major part of the society.

The job itself is not necessarily changed to fit for the senior citizen employment. From the experience of Kato Sangyo, we learn that only the process of the work needs to change. To fit the workplace for the health condition and physical capability of senior citizen, the factory needs some improvements. Management is supposed to have the new concept of the senior citizen labor force as the main player for the production. Regarding the process of the work, CEO of Kato Sangyo insisted that three elements, such as factory barrier-free improvement, teaching aged workers by young workers, and consulting for the elder employees by veteran, are key factors.

And Mr. Keishi Kato gave the important messages as follows. First, a company must not consider the senior citizens as simple cheap work force. Second, a company must be devoted to make the condition that the senior citizen employee can work for a long time in the company. And third, working for that company should be happiness and pride for senior citizens. Therefore, company and senior citizen employees could create win-win relation.

Finally, we would like to emphasize that we have a merit if we study on Japan's cases of aged labor participation. Because as Asian countries such as Malaysia are developing economy, their average life-span will be longer and the total fertility rate is going to be decreasing. This social phenomenon puts Asian nations into new era that the productive population aged 15 to 65, correspondingly decreases. As aging population increases due to improvement of health care system in the near future, Asian nations would see the urgent need of drawing up a continued employment scheme for retired or elder workers. It is time the world society should learn how they use the stock of aged labor forces. This kind of case study for senior citizen employment might pull up potential of social prosperity and it might give the females the social empowerment.

In Japan, there is useful proverb "Onkochishin" which means that we should learn from the past. Regarding the social problem of future aging populations and its solution, the world society surely can learn Japanese experience. Especially Asian nations having similarity to Japan could learn on the implication of senior citizen labor force as an important human resource for society and the method of successful elderly workers employment model such as WOE and ASE.

References:

- 1) Akihiko Matsutani, “*Jinkougensyo-keizai no atarashii koushiki*”, Nippon Keizai Shimbun Press Co. Ltd., 2004.
- 2) Akio Mikuni and R. Taggart Murphy, “*Japan’s Policy Trap*”, Brookings Institution Press, 2002.
- 3) Alex Kerr, “*Dogs and Demon The Fall of Modern Japan*”, Penguin Books Ltd., 2001.
- 4) Bai Gao, “*Japan’s Economic Dilemma*”, Cambridge University Press, 2001.
- 5) Banri Kaieda, “*Akarui Teinen Lesson*”, Kousei-do Press Co. ltd., 2007.
- 6) Iwao Kato, “*Yutakana Syakai wo Mezashite (1)*”, The Bulletin of the Faculty of Economics and Business Vol.36 No.1, Wako University, November 2003
- 7) Iwao Kato, “*Yutakana Syakai wo Mezashite (2)*”, The Bulletin of the Faculty of Economics and Business Vol.36 No.2, Wako University, March 2004
- 9) Keiko Wakabayashi, “*Kinnen ni miru Higashi Ajia no Syoushi-Koureika*”, *Ajia Kenkyu*, Vol.52, No.2, 2006.
- 10) Kenichi Ohmae, “*The Next Global Stage Challenges and Opportunities in Our Borderless World*”, Wharton School Publishing, 2005.
- 11) Ministry of Health Labour and Welfare, ”*Vital Statistics*”, Tokyo Japan, 2008
- 12) Ministry of Internal Affairs and Communication, “*2008 Census*”, Tokyo Japan, 2008
- 13) Ministry of Internal Affairs and Communications, “*Labour Force Survey for Japan: 2008*” Tokyo Japan, 2008
- 14) Ministry of Public Management, Home Affairs, Posts and Telecommunications, “*Population Census of Japan and National Institute of Population and Social Security Research, Population Projections for Japan: 2006-2055*”, Tokyo Japan, 2008
- 15) Nihon Hoso Kyokai (NHK) Overseas Broadcasting Department and Daiwa Institute of Research, “*A Bilingual Guide to the Japanese Economy*”, Tokyo: Kohdansha International Ltd., 2001.
- 16) Nippon Keizai Shimbun 29 November, 2007.
- 17) Susumu Nomura, “*Sen nen Hataraktekimashita*”, Kadokawa Japan, 2006
- 18) United Nations, “*World population to 2300*”, United Nations New York, 2004