CREATIVE AND AGING SOCIETIES

Views from Japan and Finland

Joint Report of EVA and Keizai Doyukai

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FOREWORD

On the Issuing of the Joint Report

It is with great pleasure that we announce the release of this joint report, a tangible result of the long-standing collaboration between Keizai Doyukai and the Finnish Business and Policy Forum EVA.

The joint report focuses on the aging of the population, which has become an important issue in contemporary society. Due to differences in history, policies and institutions among nations and cultures, a system used in one country cannot easily be applied to another. Nevertheless, it is meaningful to introduce and study examples of endeavors that have achieved a degree of success in two countries such as Japan and Finland. By clarifying common issues it becomes possible to suggest the way to a brighter future. We hope that discussion of such important issues as this will become more vigorous in the years ahead. At the same time, we expect this joint report to serve as a first step toward further collaboration between Keizai Doyukai and EVA.

We wish to express our thanks to those who helped in the preparation of the report, including Itaru Koeda (Co-chairman, Nissan Motor Co., Ltd.), Chairperson of the Keizai Doyukai Committee on Europe-Japan Relations, the members of the Keizai Doyukai Committee on Europe-Japan Relations and the working groups, and finally the members of the EVA report steering group, chaired by Markku Pohjola (Deputy Group CEO, Nordea Bank).

It should be noted that the reports prepared by Keizai Doyukai and EVA do not necessarily reflect the views of each other in all particulars, and the opinions expressed are not necessarily shared by all individuals in the two organizations. The purpose of this report is to further discussion on the topic of the aged society, one of the major international issues of our time.

October 2006

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PREFACE

In both Japan and Finland the proportion of elderly people in the population is rising rapidly. The aging of society, one of the most serious issues facing all advanced countries, is particularly acute in Japan and Finland due to factors such as falling birthrates and low immigration.

In current policy discussions dealing with the shrinking labor supply and concerns about the sustainability of pension plans, it is usually assumed that there is no effective cure for the aging of society, casting a dark shadow on the public mood. In contrast, Keizai Doyukai and EVA have decided to examine the aging of the population from a more positive viewpoint.

This report introduces practices that have been implemented in Japan and Finland, two societies in which a large portion of the population is elderly. Though small in scale, these practices have been effective in producing results. The purpose of the report is to discover ideas that will lead us from "active aging" to the next stage, "creative aging."

In addition, we aim to stimulate discussion of good practices that will allow a smooth transition to a situation in which the elderly in aging and aged societies can realize an "active lifestyle" and national competitiveness and a high standard of social welfare can be maintained by active participation of the elderly as a "positive labor force."

We do not advocate taking a system specific to one country and applying it in another without modification. Nevertheless, learning how another society or culture is dealing with the issues associated with an aging population is worthwhile for everyone concerned. For this reason the main goal of this joint report is to foster in all concerned an attitude of trying to see what can be learned from overseas examples as we search for effective methods suited to the actual situations of different countries. It is in this spirit that we announce this joint report by EVA and Keizai Doyukai.

October 2006

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1 Introduction

1.1 Worldwide Trend toward Dwindling Birthrates and Aging Populations

Unlike the economy, which tends to fluctuate up and down within a fixed range, the aging of society is inescapable.

Virtually every industrializing country experienced strong population growth in the 19th century and first half of the 20th century. A pattern of high birthrates and high mortality rates shifted to one characterized by high birthrates and low mortality rates. During this process the population distribution changed from a pyramid shape to a bell shape. This was succeeded by a pear-shaped population distribution brought about by a demographic revolution characterized by low birthrates and low mortality.

It was in Europe, most notably in France, that the aging of the population first emerged as an issue near the end of the 19th century and became the subject of debates over government policy. The early drop in the birthrate in France was a rare exception, but most other western countries followed soon after, exceeding the "aging society" index mark at which elderly persons constitute 7% of the total population, during the first five decades of the 20th century. The stagnation of the Second World War was followed by a baby boom, but birthrates again began to fall from the mid-1960s onward. Eventually, these countries approached the "aged society" index mark at which elderly persons constitute 14% of the total population. Today, in the 21st century, the effects of the "second demographic transition," in which the birthrate drops below the population replacement level[1], are becoming increasingly serious.

In 1970 the Japanese census indicated that elderly people accounted for 7.1% of the population. This was reported as the coming of an aging society, but the citizenry in those days was more concerned with issues related to the population explosion, such as dwindling resources, food shortages, and environmental pollution. It was not until the 1980s and afterward that the issue of an aging or aged society became a topic of widespread public debate. In Finland, aging became a real political issue in late 1990s, in the wake of the "landslide retirement" of the baby boomers. The coming demographic development was of course well known before this, but in Finland's case the policy agenda from late

Table 1.1 Years Population 65 or Older Reached Index Levels/ Years Required to Double from 7% to 14%[2]

Country	Year Elderly Population Reached Index Level 7%	14%	21%	Years Required to Double from 7% to 14%
France	1864	1979	2021	115
Sweden	1887	1972	2018	85
USA	1942	2015	After 2050	73
Australia	1939	2011	2032	72
Italy	1927	1988	2010	61
UK	1929	1976	2029	47
Spain	1947	1991	2025	44
Austria	1929	1970	2021	41
Finland	1958	1994	2017	36
China	2001	2026	2038	25
Japan	1970	1994	2007	24

1980s onwards was overloaded with major issues such as market deregulation, the deep recession of the early 1990s and EU membership.

The examples of Finland and Japan show that aging is a highly challenging issue for policymakers. The positive side of aging as a political issue is that demographic development and possible problems associated with it can be foreseen reasonably well and dealt with before they actually emerge. On the other hand, aging is an issue which has implications both over and between different generations. In a world with hectic political and business cycles the main interest of policymakers tends to lie more in the present than in the far future. Perhaps this is why governments tend to have limited capacities to engage in proactive policies concerning aging.

1.2 European Moves to Activate the Elderly Population

In European countries policies encouraging early retirement were introduced to deal with unemployment following the oil crisis. The goal was to increase employment opportunities for young people by getting older workers to retire earlier. In most European countries, the age of eligibility for old-age pension payments was lowered and special unemployment benefits were implemented.

In the 1990s, however, the financial resources supporting early retirement began to grow thin and calls grew for the elderly to contribute to social security in addition to their younger counterparts. Moreover, future projections of the growth of aging-related public expenditure and tightening labor supply were acknowledged as serious threats to future economic growth. The ideal of *active aging* came to the forefront, and from around the year 2000 onward policies promoting employment of older workers by 2010 started to be encouraged[3] in EU member states through the following initiatives:

- 2000, European Council "Lisbon Strategy": Target of raising the employment rate to 70%
- 2000, Council Directive establishing "a general framework for equal treatment in employment and occupation": Target of rectifying barriers to employment in accordance with market principles and equality of opportunity
- 2001, European Commission Stockholm summit: Target of raising the employment rate among older workers (55 to 64 years of age) to 50%
- 2002, European Commission Barcelona summit: Target of raising the average retirement age by five years (from 60 to 65 years of age)
- 2004: Target of "promoting employment of older workers and raising the average retirement age"

In line with this trend, the aim has been to implement the following policies in European countries in a balanced way that takes into account the actual circumstances of each society: (1) provision of incentives to businesses and individuals to maintain existing and create new employment opportunities, (2) skill development programs including lifetime learning, (3) adjustment of labor supply and demand based on enhanced public employment placement services. Resulting at least partly from these initiatives, the employment rate for older workers has been rising steadily throughout the EU, including the newer member states. Nevertheless, there is a sense that in some European countries, such as Germany and France, a shared understanding concerning work and early retirement has taken hold over the past three decades or so, or the time span of one generation.

According to OECD data,[4] the employment rate (in 2004) among older workers (55 to 64 years of age) in the 15 pre-enlargement EU member countries was 41.8%. This is still about 8 percentage points short of the 50% target for 2010. When the countries that joined the EU in 2004 are included, the employment rate among older workers decreases still further. Thus, as it works to reduce the overall unemployment rate, the EU is struggling to find out how best to activate older workers as well as what sort of activities older workers themselves should be engaged in.

The European Commission summarizes the trial-and-error policies of the various European countries toward older workers from the 1990s onward as follows.[5]

a) Governments have not gone far enough in reducing incentives to early retirement and establishing incentives for continuing to work.

b) While the notion of gradual exit from the labor market has been shown to be appealing to workers in surveys, the popularity of gradual retirement schemes has been low, with workers continuing to opt for full retirement. One of the problems of gradual early retirement is the reluctance of many employers to adapt existing positions to accommodate part-time workers and the lack of suitable part-time jobs available on the open market. In the case of many of the earlier gradual retirement schemes, the age brackets for eligibility were set too high.

c) Wage subsidies for employers recruiting older workers have largely failed to achieve the desired results. One exception could be the UK New Deal 50 plus, which grants the subsidy to the workers rather than the employer.

d) There is little evidence that awareness raising campaigns among employers are having a significant effect.

e) Finland's comprehensive approach – the Program for Aging Workers[6] – appears to have had some successes in increasing employment rates among older workers.

1.3 Moves to Activate the Elderly Population in Finland

Finland is one of the most rapidly aging European countries. The proportion of elderly persons (65+) in the population will reach the benchmark of a super-aged society of 21% before the year 2020, lagging just some 5 to 10 years behind Japan. Still, aging as such has only very recently been introduced as a policy issue in Finland.

This late awareness has its roots in recent economic history. Large age cohorts born during the postwar period created a favorable demographic structure for economic growth and provided an abundant source of labor all the way through the latter half of the 20th century. In fact, between the 1950s and 1980s Finland provided labor also for its Nordic neighbor Sweden with over 400,000 Finnish immigrants.

In the late 1980s at least three separate policy issues related to the aging of the population were singled out for attention. First, the fall of the Finnish birthrate below the population replacement level was noted with concern. Second, certain bottlenecks in the supply of labor were experienced during the economic upswing of the late 1980s. Analysts estimated that the labor shortage might well become a permanent problem in the future if the economy continues to grow. Third, some aspects of the long-term financial sustainability of the Finnish pension system were questioned.

Policy measures to meet these challenges had hardly been discussed when a severe economic crisis hit Finland in the early 1990s. In the new situation, low birthrates were a secondary problem. The labor shortage had turned into an unemployment rate of over 15 per cent. As a result the already attractive incentives to move from unemployment to early retirement were enhanced further and the employment rate among the elderly declined.

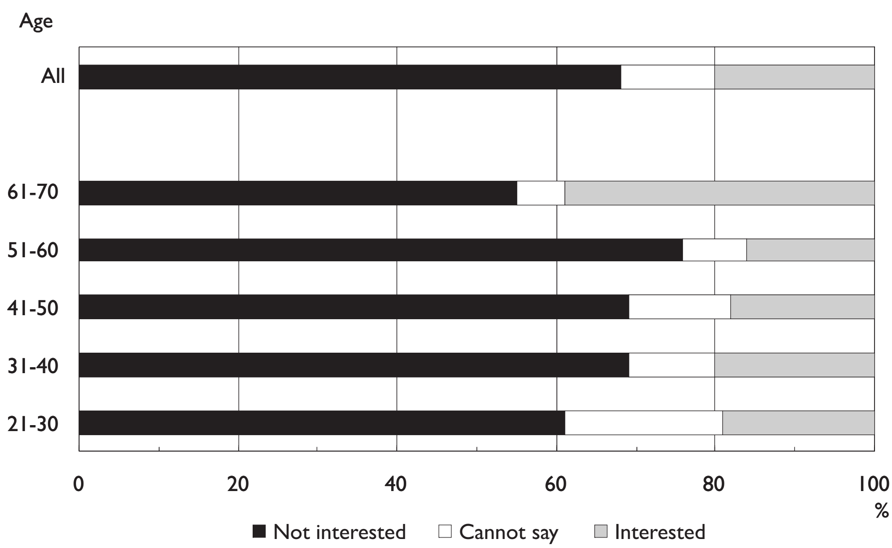
Near the end of the millennium, after a strong economic recovery, a need for aging policies was recognized. The recognition was prompted by a fear that aging-related public expenditure would increase to an unsustainable level. Aging-related expenses will grow from their current level at least by 5 per cent of GDP by the year 2035 and cannot be covered without sufficient economic growth. This in turn requires good overall productivity improvements and a rise in the employment level. Although Finland is still lacking an umbrella policy concept of "aging policies," measures have either been taken or are underway in three policy areas: (1) Pensions, (2) Active aging and (3) Public service provision.

The first "pillar", pensions, has proven to be challenging for Finland: Currently the Finns retire on average at age 59, in spite of the fact that the official retirement age has been 65 years. This is mainly due to active use of different early retirement schemes. For example, in the year 2001 only one fifth of the retired persons in the private sector took their ordinary old-age pensions. The rest exited working life through assorted early pension schemes. These included unemployment, disability or part-time pension schemes. To restrict some pathways to early retirement and to encourage longer working careers, a number of reforms in pensions systems have been undertaken in recent years:

- The retirement age is flexible, ranging between 63-68, and postponing retirement until after age 63 is rewarded with higher accruals (instead of having a fixed retirement age at 65).
- Pension income will be based on life-time earnings (instead of the last 10 years) and the entitlements will adjust to future changes in life expectancy (i.e. pension expenditures will remain constant relative to increases in life expectancy).
- Early and part-time pension schemes have been partly reformed.
- The unemployment pension scheme will gradually be abolished.

The goal has been set to shift the average retirement age by 3 years from 59 to 62. Nevertheless, both the public and experts remain skeptical about the effects of the reforms. In a public opinion survey conducted by EVA, only one fifth of Finns felt that the offer to continue working after age 63 in exchange for a

Figure 1.1 Finnish Workers' Attitudes Towards Continuing in Working Life After Age 63 in Exchange For a Better Pension[7]



slightly better pension was attractive to them. The prime target group, older workers aged 51-60, was even less enthusiastic. All in all it is unclear whether the changes made to the pension system will be enough to maintain it on a sustainable path in the years to come. It also seems that Finns simply want out of working life at an early stage. If that is true, any reforms on the pension systems will not be enough to reverse the trend.

Therefore, expectations are high regarding *the second "pillar"* in Finnish aging policies: the national active aging programs for enhancing workability and employability. First such programs were launched in the early 1990s with emphasis on occupational health issues. Later programs such as the *National Program on Aging Workers* have had more clearly stated economic objectives in line with those of the pension reforms: to raise the employment rates and to encourage older workers to keep on working at least three years longer. The measures in these programs have included, for example, information campaigns and training for both managers and workers. These measures have been supported by research projects in subjects varying from management studies to gerontology and occupational health surveys.

The programs have received international praise several times[8], especially for representing an exemplary co-operation across different ministries, authorities and labor market parties. Nonetheless, the real effects of projects on the very issue at hand, active aging, have been hard to evaluate. From the mid 1990s onwards, the employment rate among the elderly workers has indeed risen to 55 %. Unemployment in the same age group has diminished considerably. On the other hand, it is difficult to distinguish the impact of the programs from the overall economic success of Finland, which has been good ever since the recovery from the deep recession of the early 1990s. A slightly better indicator might be the average retirement age, which has risen by a little bit over one year.

An indisputable result from the active aging programs is raised awareness over the active aging issue. More concrete "hard" results, however, remain to be seen in the future. It seems clear that individual companies and their local work communities at the production unit level have to take the initiative in their own hands in the future.

The *third "pillar"*, public service provision, is of great importance, as roughly half of the expected aging-related growth in public expenditure will result from health care and social services for the elderly. In addition, the largest productivity gains can be achieved in the services sector, not least in the domain of social and welfare services.

The provision of the public health and social services in Finland is the responsibility of the municipalities. Municipalities are huge employers: 19% of the Finnish workforce is employed by them. In fact their share of employment equals that of the whole Finnish industry. In recent years, productivity growth in municipal services has been notoriously slow and has to be enhanced if the rising expenditures are to be kept in control. In addition, the labor force of the municipalities consisting of 450,000 individuals is in itself aging faster than average. There are in total 432 municipalities in Finland, most of them small. The government's view is that there are considerable returns to scale to be gained if the municipalities *or* their service production were reorganized in fewer and larger units. Therefore, the Finnish government has launched a large project to restructure Finnish municipalities and their services. A weakness in this reform is that it is entirely production-oriented although Finnish municipalities are in fact free to outsource the production of most services (basic education excluded) at will to private service producers. It is still unclear where this reform project is heading, but it might be in many ways beneficial for Finland to explore the possibilities for a more modern, market-oriented reform of the public service provision.

In addition to these three "pillars" aging policies for Finland ought to contain reforms in the fields of *immigration, family* and *education policies*. The government has been designing a program for work-based immigration, but its progress in the political system remains to be seen. Family policies are typically seen as means for enhancing the birth rate, which in Finland is currently at 1.8. This is a good figure in an European context but still under the population replacement level. As there is a tradeoff between women's participation rate in the labor force and generous family benefits, and the labor policies have preferred the former, family policies have been passive for a quite long time in Finland. In education policies, some cautious reforms have been implemented in order to speed up the studies of the university students, which take an average of seven years to be completed. Alongside with the elderly and immigrants, the young constitute a labor reserve for Finland that has to be utilized more effectively in the future.

Finland is off to a good start in its measures trying to activate the elderly population and to handle other issues related to an aging population. It is important, however, to recognize the issues where state-level action can really make a difference and to concentrate the efforts on those measures. The rest is really very much up to private sector actors, not least the elderly citizens themselves.

1.4 Moves to Activate the Elderly Population in Japan

Concern about the aging population became widespread in Japan around 1983 when "White Paper on Population – Japan's Population and Society: The Future of the Aging Society" was issued. The expression "falling birthrate" has come into use fairly recently as the aging of the population has advanced. It became a household term after being used in the annual lifestyle white paper for the year 1992. In 1997 Japan became a "falling birthrate – aged population society" when the number of children dropped below the number of elderly persons in the population.

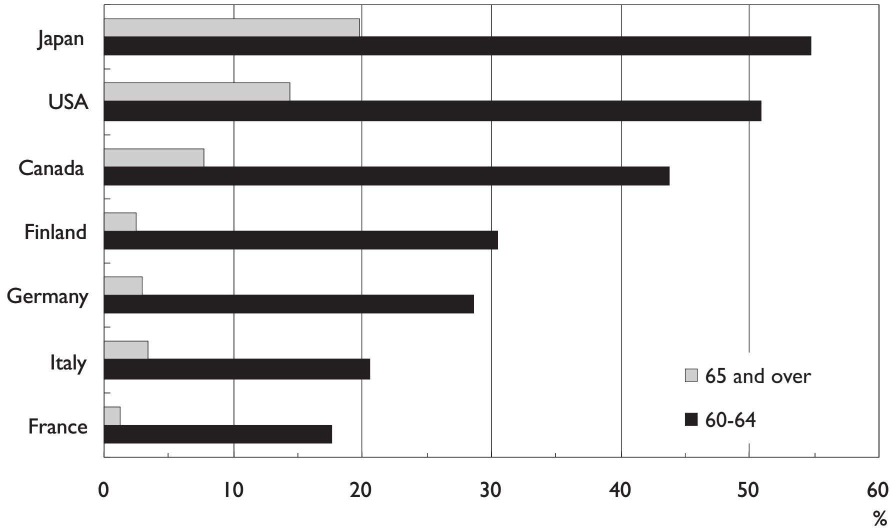
An examination of the statistics on the proportion of elderly persons in the total population shows that it took a mere quarter century for Japan to move from the World Health Organization (WHO) definition of an "aging society" (7% of the total population) in 1970 to that of an "aged society" (14% of the total population) in 1994. In 2005 the proportion of the elderly in the population reached 20.7%, and by 2010 it is expected to approach 21%,[9] making Japan a "super-aged society."

As the aging of society continued, in 2004 the Law for the Stabilization of Employment of Older Workers was revised in response to step-by-step increases in the age of public pension eligibility. One reason legislation such as this was accepted as a goal in the public discourse without major social upheaval is that the labor force participation rate of older workers[10] in Japan is higher than that in western countries.

Statistics[11] indicate that reasons for the high labor force participation rate of older workers in Japan include both negative factors, such as worries about income, and positive factors, such as the feeling that work makes life worth living and meaningful.

Survey results also show that some Japanese people, particularly the generation of male baby boomers who sustained the postwar period of rapid economic growth, consider the intense sense of belonging they feel toward an organization that they take pride in having helped build themselves to be what makes their lives meaningful. They therefore see going back to work as the reverse of the "insecurity about connectedness" they feel toward retirement, the external element that caused them to lose their connection with the organization they used to be part of. In addition, with respect to the tendency to want to continue to work as long as possible because of Japan's lack of a clear vision for old

Figure 1.2 Comparison of Labor Force Participation Rates of Older Workers, 2004[12]



age, in comparison with western countries, some survey results also show that Japanese workers begin to prepare for their post-retirement lives later and take a more passive attitude.

The employment rate of older workers[13] is also much higher in Japan than in Europe and North America.

In Japan changes to the system such as delayed retirement are being introduced steadily, and there has been comparatively little disruption associated with such developments. Nonetheless, as with the distress that accompanied the trial-and-error policies on employment of older workers in Europe, work has hardly begun to resolve problems related to factors such as additional systemic limita-

Table 1.2 Employment-Related Indices (2004)[14]

	EU15	Finland	USA	Japan	OECD total
Population,100 mill.	3.83	0.05	2.94	1.28	11.60
Unemployment rate, %	8.1	9.0	5.5	4.7	6.9
Employment rate, %	64.6	67.2	72.7	68.7	65.1
Women, %	56.7	65.5	65.4	57.4	55.6
Older workers (55-65), %	42.3	51.0	59.9	63.0	50.9

tions (e.g. sluggish rise in TFP[15], low level of utilization of women) and the mental burden on individuals (e.g. sudden rise in the NEET population[16], high suicide rate among middle aged persons).

1.5 Common Issues Facing Finland and Japan

In this discussion on aged societies, there are some points of difference between Japan and Finland that should be noted. Finland's population (approximately 5.2 million) is less than one-twentieth the size of Japan's, and its TFR of 1.8[17] is about 0.5 points higher than that of Japan. In addition, the rise in the proportion of elderly persons in the population in the decade after reaching the "aging society" mark has taken place at an appreciation index of 1.7% in Finland, which is much lower than Japan's 5.3%. This means that Finland will not become a "super-aged society" until around 2020. Furthermore, the labor force participation rates of the elderly in Finland, and in women of childbearing age in Japan, are relatively lower than those in other countries. It is hoped that in the future these two groups will be activated to a greater extent to join the labor force.

Nevertheless, there are many common issues facing Japan and Finland, with the major ones including a shrinking labor force and growing pension burden due to the aging of the population and the low number of foreign workers, and a weakening of social bonds and increased isolation due to the trend toward a nuclear family structure.

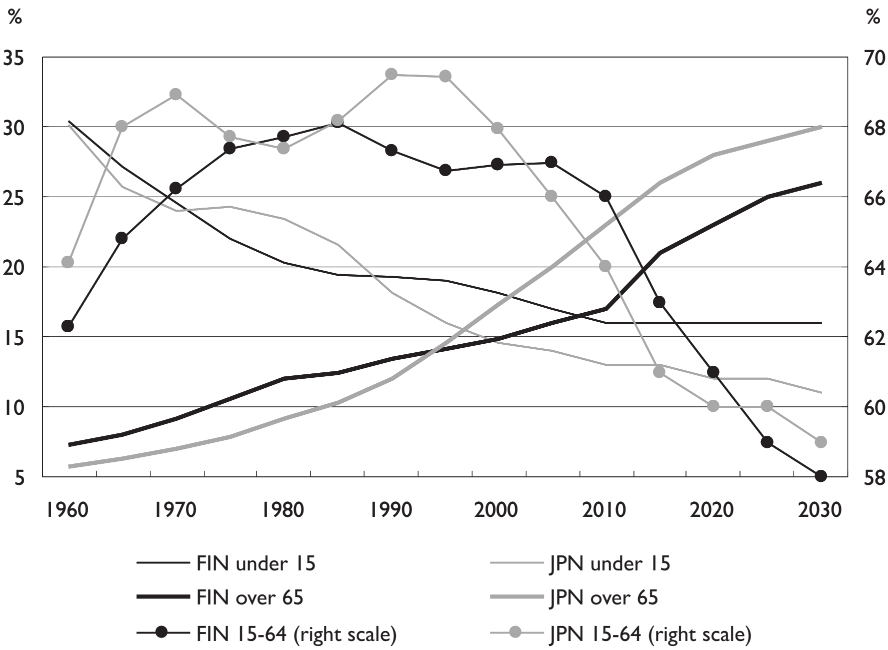
A point of similarity between Finland and Japan is their national competitiveness. For four consecutive years beginning in 2003 Finland has been rated among the top three nations by the World Economic Forum (WEF) in its report evaluating national competitiveness. Japan, on the other hand, generates the world's second largest GDP,[18] after the United States. Japan and Finland also rank among the top western countries[19] in GDP per capita. (Japan ranks 11th, with a GDP per capita of US $35,922, and Finland 13th, with a GDP per capita of US $35,565).

Though the two countries have different strengths as members of the society of nations, they both possess strong national competitiveness and both will need to implement effective policies appropriate to the goal of economic growth and grounded in recognition of the current reality.

Another point of similarity and a common key driver of economic and social changes in both countries is the two countries' rapidly aging populations. Generally, the European countries, beginning with Austria in the 1970, experienced rapidly aging populations and completed the transition from "aging" to "aged" societies earlier than Japan. Nevertheless, these transitions were gradual and took place over a span of several decades, in contrast to Japan where the transition was sudden. Finland, however, underwent a rapid (36 years) transition from "aging" to "aged" society that was similar to Japan's. Both countries reached the "aged society" index in 1994.

Because of the rapid aging, Japan and Finland are due to be pioneers in both dealing with the threats and seizing the opportunities associated with an aging population. Many other countries aging at slower pace can perhaps afford to find their way through the aging process with trial and error -policies. In contrast, Finnish and Japanese policymakers and business leaders need to operate with sufficient skill and foresight in years to come. Badly managed changes may turn into a crisis. Well-managed changes may open up totally new opportunities giving birth to creative new solutions, practices and concepts that are ahead of their time in an aging world.

Figure 1.3 Proportions of Different Age Groups in Japan and Finland 1960-2030[20]



2 Practices in Japan

For many years, Japan's large corporations maintained a personnel and employment system based on lifetime employment and promotion based on seniority. This produced a tendency toward shared consciousness and homogeneity among employees, with the result that workers felt a strong sense of identification with their organizations. Since their consciousness of these "business community ties"[21] was so strong, there was a tendency for these men to lose sight of ties based on other standards of value. Thus, finding a way to compensate for the loss of their business community ties, due to retirement and separation from the workplace, is key to utilizing the elderly.

At this point we will introduce two practices in Japan: employment of older workers by nonprofit organizations and community activities in which local currencies play a key role.

The former is distinctive in that it mainly involves specialists who played a role in making Japan a major trading power. It is one current example of the utilization of older workers arising out of the extension of "business community ties."

The latter is a type of system that previously has mainly been used to revitalize local communities. We here introduce it as a format for the future that will be able to call on the next cohort of elderly persons and has the potential to realize more multilayered "business community ties" and "local community ties."

2.1 Utilizing the Elderly Population Based on Business Community Ties

In Japan there is an awareness of the importance of Non-Profit Organisations. The *General Principles Concerning Measures for the Aged Society*[22] state: "To promote the participation of elderly people in the local community, infrastructures that support the activities of Silver Human Resource Centers[23] and NPOs and facilitate the start up of localized businesses are to be created." One NPO that has achieved results through activities centered around retired elderly persons is Action for a Better International Community (ABIC).[24]

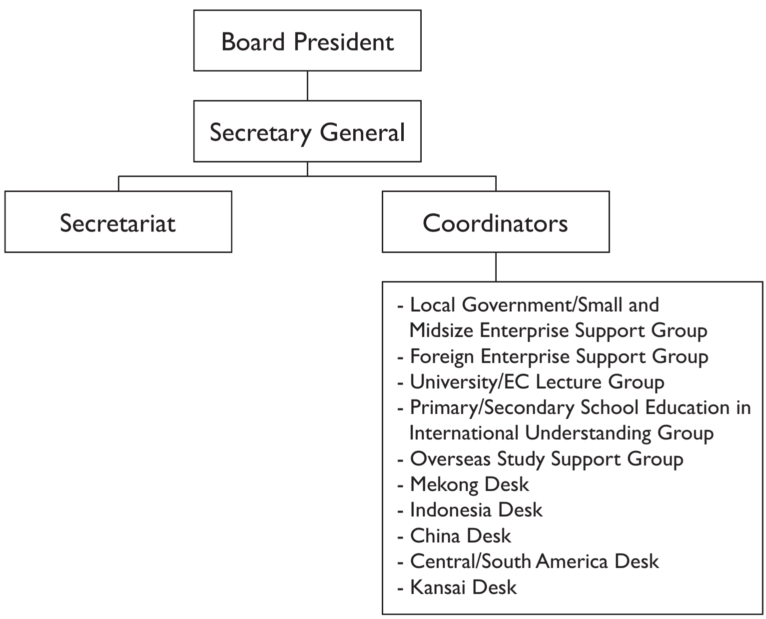
Overview of ABIC's Organization and Operation

Trading companies create new business opportunities in the areas of domestic commerce, imports and exports, and business investment. They are a type of business organization unique to Japan that specializes in opening up new markets and playing the role of contact point between customers. ABIC is an NPO that was established by the Japan Foreign Trade Council, Inc. (JFTC), a business organization composed mainly of major trading companies, as part of its efforts to make a social contribution. The work of ABIC is separate from JFTC's public activities aimed at influencing government policy, etc.

Aiming to make use of the NPO system to actively contribute to international society, by bringing together and organizing independent volunteer activities, JFTC set up a Study Group, then a Preparatory Committee,[25] and finally in May 2001 launched ABIC as an NPO in accordance with the Law to Promote Specified Nonprofit Activities (the so-called NPO Law, which took force in December 1998).

The stated goal of ABIC is "to promote social contribution, both domestically and internationally, by providing government-affiliated institutions; local governments; private-sector enterprises, organizations, and groups; and schools

Figure 2.1 ABIC Organization Chart



and educational institutions with mainly human support, through cooperative and exchange activities at the private-sector level." A majority of ABIC's Active Members are retired former trading company employees. They make use of the abilities and experience gained from their economic activities in a variety of countries throughout the world in projects related mainly to international co-operation.

Table 2.1 FY 2004 Income and Expenditures, ¥1,000

Income	
Dues	6,700
Business income	33,837
Securities income	300
Miscellaneous income	483
Current term total income (a)	41,320
Income-expenditure differential carried over from previous term	8,584
Total income (b)	39,486
Expenditures	
Business expenses	37,909
General management expenses	2,276
Fixed asset income and expenditures	408
Current term total expenditures (c)	40,593
Current term income-expenditure differential (a) – (c)	727
Income-expenditure differential carried over to next term (b) – (c)	9,311

Table 2.2 Composition of Membership

Member Category		Annual Dues	No. of Members
Official member	Individual, company or organization that promotes ABIC's activities (board approval required)	¥10,000 per person	4 persons
		¥50,000 per company or organization	16 companies
Supporting member	Individual, company or organization that endorses ABIC's mission and pays dues as a Supporting Member	¥5,000 per person	293 persons
		¥10,000 per company or organization	3 companies
Active member	Individual that registers with ABIC to participate in its projects	Not required	1,683 persons

Current as of April 2006. Number of Active Members current as of March 31, 2006.

JFTC and its member companies support the work of ABIC by supplying personnel (officers, directors, secretariat), physical assets (offices, furniture, equipment), money (capital), and essential information. For example, the ABIC office is located on the premises of JFTC, and most of ABIC's income consists of donations from JFTC and its member companies.

The number of secretariat personnel is kept as small as possible,[26] so all tasks other than management of accounting, receipts and expenditures are the responsibility of the "coordinators." Under the coordinator system, approximately 20 interested Active Members, who are retired company employees, are selected. They work alternating periods of two to three days per week at the secretariat. Working in their chosen areas, such as "local government/small and midsize enterprise support" or "education in international understanding," they perform support tasks for the secretariat, including sales activities and contracting out of various jobs. Their work schedule is decided when they sign their contracts, and the remuneration is small.[27] The coordinators do have the advantage, however, of being able to take on office work of the sort they used to do before retirement in a fashion that matches their own circumstances and needs.

Profile of Active Members of ABIC

ABIC has 1,683 registered Active Members.[28] There are no restrictions on membership in terms of work experience or age. Members are recruited by (1) placing notifications in bulletins or in-house accouchements of member companies, (2) distributing recruitment details to retired personnel via the personnel departments of member companies, and (3) though a general call for members on the Web site of ABIC. The registration process nevertheless includes detailed questions covering experience overseas and employment history, and this serves as a selective filter for prospective Active Members. As a result,

Table 2.3 Characteristics of Active Members

Persons with experience living abroad	88 %	
Persons wishing to participate in activities overseas	62 %	
Persons proficient in English and another foreign language	49 %	
Persons wishing to participate in general volunteer work	28 %	
Persons registered as proficient in foreign languages	English:	1,440
	Spanish:	187
	Chinese:	136
	(and many others)	

retired former employees of trading companies constitute about 90% of Active Members. In addition, nine in ten Active Members have experience living abroad, and more than half are proficient in foreign languages other than English. They therefore bring a broad range of experience and capabilities to the activities they participate in.

The main motives for participating cited by Active Members are as follows:

- I'm quite healthy, and I want to make a social contribution in an area such as international exchange, economic cooperation, economic revitalization, or education by utilizing my experience, knowledge, and personal connections.
- I want to maintain contact with society within a schedule convenient to me.
- Rather than focusing on hierarchical relationships within an organization, I want to choose my tasks and make use of my abilities in an autonomous manner.

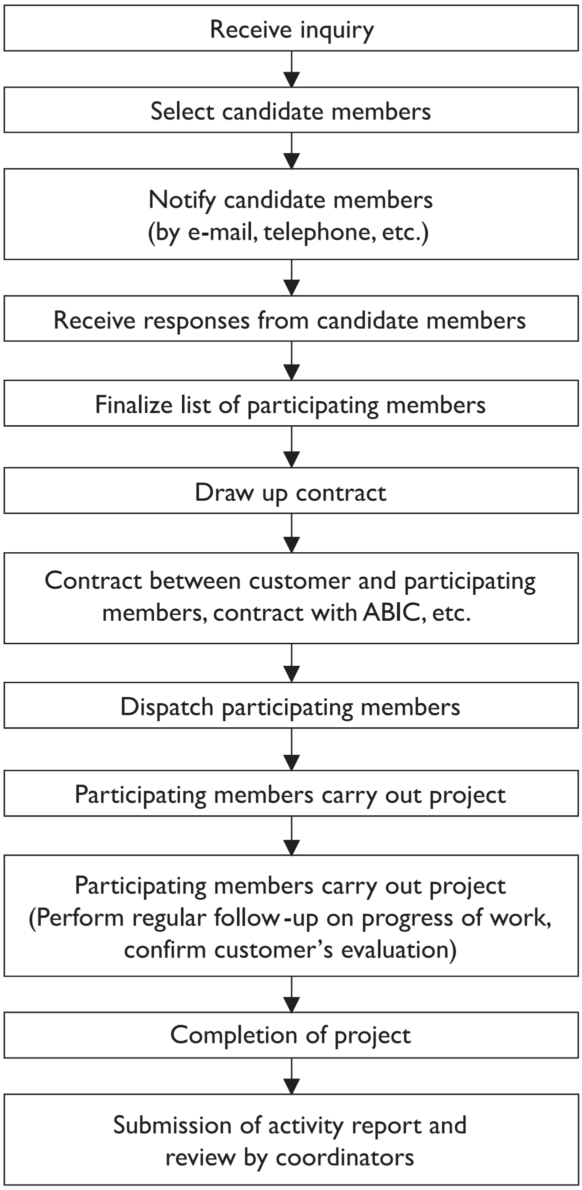
Though some people want to receive remuneration commensurate with the work they do, for most the main consideration is the feeling of fulfillment they gain from still being able to make a personal contribution to society, away from the corporate world and with no worries about raises or promotions. The majority of Active Members consider the sense of accomplishment and pride in their achievements they feel to be the biggest compensation they receive. As a result, it is not uncommon for Active Members to put a great deal of time and effort into preparing for their chosen activities.

Procedure of Activities

The coordinators are responsible for most jobs such as selecting personnel, making arrangements with customers, and matching up suitable persons and tasks. They search the database of members for persons matching the requirements of the project, inform the members they identify by e-mail of the requirements, solicit participation, select the final participants, and then dispatch them. A follow-up review is performed following the completion of each project.

If there are no suitable candidates, the coordinators scout among their circle of friends and acquaintances. They may also utilize networks including other NPOs or business organizations. As former corporate employees, they are able to make full use of the skills they honed throughout their careers.

Figure 2.2 Task Flowchart (Typical Case)



As a general rule ABIC charges for its activities. Since the work is performed for pay it can guarantee that its members will act responsibly, and clients also take the transactions seriously. Nevertheless, in keeping with its founding goal of contribution to society, ABIC also undertakes many tasks on an uncompensated volunteer basis, such as providing assistance to foreign students studying in Japan.

Fields of Activity

ABIC's main fields of activity are (1) economic cooperation with government-affiliated institutions, (2) support for and collaboration with local governments and local small or midsize enterprises, and (3) educational activities.

(1) Economic Cooperation with Government-Affiliated Institutions

ABIC assists organizations such as the Japan International Cooperation Agency (JICA) and Japan External Trade Organization (JETRO) in recruiting personnel by informing registered members about help-wanted information. ABIC also accepts contract jobs directly from such organizations. As a result, in the six years since ABIC's establishment a total of over 200 related specialists and volunteers have assisted in activities in a variety of countries, particularly developing nations (see Table 2.4). In 2004, in the wake of the earthquake off Sumatra, Indonesia, and the ensuing tsunami disaster, the Japanese government dispatched approximately 900 Self-Defense Force personnel to assist in recovery operations. In response to urgent calls for persons proficient in Bahasa Indonesia, ABIC sent three seniors to Sumatra to act as medical interpreters. In addition, they played a valuable role as advisors to the young rescue personnel and others, and in helping with administrative tasks.

(2) Support for and Collaboration with Local Governments and Local Small or Midsize Enterprises

Many small or midsize enterprises struggle with insufficient know-how in their efforts to expand their operations overseas or deal with international business partners. The shortage of people with overseas business experience is particularly acute in regional cities. To date ABIC has dispatched more than 300 per-

Table 2.4 Countries to which ABIC has Dispatched Personnel

Americas:	Mexico, Ecuador, Paraguay, Venezuela, Argentina, Bolivia
Europe:	France, Hungary, Poland
Mideast/Africa:	Syria, Saudi Arabia, Egypt, Nigeria
Asia:	Kazakhstan, Afghanistan, Pakistan, Sri Lanka, Thailand, Indonesia, Cambodia
Oceania:	Samoa

sons to various places in Japan to provide assistance. Active Members dispatched in this way make use of their own business experience to provide support for tasks such as selling the client's products overseas and opening up new sales channels. They also provide advice on trading procedures and provide assistance in international procurement and overseas expansion.

(3) Educational Activities

ABIC organizes classes for adults, lectures at universities, and education programs at primary and secondary schools to foster international understanding, as well as dispatching instructors to assist corporate employees about to be posted overseas. Under an industry-academia collaboration agreement reached with university partners in 2003, ABIC is promoting research projects. At the university level alone, ABIC dispatches instructors to over 30 institutions annually. Each year a total of more than 300 persons affiliated with ABIC give lectures at educational institutions throughout Japan.

(4) Other Activities

Additional activities undertaken by Active Members include advisory tasks for foreign companies, support work such as serving as interpreters at international events including international trade fairs and the FIFA World Cup, conducting classes on Japanese language and culture for foreign students in Japan, and holding "international seminars" aimed at deepening understanding of how Japanese enterprises should operate.

Example Projects

(1) Japanese Language Instruction for Young Students of Foreign Nationality

One project that makes excellent use of the special characteristics of the ABIC membership is the dispatching of instructors to help primary and junior high school children of foreign nationality transferring to Japanese schools. The instruction covers various aspects of adapting to a new living environment, including the Japanese language and school life.

Typically such cases are handled by relying on former schoolteachers or local volunteers. In cases where the child's family does not understand either Japanese or English well, however, it is not uncommon for there to be communication difficulties that may prevent important notifications and instructions from the school from being understood. There are also sometimes cases of children from other countries who have difficulty making friends and are unenthusiastic about attending school because of unfamiliarity with the new language, customs, and system. For former trading company employees, the program offers a chance to make use of their own experiences of living abroad and having their own children attend local schools.

For example, in one instance a request was received from the city of Tama in Tokyo. Beginning in the 2003 school year ABIC Active Members provided individualized guidance to 28 foreign primary and junior high school children.[29] The two-hour sessions were conducted once a week and continued for six months to a year. The instructors worked to unlock the feelings of the children by speaking to them in their native language, and to provide guidance appropriate to their grade, level of understanding, and needs. In some cases specially procured (or handmade) textbooks were employed.

Since many Active Members have an understanding of the local language, situation, and local temperament of the regions where they once lived and worked, they are able to befriend the children and, in addition to teaching them Japanese, to play a useful role by keeping their parents or guardians informed of school policies and discussing various matters with them.

One Active Member described his impressions after participating in the program as follows: "Japanese language instruction involves more than simply teaching the language. I deeply feel that it is an activity that entails seeing things from the children's point of view and helping them adapt to a new society and culture."

(2) Contracting to Carry out a Market Survey on the Popularity of Dried Fruit from the Andes

The market survey on the popularity of dried fruit from the Andes was the first consulting project ABIC carried out on a contract basis.

In 2003 ABIC received a request from JETRO to produce a proposal on the implementation orientation of local surveys related to the "Andes 'New Food Industry Promotion' Program," which aimed to determine the marketability of new foodstuffs from the Andes region that were considered to be promising as exports to Japan. JETRO eventually contracted with ABIC to carry out a market survey. ABIC set up an Andes New Foodstuff Team comprising six seniors with experience in the Andes region and a knowledge of the local cuisine and foodstuffs. The project moved forward with each member of the team concentrating on his own area of special expertise.

The requirements were demanding and the deadline was short. The survey covered a wide and sophisticated scope, including selection of approximately

50 representative Andean foodstuffs; investigating their classifications, where they are produced and processed, their principal constituents, their effects and efficaciousness, and how they can be used; and preparing proposals including information on the record of past importation to Japan and the companies handling it, relevant laws, market conditions, and examples of past successes and failures. Nevertheless, the participants were highly motivated, sometimes working all night long as the due date approached. They themselves proved that though elderly they were capable of producing results on the same level as in their previous careers. The secretariat analyzed the outcome of this project and came to the conclusion that voluntarily pursuing work one enjoys leads to excellent results, as in this case.

ABIC – Summary

ABIC is worth examining as an NPO that offers unmatched specialized expertise, diversity, and flexibility by utilizing retired personnel from trading companies with abundant international business experience and know-how.

The fact that ABIC receives extensive support from an industry organization like JFTC, as mentioned above, is also unusual. It can be cited as an excellent example of corporate and industrial contribution to society. Most of the more than 1,600 Active Members are former employees of the member companies, which is to say retired trading company employees. These retired elderly persons are making use of their ties to the industry in which they once worked, that is to say "business community ties," to continue to participate in society and realize themselves. It therefore should be emphasized that ABIC is oriented toward corporations and industry to a high degree.

In Japan most NPOs[30] are engaged in charity projects or advocacy work. NPOs like ABIC that perform projects for a fee to better balance income and expenditures are unusual. ABIC plans to continue to pursue its social mission. Rather than considering the NPO classification as a scheme to obtain cheap labor, it aims to maintain the transparency and trustworthiness demanded of an NPO while creating new specialized social services.

2.2 Utilizing the Elderly Population in the Future Based on Local Community Ties

In the course of their activities as members of society, "local community ties" are one type of personal relationship that men and women, young and old, cannot avoid. There is a direct connection between local community ties and the amount of time one spends in the community. They are therefore extremely important to elderly persons whose length and duration of presence in the local community changes significantly due to the external factor of "retirement."

Here we introduce an example of good practice involving a local currency. We also consider ways of using such schemes to increase participation by retired and elderly persons in the local community.

Definition of Local Currency and Reasons for Introducing One

Unlike an official currency that is issued nationwide, a local currency is defined as "a system, based on trust and rules within a specified local government, region, or community, whereby services performed reciprocally are represented by a special medium and this medium can be presented in exchange for other services or goods."

Local currencies can express value that is difficult to express using official currency (such as volunteer or community activities founded on goodwill), so they can produce benefits such as the following:

- Fostering of mutual help in social welfare, etc., by broadening the spirit of cooperation through giving and receiving goodwill
- Promotion of activities designed to invigorate the local community

Furthermore, by exploiting the character of local currencies as something that can be used only in a specific region, effects such as the following can be anticipated:

- Stimulation of the local economy by limiting the outflow of currency from the community

History of Local Currencies

There have been two periods when local currencies have flourished: during the Great Depression of the 1930s and from the 1980s through the present.

During the Great Depression of the early 1930s many communities in Europe and the United States were devastated by currency shortages caused by severe deflation. Some introduced local currencies as a way to relieve the economic crisis and revitalize the local economy. The local currencies instituted at that time proved their effectiveness by successfully bringing new vigor to local economies. They were subsequently prohibited, however, by central governments and central banks wishing to exercise control over the economy by exerting their exclusive right to issue currency. The local currencies then gradually disappeared.

The second wave of local currency expansion is considered to date from 1983 and the launch of LETS (Local Exchange Trading System) in Canada's Comox Valley, an effort in which Michael Linton played a central role. This began as an attempt to alleviate the serious state of the local economy, which was then characterized by approximately 20% unemployment. In response to the LETS proposal, local currencies began to come into use and spread rapidly to many communities in North America and Europe.

Two representative examples of local currencies are LETS in Britain and Time Bank in Italy.

LETS is a local currency based on a common interest in the idea and whose exchange is limited to a very small number of people.[31] Participants specify the service they are willing to provide (an Offer) and the service they are interested in receiving (a Want). The secretariat draws up lists of the Offers and Wants (bulletins) and distributes them to members.

In the areas where the system operates, nothing corresponding to paper money is issued. Instead, personal checks are used to maintain a record of transactions. Members contact each other directly, using the list as a basis, and they decide on the specifics of the service and the price between themselves. Since these transactions are realized through communication between members, participants have the chance to meet each other face-to-face, and bonds between members of the community are enhanced.

Time Bank in Rome is a scheme whereby working women lend each other their time as they go about their daily routines involving job, family, and personal time. It is based on the idea that collaborating and taking turns doing various tasks (for example, one member taking her children and the children of several other women to the pool together) allows all the participants to save time. In 1996 Rome city hall began providing operational support for the Time Bank system and publicizing it. Since then Time Bank has steadily grown in scale.

Today all 19 Districts of Rome have Time Banks and the secretariat operations are performed by an NPO.

Applicants are first screened by the secretariat and required to record information on their own knowledge and skills. The secretariat maintains a database of the knowledge and skills of members and serves as an intermediary. To arrange an actual time exchange, the person offering and the person receiving the time visit the secretariat office, discuss the details in the presence of a secretariat official, and then exchange a check to finalize the deal.

An important concept in the Time Bank scheme is the notion that time is the only unit of exchange. The value of the activities themselves is not considered. Thus, the system is based on the premise that all services be treated equally in terms of time. The basis of the Time Bank movement is the idea of interacting with others by using one's own knowledge and skills in areas unconnected with economic activities and the belief that conveying one's knowledge and skills to someone else is something of value.

Eco-Money in Japan

The local currency idea was introduced in Japan in the latter half of the 1990s, and approximately 800 communities have implemented some sort of local currency. There have nevertheless been many problems regarding "quality," in terms of the scale of participation, the frequency of transactions, and the impact on community revival and stimulation of the local economy. As a result, many of the weaker schemes are gradually falling by the wayside.

One of the outgrowths of this trend was Eco-Money, a local currency concept unique to Japan that emerged around 2000. The Eco-Point system introduced in the Karasuyama district (Setagaya Ward in Tokyo) is a successful example.

The term Eco-Money is intended to combine the ideas of "ecology," "community," and "economy." Eco-Money is a means for members of the community to exchange value that cannot be expressed in terms of conventional currency, such as benefit for the environment or social welfare. What sets it apart is that it is aimed at large numbers of basically undefined participants, not limited to mutual aid involving a small group of people who share a common interest, and that it endeavors to involve businesses and enterprises in reciprocal exchanges. Therefore, it is necessary to create an arrangement whereby all participants are in a win-win relationship. In addition, Eco-Money was successfully introduced on an experimental basis as a tool to promote the environmental movement at the Aichi World's Fair (2005), which took as its theme "Nature's Wisdom."

“Stamp Republic” Karasuyama Shopping District Eco-Points

Businesses in the shopping district near Karasuyama Station issue coupons under a special “Diamond Stamp” system to promote sales at the individual shops and maintain the vitality of the district. The system has expanded to include all sorts of local activities. Known as the Eco-Point scheme, this private-public sector initiative is helping to contribute to the overall vitality of local activities and the local economy.

As is typical in suburban areas, the shopping district is centered around the local train station and extends north and south approximately 1.5 kilometers. The business region has a population of about 70,000. From Karasuyama Station it is a mere 15-minute train ride or so to major shopping districts such as Shinjuku, Shibuya, and Kichijoji. In addition, large supermarket chains have opened stores in neighboring districts. The Diamond Stamp system was introduced in 1965 as a survival measure to deal with the danger of an outflow of customers.

The Diamond Stamp system has its own distinctive features. Participating shops purchase coupons (stamps) from the management association for ¥2 each. Customers are given one coupon for every ¥100 in purchases, and they can redeem the coupon booklets they accumulate (each of which contains 350 coupons, equivalent to ¥35,000 in purchases) at the shop of their choice. Each coupon booklet can be used to purchase ¥500 worth of goods or services.

Customers can also convert coupon booklets into value (¥500 per booklet) that can be deposited in savings accounts at local financial institutions. They can also be used to pay for medical checkups, bus tickets, and event tickets at a good exchange rate. In other words, the stamps serve as a pseudo-currency within the shopping district. They can be employed for economic transactions of almost every type, making them very convenient to use. In addition, their diverse added value increases the motivation of customers to collect the stamps.

Shops receive ¥500 in exchange for each full coupon booklet they turn in to the management association. In other words, the only expense is the original cost of the coupons, which is equivalent to 2% of the sales they represent. In this way both the customers and the businesses become part of a reciprocal economic cycle.

The management association buys back for ¥500 per booklet coupons it originally issued for ¥700. The ¥200 difference is used as capital to cover the work of the association and to finance events, thereby helping to attract customers and being cycled back into other activities.

Continuing improvements to the system have paid off, and in the four decades since its introduction the total value of coupons issued has grown steadily. In fiscal 1995 a peak of ¥300 million was reached, and the level since then has remained robust. In other words, in a business region with a population of 70,000 more than 600,000 pseudo-currency coupons were in circulation. It should be remembered, however, that shopping locally means that more than "goods" are cycled back into the community. The system is remarkable for the emphasis it places on the pursuit of a seamless connection between buyers and shops.

This is something that is accomplished through face-to-face communication of a sort that large retailers cannot emulate. The result is that customers can feel at ease and shopkeepers enjoy their work and feel just enough pressure to motivate them to come up with ways other than price to attract customers. Furthermore, young people learn from these long-term efforts by shopkeepers and prepare themselves to take over as the next generation of proprietors. The local shopkeepers say that they have no difficulty persuading their children to continue in the family business. In this way a distinctively Japanese Eco-Money system that serves to nurture the health of the local community has come into being.

Recent Developments of the Eco-Point Scheme

The Eco-Point scheme applies the type of system discussed above to areas other than commercial activity, allowing community members to exchange mutual aid work with each other. At the time it was introduced in 2006, the community was struggling with issues such as revitalization, safety and security, maintaining a child-friendly environment, environmental preservation, and promoting good health. As an initial effort at dealing with them, new applications for the local currency idea were examined. The result was the introduction of new point systems (some of which are still under study), such as "no-packaging points" and "recycling points"[32] to help the environment, "volunteer points" and "courtesy points"[33] to enhance the local quality of life, and "sports points"[34] to promote a healthy lifestyle. The idea was to introduce a system that would be easy to promote to local people and would be likely to contribute to community vitality.

The following describes an example of the implementation of a local scheme. In 2003 ¥1 million from the ward's sanitation budget was used as capital to issue Eco-Points. The Eco-Points were distributed to volunteer participants in return for tasks such as collecting trash and processing abandoned bicycles. In the end, some 70% of the Eco-Points issued were used by volunteers to make purchases at local businesses. In fact, 5% of the total purchase amount for these transactions was covered by Eco-Points and the remaining 95% was paid in cash. The program is therefore estimated to have generated a total economic impact of ¥14 million.

Subsequently, a citizens' group was formed to promote local trash collecting activities. These activities were expanded to once per month on a continuing basis. One of the reasons for the effort's success is that the volunteers were given visible recognition of their goodwill in the form of Eco-Points, which were both effective and convenient because they could be redeemed for purchases at local shops. In addition, the "anyone is welcome to participate" aspect was brought to the fore, for example by issuing no uniforms or the like to participants. The local government is presently studying the possibility of issuing certificates of commendation to participants who have made a significant contribution to the local community.

The functions covered by the scheme are steadily being expanded to meet the demands of the times. Subsidies are provided by the local authorities to assist in equipping the system. Already 12,000 smart cards[35] embedded with IC chips have been issued, and they are presently being used alongside the original stamps. Point management utilizing the IC chips built into mobile phones is also being considered. Participants can check their household point totals via the Internet. The reason for introducing IT is not increased multifunctionality, however. One likely reason for the recent success is that the aim has been to create a "mobile phone stamp box" that would allow all users to enjoy maximum convenience.

Endeavors such as this depend entirely on the participation of persons who live near or are within the business region of the shops involved. They are therefore quite promising as means for encouraging retirees making the shift from corporate activities to community activities to become involved in local affairs. Such schemes offer a way for retirees to serve as a motive force driving the vitality of community activities and the local economy. In fact, as the baby boom generation approaches retirement age, the ward office has established a special section to discuss with the merchants in the shopping district ways for the elderly of today and the next cohort of elderly persons to become more involved in the local community.

Local Currencies as a Way to Increase Active Involvement by Retired Volunteers

There is an NPO in Japan (NALC: Nippon Active Life Club) that has implemented a time deposit system that is something like a "Time Bank for seniors" on the Italian model. Like ABIC, which was mentioned earlier, its membership is composed mainly of middle aged and elderly persons who gain a sense of fulfillment through socially useful activities, including mutual aid work such as nursing care and contributing to the community. NALC is a large-scale NPO with 20,000 members that is active is 115 communities throughout Japan.

In light of the characteristics of local currencies mentioned in the preceding section, it is clear that the operating philosophy of a large NPO like NALC has a lot in common with the concept behind Eco-Money. Such schemes may have hidden potential as tools for encouraging social participation by the elderly.

Most of the "salarymen" who constitute a large portion of Japan's workforce are so-called "company men." The company is the base for their day-to-day activities, they spend the majority of each day in the city center, and for many years they live a life that is physically separated from the local community in which they reside. For former "company men" such as this, who have been cut off from their households, community activities, volunteer work, etc., the desire to work, to "do something with oneself," is strong even though they are now retired. In addition, they are still quite capable of putting their desire into action. In order to live full lives as senior citizens, they must look for places to be active, whether in the home or in the local community.

On the other hand, local communities are eager to make good use of these human resources that have returned from the city center to stimulate the economy and in local activities.

We believe that local currencies can be an effective tool to link these two needs. One distinctive aspect of a local currency is its function as a visual recognition of goodwill. This means it can provide an objective index of the contribution to the local community made by retirees. We believe that by satisfying the desire of retired persons for social recognition, it is possible to help encourage younger retirees to participate in local activities and volunteer work.

In the Karasuyama shopping district mentioned earlier, efforts are underway to recycle goodwill back into the community through a database cataloging the skills of retired persons, a general consulting counter that has been set up among the shops, and the Eco-Point system.

In addition, a time deposit system allows younger retirees to store time credit that they can use when older as a supplement to their existing financial resources for living expenses, including public pensions.

Nursing care for the elderly, a field where serious labor shortages are predicted, also seems promising as a community activity that younger retirees who are still vigorous in body and mind can be encouraged to participate in.

3 Practices in Finland

Finland's aging policies support the main goal of economic policies in Finland at large, which is to preserve and develop the welfare of its people within the framework of an open market economy.

Pension reforms and "active aging" campaigns are conducted in order to raise the employment rate and foster economic growth. The reform of the public service provision approaches the same macroeconomic equation from the other side, the goal being to keep the costs of the public service provision under control.

On the first point Finland is surely off to a good start. "System fixes," such as pension and social security system reforms, and national programs on active aging have contributed to raised awareness over the aging issue. More concrete results from these policies may be anticipated over time.

On the latter point Finland might just be going in the wrong direction. The need for a public service provision reform in Finland is evident to all. But it is questionable whether the right thing to do is to stick to in-house provision of public services and to try to search for more productivity through production-oriented reforms instead of relying on markets to a higher degree.

The following two sections present Finnish practices on active aging and public service provision reform. The cases chosen have a common feature of being forerunners in Finland in their branches.

3.1 Company-level Active Aging Initiatives

Finland has received international praise for its comprehensive active aging programs.[36] Whereas government programs seem to be in good shape, there still remains a lot to do, especially at the very grass-roots level of active aging policies.

The Finnish workplaces have, in fact, a rather modest track record in active aging practices. One of the reasons for this is the rigid, highly centralized labor market system. In the realm of this so-called TUPO-system (Comprehensive

Incomes Policy Settlement System) national employer and labor union confederations negotiate very broad collective agreements. These agreements go far beyond setting the wages to instituting detailed rules and norms concerning working life. At the workplace level, careful implementation of these rules has traditionally been a top priority for both the employers and employees.

The centralized system leaves limited room for maneuver on local bargaining and hence limits the possibilities to apply new practices at the workplace level. Perhaps more important, it has also spread a passive atmosphere, which has not encouraged the employers or employees to search for new and creative solutions at the local, company or production unit level.

More reasons for Finnish employers' bad track record in active aging may be found in usual Finnish practices concerning plant closures and layoffs. A standard measure in those situations has been to take full advantage of the generous exit routes for the elderly workers offered by unemployment benefits and the pension system, the so called "unemployment pension tunnel."[37] Although Finland has fairly broad anti-discrimination legislation, the layoffs of the elderly have not been contested in court. This might indicate that there is an implicit consent on these policies from the employees' side.

Younger workers are in general cheaper for the employers. Finland is no exception in this regard, although compensation for seniority is not as high in Finland as it is in many countries. In Finland, one of the main financial extra aging-related burden for employers caused by the elderly workers relates to disability pension contributions. These are steadily at a high level because Finns, for a variety of reasons, suffer from many long-term illnesses. On the other hand, the frequent use of the disability pension is a part of the Finnish early retirement culture – one third of the population aged 60-64 is on disability pension.

Moreover, opinion surveys and research suggest that working life has recently become more stressful and demanding for the workers. Although the evidence for this hypothesis is partly only anecdotal – especially concerning the idea that working life was less stressful in the "good old days" – it cannot be refuted with a wave of the hand. If there is a common belief that working life has become more stressful, it partly explains elderly Finns willingness to retire well before the official retirement age.

All in all, several factors have contributed to a culture of early retirement that became prevalent in the 1980s and was accentuated by the economic crisis in the beginning of the 1990s. It is here that the numerous Finnish projects on active aging, occupational health and employability run since the 1990s have become useful. They have reminded us that the norms given top-down are not the only means to improve working life. In fact, active aging programs themselves are ineffective without action at the company level. Each company, or more precisely, each workplace, has to find solutions and practices that fit its own, unique situation.

Abloy Agemasters

Abloy lock-making factory in the city of Joensuu[38] employs roughly 800-900 workers, making it a fairly large plant by Finnish standards. The factory was founded in the late 1960s and a large part of today's active workforce was recruited in those early years. A second major wave of recruitment in this factory took place in the 1990s. As a result, the age structure of the workforce in the turn of the millennium was – and still is – skewed with "humps" in the both ends of the distribution.

The challenge for this factory posed by the aged workforce was twofold. First, the average retirement age at the factory was 59 years, precisely at the Finnish average. Early retirement of this factory's very large cohorts of the elderly would have become particularly costly for the firm. Second, the high level of professional skills and know-how held by the experienced elderly workers was considered to be an important component in the competitiveness of the factory.

The "traditional" option for the management would have been to do nothing and let the elderly retire in normal Finnish fashion at average age of 59 and to try to recruit and train a very large cohort of new workers at short notice.

The management decided to try, however, to enable and persuade older workers to extend their working lives by a few years in order to make the transition in age structure of the workforce smoother. It also recognized that the transfer of the know-how from the old to the young would require both time and smoother collaboration between the age groups.

The goals set for the first Agemaster project were to:

- Extend the elderly worker's working lives by two years
- Diminish absence from work due health problems by 1% each year
- Increase the overall appreciation of the elderly workers
- Promote transfer of skill and know-how

The means to achieve these goals included:

- Turning managerial focus more towards the needs of the elderly workers
- Extra efforts to evaluate and maintain the health of the elderly workers
- Extra “agemaster” -leaves for the elderly
- Information campaigns on the subject of active aging for all workers
- Social activities for the agemasters

The management was asked to pay attention and give special consideration to enhancing ergonomics at work for the elderly and to assign the elderly more suitable work tasks and work shifts. Moreover, the development of the skills of the agemasters was to be encouraged.

In the field of health care and employability the agemasters were granted free access to a gym and subsidized access to physiotherapy treatments. Regular health checks and regular condition checks (at least 1 per year) were required and the health checks were followed by tailored personal training plans.

Agemasters over 58 years were entitled to extra paid leaves according to their age:

58	6 days
59	8 days
60	10 days
61	12 days
62	14 days
63	17 days
64+	20 days

The company itself describes the results of the agemaster program as “promising”. From the point of view of government aging policies, however, they have been astonishing. The average retirement age has risen by *more* than three years from 59 to 63.

This means that if each Finnish workplace would accomplish similar, or even more modest results, the government goal of raising the average retirement age would be fulfilled.

Even more important is the fact that the key factor in prolonging working lives has not been the rules or standards applied, but rather the appreciation and generosity shown by the company, management and fellow workers towards the elderly workers. The sense of belonging to a group, the agemasters, which are seemingly proud to continue working to benefit themselves and others, cannot be underestimated either.

3.2 Two Initiatives for Demand-oriented Production of Welfare Services

In an aged society the demand for welfare services[39] such as health and elderly care services will grow. The scope of the services demanded will widen beyond standard treatments in standard hospitals or standard institutional care in standard elderly care institutions.

The expenditure spent in these services will naturally grow as well due to increased volume, greater variety of demand and more advanced and expensive services (for example medical treatments) and products (such as pharmaceuticals).

In any other branch of the economy this would be extremely good news. In welfare services, however, this means trouble. The reason is of course the public financing of these services. More services – and more costly services – require more stringent taxation, which in turn might hamper economic growth.

The Finnish welfare society is founded on two basic principles: (1) *justice and equity* – the same high standard of basic welfare services is to be guaranteed to everyone, irrespective of their income, social status or place of residence, and (2) *common financing* – the basic welfare services are financed through taxes. Neither of these two principles is contested in the Finnish policy discussions over welfare services. An overwhelming majority feels that services ought to be free for the users and they should to be financed through taxes.

Still, the changes in demand for welfare services brought about by aging should have a deep impact on ways how Finns look at their welfare services.

First, there exists a large potential for increasing productivity in welfare services. These services are traditionally not only financed but also produced by the public sector itself. Outsourcing and competition between different service providers is almost non-existent. This means of course a lesser degree of innovation and less search for productivity-enhancing concepts in the production of these services. It is important to note that neither of the basic principles of the welfare society (justice and equity or common financing) require that the services ought to be publicly produced. The only thing which matters is that everyone has access to the services when needed.

Second, Finns have for a long time fostered hopes to utilize their know-how in welfare services in business terms. The quality of Finnish welfare services, research and know-how are internationally recognized to be at a high level. Exporting high quality service concepts globally is indeed a great vision for Finland in the future. Nevertheless, it is also a vision which seems to be quite far away in the future, since Finns currently lack the skills needed to transform their excellent know-how on these services into successful and exportable commercial concepts.

In an aging Finland, it is high time to start experimenting with such concepts. When the domestic market for services expands with aging, the concepts could be tested and perfected in order to be ready and exportable when other countries start to reach the super-aged era. In what follows two pioneering examples of this kind of concept-building are presented.

The Rheumatism Foundation Hospital

Health care is, in the end, a service business. In order to be successfully run, it needs a consumer-oriented approach as much as any service business. Demand is an unclear factor, however, in the Finnish public health care system due to following reasons:

a) Financiers have no power. The services are free of charge to the clients and therefore no price mechanisms steer the demand. As the bills are paid through taxes, no-one effectively manages the costs of care given.

b) Patients have no power. In the realm of the public system, the patients cannot decide for themselves when, where and how they are to be treated.

c) Competition does not exist. The competition in the provision of public health care is virtually non-existent. An inefficient producer cannot be forced out of business. Tools such as quasi-markets, with which the organizing party (municipalities in Finland) could seek for the best producer through *purchaser-provider -models,* have been taken in use in a very limited extent.

As neither the financier nor the patients have any power regarding the health care system and competition does not exist, nothing steers the demand. Finnish hospitals are typically overloaded with patients streaming in. Therefore, in hospitals the focus is stuck on production, in trying to cope with the demand, instead of serving the customers as well as possible (consumers advantage) and instead of operating as efficiently as possible (financiers advantage). Thus the development of a typical Finnish hospital's operations depends on the enhancements made to the production processes. Regarding the diverse needs of an aging population, this simply is not the best possible mode of action.

Some hospitals, however, such as The Rheumatism Foundation Hospital, have had an opportunity to change their mode of operation from production-oriented units to demand-oriented ones. In RFH's case this was partly thanks to its differentiated role as a provider care to rheumatism and other muscelo-sceletal diseases, partly because it is run by business professionals who were able to rethink the overall concept by which the hospital was run.

First, the management saw that their hospital included, in fact, three different businesses:

a) Property management (i.e. the management of the hospital premises)

b) Utilities (i.e. the "hotel business")

c) The health care proper

Management also knew that each of these businesses needed specialized competences in order to be successfully run. The remolding of the RFH started from picking these businesses apart from each other. The businesses got their own specialist managers, who in turn were supported by multi-professional teams, which enabled free and creative exchange of views on the operations of the units. Perhaps most important, the experts in their respective branches were set free to focus their interest and use of time to issues in the realm of their core competence: For example, the doctors no longer need to engage in worrying about the technical details concerning the hospital premises.

At least as important as the reorganization of the operations, was the turn into a demand-driven mode of operations. Nowadays a treatment period at RFH starts always with an order, which is typically placed by either the financing hospital district or an insurance institution. The services are then provided according to what was ordered and the pricing of the services is fully transparent.

The advantages of the demand-driven mode of action are clear for each stakeholder. The patients will know well beforehand, what their treatment period will consist of. The hospital can plan its own actions in a most efficient way. The financiers can know beforehand the cost of the treatments, which also enables them to let different producers compete against each other.

Today the RFH is one of the most productive hospitals in Finland and provides an example of a modern, demand-oriented hospital unit.

Finnish Well-being Center in Japan

The Finnish Well-being Center in the city of Sendai, Japan, is a special nursing home based on Finnish thinking and know-how on the care of the elderly. The FWBC concept was spawned from Finnish aspirations to transform high level Finnish know-how in the care of the elderly to an exportable business concept. The whole initiative was triggered, however, by the interest shown by the Japanese towards the Finnish way of organizing the care of the elderly.

The Finnish research and knowledge in the care of the elderly is acknowledged to be at a high level. An exportable service concept was missing, however, and with it the way in which the virtues of the Finnish system were to be transformed into an export success.

The emergence of a successful service concept is usually a tedious process. A viable business concept has of course to be rooted in a specific demand it is supposed to meet (what is to be offered and to whom). A concept has to be thoroughly planned in terms what kind of organization is the best possible for meeting this demand. Because business concepts are to be introduced into a competitive market, they have to have unique and innovative features that give a competitive advantage to this specific concept. Finally, markets test and prove the viability of a services concept.

Due to the tradition of public sector in-house provision of care services in Finland, there were no ready and market tested service concepts available for the FWBC. Therefore, a concept was created from scratch with help from Finnish exports promoting agency Finpro. Several companies, research institutions and governmental organizations such as the National Research and Development Centre for Welfare and Health (STAKES) and Finnish Funding Agency for Technology and Innovation (TEKES) put their efforts together. The Development Bank of Japan was involved in the selection process through which the city of Sendai was chosen to host the FWBC.

The idea of the FWBC is to be a nursing home based on the Finnish care concept, architecture and technology, which:

- Represents the Finnish care model but is still compatible with Japanese thinking
- Provides rehabilitation, preventive health care and physiotherapy services

- Supports and provides services for the elderly living in their homes
- Is accessible to all and functions as a community and meeting place for the elderly living in their homes

The FWBC includes as well a separate research unit, where Finnish and Japanese companies and research institutions have a possibility to carry out research on active aging. The FWBC was inaugurated in March 2005. The center and the whole project has attracted considerable interest and several other Well-being Centers are in the making in Japan.

The center is of course a remarkable step for Finnish welfare services exports. But it ought to be as well an eye-opener for Finnish policymakers considering the reform of the public sector service provision. The very fact that nothing like the FWBC had ever been created *in Finland* in a form of a ready concept, is in itself a highly interesting issue. During the 1990s the welfare services sector was identified as one of the emerging business "clusters", which Finland should seek to develop in the future. The progress made on this front, however, amounts to next to nothing. The domestic market for welfare services has been and still is dominated by the public sector, which commonly acts as both the purchaser and the provider of the services.

A lesson from the Reuma and Sendai cases is that a big business potential lies in the Finnish care services know-how, but that potential is currently not being utilized. Another lesson is that rethinking the provision of the services and adapting a more consumer-oriented approach leads to innovations that enhance both the cost-effectiveness and the quality of the services.

4 Summary

Two features distinguish Japan and Finland from most other aging industrialized countries. The first is the rapidness in which the change of the age structure is taking place. The other is the high consciousness in both countries over the fact that our societies are changing with aging. The contents of this report can be summarized through following four observations:

1. Aging is inescapable for Finland and Japan. The birthrate is below population replacement level in both countries and especially low in Japan. A radical increase in the birthrate is not in sight in either country due to lifestyles prevailing in modern societies with high standards of living. Increased immigration would be an option, but perhaps not the most realistic one for countries with traditionally very low immigration figures.

2. Aging is likely to drive major societal and economic changes in both countries. Pensions, labor market questions and fiscal stability are typical public policy issues associated with aging. It would nevertheless be foolish to think that those questions are what aging society is all about. Aging will have profound structural effects on the economy (consumption patterns, organization of production and investment) and on the society at large (forms of organization, individuals' use of time and ways of living). The changes brought about by aging contain both threats and opportunities.

3. Japan and Finland are due to be forerunners in developing practices and concepts that work in a super-aged society. Japan and Finland can thus benefit from seizing some of the opportunities opened up by aging. Government policy reforms and initiatives might well be a part of this development by enabling private actors to engage in creating new practices. Still, the actual practices will stem mainly from private and third sector actors, companies and NPOs. The success of a practice depends, however, entirely on whether the elderly themselves see it as an attractive way to partake actively in the society as workers, volunteers, or consumers.

4. The best practices of an aging society have to benefit both the society and the elderly themselves. Elderly people wish to stay connected to the society in numerous ways - but in a schedule which convenes to their wishes. The Japanese examples presented in this report both focus on this aspect. ABIC, Action for Better International Community, gathers its momentum from the willingness of retired trading company employees to continue participating in the society and to continue to lead meaningful lives. Local currencies in their turn stem from individuals' desire to invigorate and benefit local communities. The activity of the individuals is crucial. Both initiatives would be worthless if citizens and individuals lacked the will to engage in these practices.

Elderly persons no longer have a need to strive for status and recognition for career purposes. Rather, what they seek, is to lead good and meaningful lives in the sense that ancient philosophy – both oriental and western – has described it. In this context achievements are valuable in themselves (and not only for example in terms of higher income or better career prospects). Activity – doing, achieving and contributing – bears an intrinsic value.

In having contributed to the economy and society in many ways, the elderly have naturally a desire to realize themselves. From the standpoint of fairness it is also reasonable to set them free to organize their post-career lives in a way most convenient to themselves. It is not unimportant, however, for societies and the economy whether the elderly choose to place their efforts toward leading good and meaningful lives inside or outside the society and economy. Incentives do matter. For example, reversing the strong Finnish culture of early retirement is likely to require further changes to the pension system. Still, no systemic reform can replace action at the company and workplace levels. The Finnish example of a company-level practice, Abloy agemasters, shows us that simply paying due attention and respect to the elderly workers makes a big difference. The elderly workers feel both able and proud to be able to continue at work a little bit longer, benefiting themselves, their company and the society.

In an aged society the service needs and demands of the elderly population will increase both quantitatively and qualitatively. From the viewpoint of public expenditure this is commonly seen as a problem. Nonetheless, learning to serve the demands of the elderly population, for example in the realm of health care, through new solutions and concepts might give countries such as Finland and Japan a pioneer position. The future burden of public expenditure might be easier to manage. What is even more important, these countries might have a head start in service exports vis-à-vis countries that have not yet had the need to engage in searching for more creative concepts. Another Finnish example in this report, describing two new openings in the Finnish services sector, discusses this aspect of the creative aging societies.

Footnotes

[1] The total fertility rate required to maintain the present population level in the future. It is approximately 2.1 in advanced countries with low mortality rates.

[2] Source: Collection of Statistical Population Data, National Institute of Population and Social Security, Japan.

[3] It is useful to bear in mind that in the EU, policies concerning ageing (including employment and pension policies) belong almost entirely to the competence of the member states.

[4] Annual edition of OECD Labor Force Statistics.

[5] European Commission: European Employment Observatory Review: Spring, 2003, pages 46–47, "Trends, Older workers: An Overview".

[6] FINPAW: Finnish National Program for Aging Workers.

[7] Source: EVA Value and Attitude Survey 2005. The respondents were asked to take a stand on the following proposition: "The offer (included in the pension reform of year 2005) to continue working after age 63 in exchange for a higher pension does not attract me personally."

[8] The latest of these acknowledgements is the 2006 Carl Bertelsmann Prize, by the Bertelsmann Stiftung, which was awarded to the FINPAW-program.

[9] OECD Factbook, 2006, published data by Ministry of Internal Affairs and Communications, Japan (2006.09.17).

[10] The active population (in Japan, employed and unemployed persons aged 15 or more) as a proportion of the total population, broken down by age group. The percentage of people who have a desire to work.

[11] "2004 Survey of Older Workers," Ministry of Health, Labor and Welfare, etc.

[12] Year 2003 for Italy. Source: International Labour Organisation (ILO) Bureau of Statistics.

[13] The proportion of number of employed persons to the population as a whole. For example, the labor force participation rate for persons 65 and older (%) = (employed population of persons 65 and older) ÷ (total population of persons 65 and older) × 100. Annual edition of OECD Labor Force Statistics.

[14] OECD Factbook, 2006.

[15] Total factor productivity: The portion of economic growth that cannot be measured in terms of productivity factors such as capital or labor, that is to say, the portion remaining when the contributions of capital and labor are excluded.

[16] NEET = Not in Education, Employment of Training, i.e. people who are not looking for work, attending school or in job training programs.

[17] TFR = Total Fertility Rate, Sources: Cabinet Office White Paper on Low Birthrates and the Aging Population 2002, Japan, and Statistics Finland.

[18] Extracted from World Development Indicators Data Query, World Bank, 2004.

[19] Annual Report of National Economic Accounts, 2004 fiscal year, Cabinet Office, Japan.

[20] Sources: OECD Employment and Labour Market Statistics – Population and labour force statistics Vol 2006 release 01 (historial data), Statistics Bureau of Japan and Statistics Finland (population estimates).

[21] “Making Japan a Society of Many Types of Social Ties in Which Individuals Can Actively Shine Together” (May 1996), Keizai Doyukai.

[22] Adopted by the Cabinet on December 28, 2001, in accordance with Article 6 of The Basic Law on Measures for the Aged Society.

[23] A type of non-profit foundation established under the provisions of the Law for the Stabilization of Employment of Older Workers (law No. 68, 1971) that receives assistance from national and regional public bodies to provide employment opportunities to elderly persons.

[24] Action for a Better International Community (ABIC); office: Japan Foreign Trade Council, Inc., 6th Floor, World Trade Center Bldg., 4-1, Hamamatsu-cho 2-chome, Minato-ku, Tokyo 105–6106.

[25] Preparatory Committee for Obtaining NPO Certification.

[26] ABIC secretariat has four full-time employees.

[27] Total remuneration paid to about 20 persons is approximately ¥13 million annually.

[28] As of April 28, 2006.

[29] The native languages of the children covered a wide spectrum, including Chinese (Beijing, Uighur region, Taiwan), Tagalog (the Philippines), Korean (South Korea), and Russian (Russia).

[30] - December 1998: NPO Law (Law to Promote Specified Nonprofit Activities) implemented.
- Current status as of March 31, 2006: 26,394 registered organizations. (There were said to be 960,000 NPOs in the United States in 2003.)
- Business scale: Average income and expenditures approx. ¥15.3 million (2003); 30% income from own business activities, 30% membership dues and donations, 10% grants in aid and income from contracted projects.
- Issues: (1) Establishing a stable income base (2) Increasing understanding of NPO activities.

[31] The borough of Camden in London has a population of 220,000 and a total of about 50 LETS members. The burden on the secretariat increases exponentially as the number of transactions increases, so this sort of system is suited to smaller communities.

[32] These are issued in return for actions that help reduce the volume of trash and thereby contribute to the global environment, such as turning down shopping bags at the supermarket checkout or collecting used printer cartridges for recycling.

[33] These are issued in return for actions that help make the community more livable, such as participation in trash collection or promoting use of bicycle parking areas.

[34] These are issued to promote use of sports facilities with the goal of encouraging a healthy lifestyle for an aged society.

[35] Plans call for the issue of 50,000 of the new smart cards, which went into use in June 2006.

[36] Especially the National Program for Aging Workers (FINPAW) has received positive appraisal from both the EU and OECD. Most recently, in September 2006, the Finnish Government received the Carl Bertelsmann Prize for its Aging Workers Program.

[37] OECD: Ageing and Employment Policies – Finland, (Paris: OECD, 2004), pages 48 and 92.

[38] The city of Joensuu lies in the province of North Carelia in eastern Finland. Abloy Ltd. is a part of the Swedish Assa Abloy group, the world’s leading lock manufacturer.

[39] In the Nordic Welfare Societies the term welfare services include a wide variety of services in the realms of health care, education, social services etc. In this section we focus on health care and elderly care.

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