

Japan's Employment System and Public Policy

Japan Labor Issues

vol.1, no.1, September 2017 – vol.8, no.46, Winter 2024

CONTENTS

Human Resource Management

- What is Japanese Long-Term Employment System? Has it Vanished?
- Recruitment and Hiring in Japan
- Allocation and Transfer in Japan
- Termination of Employment Relationships in Japan
 - Part I: Resignation and Termination of Employment Contracts by Mutual Consent
 - Part II: Dismissal and Refusal to Renew a Fixed-term Contract
 - Part III: Mandatory Retirement Age System
- Corporate In-house Education and Training and Career Formation in Japan
 - Part I: In-house Skills Development
 - Part II: Japanese Companies' Commitment to Employees' Career Formation
- Combining Work and Family Care in Japan
 - Part I: Why do Women Leave Jobs at the Stage of Childbirth?
 - Part II: What is the Challenge after Reforming the Long-term Care Leave System?
- Current State of Working Hours and Overwork in Japan
 - Part I: How Has It Changed Over the Years?
 - Part II: Why do the Japanese Work Long Hours?
 - Part III: How Can We Prevent Overwork?
- Fringe Benefits
- Wages in Japan
 - Part I: Why Does Japanese Wage Curve Have a Strong Seniority Element?
 - Part II: Wages and Size of Company
 - Part III: Wages and Forms of Employment

Labor-Management Relations

- What Is Shunto?
- Labor-management Relations in Japan
 - Part I: Characteristics of the Collective Labor Relations System
 - Part II: Trends and Current State of Collective Labor Relations
 - Part III: Systems for Resolving Individual Labor Disputes
- Labor Unions in Japan

Labor Market, and Labor Administration and Legislation

- Overview of Employment Policy in Japan
- Why Does the Older Population in Japan Work So Much?
- Youth Employment and Employment Policies in Japan
- What Causes the Gender Wage Gap in Japan?
- Non-Regular Employment Measures in Japan
- Changes in Japanese Policies for Accepting Foreign Workers for the Purpose of Compensating for Labor Shortage



Human Resource Management

▶▶ Human Resource Management

▼ Labor-Management Relations

▼ Labor Market

▼ Labor Administration and Legislation

▼ Social Security System

What is Japanese Long-Term Employment System? Has it Vanished?

Makoto Fujimoto

I. Employee tenure in Japan

Table 1 shows ratios of workers by length of employee tenure in Japan, United States, Europe, and other countries. In the ratio of workers continuously employed for less than five years, Japan is in the 30% range (34.6%) along with Germany, France, Italy, the Netherlands and Belgium, and this is lower than in the other countries. Conversely, the ratio of workers continuously employed for 10 years or more in Japan is relatively high at 44.5%. By international standards, employee tenure tends to be longer in Japan.

According to the Ministry of Health, Labour and Welfare (MHLW), “Basic Survey on Wage Structure 2016,” the average employee tenure of Japanese workers as a whole is 11.9 years. Of course, this depends on the attributes of workers and the corporate organizations to which they belong. Comparing male and female workers, average tenure tends to be longer for males, and to be longer if their company is larger in scale (Table 2). In other words, the characteristic of Japanese workers in global terms appears particularly pronounced among male workers employed by large corporations.

Table 1. Ratios of Workers by Years of Employee Tenure (%)

	< 1 (year)	1 to < 3	3 to < 5	5 to < 10	10 to < 15	15 to < 20	20+
Japan	8.0	15.3	11.3	20.9	13.5	8.9	22.1
United States	21.3	11.7	16.5	21.5	12.0	6.5	10.6
	< 1 (month)	1 to < 6	6 to < 12	1 to < 3 (year)	3 to < 5	5 to < 10	10+
Canada	–	11.1	9.1	20.1	11.9	18.7	29.1
United Kingdom	2.6	5.5	7.1	15.1	10.6	25.2	33.3
Germany	2.8	5.1	6.1	14.5	9.1	17.8	42.2
France	3.1	4.4	5.1	11.3	7.7	19.8	46.7
Italy	2.4	3.7	3.7	9.7	8.3	22.3	50.0
Netherlands	2.9	5.5	6.5	13.7	9.6	22.1	38.6
Belgium	2.6	4.0	4.8	13.4	9.4	21.4	44.3
Denmark	4.7	8.4	8.8	16.8	9.9	22.4	28.6
Sweden	7.0	6.2	6.7	14.6	9.1	19.8	35.9
Finland	5.5	7.2	7.0	14.9	8.5	19.7	37.1
Norway	3.0	5.5	7.0	16.4	11.0	22.6	33.7
Austria	3.4	5.7	6.9	14.9	10.3	20.1	38.6
South Korea	7.0	15.1	10.7	21.7	11.3	14.5	19.7
Australia	4.0	8.3	9.9	23.2	15.1	18.3	21.2

Sources: Data from Ministry of Health, Labour and Welfare, “Basic Survey on Wage Structure,” 2016; U.S. Department of Labor, “Employee Tenure in 2014”; OECD Database, “Employment by job tenure intervals,” 2013.

Table 2. Average Years of Employee Tenure (by gender and corporate scale)

	All workers	Male workers	Female workers
All companies	11.9	13.3	9.3
Over 1000 employees	13.6	15.4	10.0
100-999 employees	11.4	12.7	9.0
10-99 employees	10.4	11.2	8.8

Source: Ministry of Health, Labour and Welfare, "Basic Survey on Wage Structure," 2016.

II. The background to long tenure: Long-term employment system

So why do Japanese workers tend to work longer for the same employer? It could be because of the long-term employment system established by Japanese companies. This system in Japanese companies has the primary aims of (i) guaranteeing the long-term livelihoods of employees (regular employees), and (ii) developing employees' skills over the long term (Inagami 1999). Guarantees of long-term livelihoods are achieved by practicing stable long-term employment with normative frameworks (i.e. new graduate recruits and young mid-career recruits have to be employed continuously until mandatory retirement age). They also depend on seniority-based pay structures that provide standard living expenses commensurate with workers' life events (a system in which wages rise with increasing age and increasing years of continuous employment).

On the other hand, seniority-based wage systems also reflect employees' long-term skill development, achieved as a result of OJT (on-the-job training) during day-to-day work and the motivating function of a competitive relationship among employees. Many Japanese companies recruit new employees from young people who have just graduated from school (new school graduates). This tendency is prominent among large corporations. Until they are hired, these graduates have no experience of regular employment in a company, and so it is not known what sort of job skills they might have. When hiring new recruits, therefore, companies are primarily interested in their trainability after hiring, on the assumption that job skills will improve as they accumulate experience of working inside the company. Based on this assumption, many companies form their pay structures with wages gradually increasing as continuous employment is

accumulated.

Companies need to recoup the investment made in hiring new school graduates and giving them various education and training opportunities designed to boost job skills after hiring them. To achieve this, employees who have acquired a certain level of job skills should ideally work for as long as possible, and also the period during which their productivity is greater than the wages they receive should also be as long as possible. Therefore, companies try to raise workers' motivation to establish themselves in the workplace by increasing wages in line with continuous employment. For the employees, meanwhile, if the company adopts a wage structure that places emphasis on long-term continuous employment, the longer they work continuously for the same company, the higher the wage they can expect to receive.

Employees' motivation to remain in long-term continuous employment is further boosted by the fact that many Japanese companies adopt a structure in which employee incentives other than regular wages, such as retirement benefit, become more advantageous as continuous employment lengthens. The aim of this is to encourage employee loyalty. The long-term employment system of Japanese companies and long tenures of Japanese employees seem to have arisen from these expectations on the part of both management and labor.

III. Changes in long-term employment system

Will the long-term employment system adopted by many Japanese companies continue to be maintained in future as it has been so far? Company surveys conducted in recent years reveal that many leading and middle-ranking Japanese corporations (around 80%) want to maintain long-term stable employment for as many employees as possible in future.

However, the seniority-based wage system practiced by many Japanese companies in tandem with long-term employment of their employees – an important element in achieving long-term livelihood guarantees for those employees – has the inherent risk that companies pay wages exceeding the productivity of workers whose job skill development has reached its limit.

This kind of risk did not surface during the 1950s

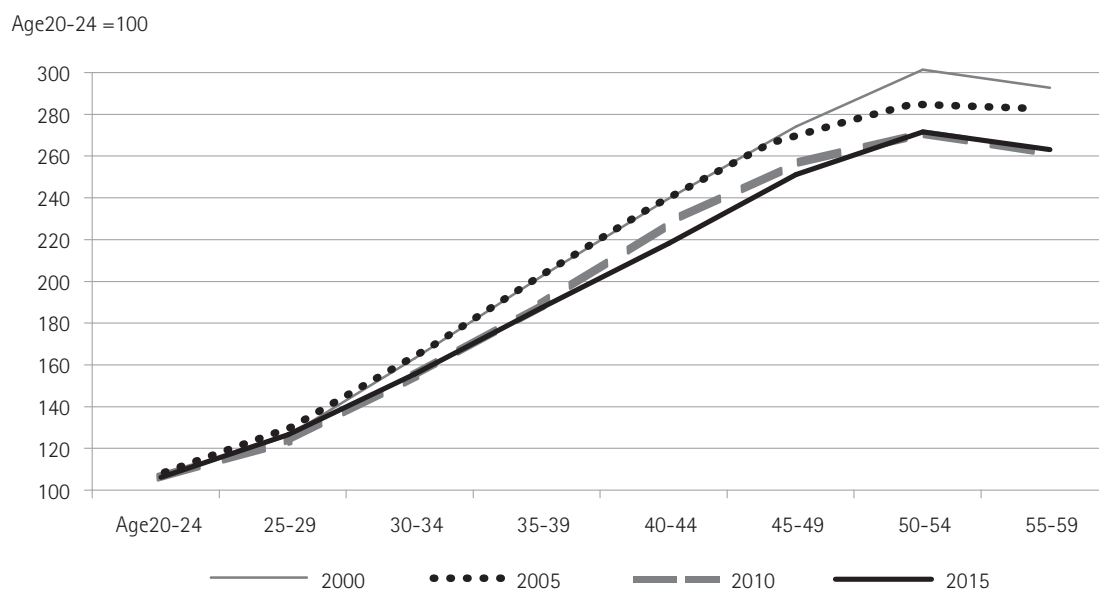
to 1970s, when Japanese companies were enjoying rapid growth. But from the second half of the 1970s, when the Japanese economy stopped growing as robustly as before, companies increasingly saw the high cost of middle-aged and older workers' wages as problematic. Particularly among large corporations, this triggered the spread of *Shukko*, or temporary transfer to another company while maintaining employment relationship with the original company, and *Tenseki*, or moving out to another company without maintaining employment relationship with the original company, known as personnel management practices whereby companies transferred or relocated their own middle-aged and older workers to business partners or subsidiaries.

During the long recession in the 1990s, moreover, a succession of companies experienced serious business downturns. Many of these started practicing "voluntary early retirement plan," whereby employees over a certain age (usually those in their late 40s to 50s) were offered to retire voluntarily in exchange for add-ons to their retirement pay, or other rewards. As personnel measures designed to force middle-aged and older workers away

from companies (whether by *shukko*, *tenseki* or solicitation for voluntary early retirement) become established, it is possible that the tendency toward long tenures seen in Japanese workers will gradually weaken. In fact, the average tenures of university or postgraduate degree-holding male employees in their early 50s tend to be shortened in large corporations, albeit gradually.

Again, given increasingly fierce global competition coupled with aging and declining population in Japan, companies find it harder to make projections of growth. This is making it harder for them to maintain an organizational structure whereby many employees can be guaranteed a career rising to a certain managerial level (such as section manager). Of employees with university or postgraduate degrees, the proportion of those serving as section managers in their early 40s fell from 32.3% in 1990 to 16.9% in 2014.

Although the aforementioned systems of seniority-based wages are still being maintained by Japanese companies, moves to change these systems have become conspicuous since 2005 (Figure 1). The "General Survey on Working Conditions,"



Source: Ministry of Health, Labour and Welfare, "Basic Survey on Wage Structure," 2016.

Note: Males working for private companies with 1,000 or more employees, university or postgraduate degree holders, monthly salary (scheduled cash earnings).

Figure 1. Situation of Wages by Age Group of University Graduates Working for Large Corporations

published by MHLW in 2014, reveals that 28.6% of companies had revised their wage systems over the previous three years. The content of revisions was “to expand the wage portion corresponding to job content such as work duties or job type,” “to expand the wage portion corresponding to ability to perform work duties,” or “to expand the wage portion corresponding to performance and results,” among others. In other words, the aim is often to reflect the job performance or job content more closely in the wage, irrespective of age or years of continuous employment.

Thus, as levels of livelihood and career guarantees under long-term employment gradually diminish, employees who want to become established in their current place of work and commit to it are gradually turning into a minority, even in large corporations (Sato 2011).

IV. Long-term employment system in a society of birthrate decline and population aging

Apart from the intentions and actions of employers and employees discussed above, longer-term employment and continuous employment are now being demanded by labor policy with the background of declining birthrate and population aging in Japanese society. The starting age for public pension payments has been raised in stages from 60 of age since 2001, and the government has been urging companies to continue employing workers past 60, the general age of mandatory retirement. An amendment to the Act Concerning Stabilization of Employment of Older Persons made it compulsory for companies to secure employment opportunities for workers after the age of 60, up to the starting age for public pension payments, with effect from April 2006. Until March 2013, employers were allowed to restrict re-employed persons to those meeting certain requirements established by the labor-management agreements. Since April 2013, however, companies have been obliged to employ all workers who wish to remain in employment, up to age 65.

As a result of the amended act above, the majority of workers now continue to work for the same employer beyond the mandatory retirement age of 60.

Between June 2015 and May 2016, 82.9% of some 350,000 people who reached the age of 60 continued to work for their previous employer. When continuing to work for the previous employer after 60 in this way, wages are normally around 50-70% of the level when the retirees reached the retirement age, and those retirees are normally employed on fixed-term contracts (JILPT 2016).

Policies promoting the employment of older persons almost over the last ten years have led to the development of systems that enable employees in a company to remain employed longer. It is less likely, however, that workers continue to build their careers in a single company with high motivation. How to resolve problems in terms of personnel labor management or of building workers' careers while responding to social demands for longer-term employment is a major challenge for Japan's long-term employment system.

References

- Inagami, Takeshi. 1999. *Nihon no sangyo shakai to rodo* [Japanese industrial society and labor]. *Koza shakaigaku 6: rodo* [Sociology lectures 6: Labor]. Tokyo: University of Tokyo Press.
- JILPT. 2010. *Kigyo ni okeru jinji kino no genjo to kadai ni kansuru chosa nado* [Survey on actual situation and problems of personnel management function in companies]. JILPT Research Series no.68. Tokyo: The Japan Institute for Labour Policy and Training.
- _____. 2016. *Koreisha no koyo ni kansuru chosa: kigyo chosa* [Survey on employment situation of the elderly: survey on companies and enterprises]. JILPT Research Series no.156. Tokyo: The Japan Institute for Labour Policy and Training.
- Ministry of Health, Labour and Welfare. 2016. “Basic Survey on Wage Structure.” <http://www.mhlw.go.jp/english/database/db-l/wage-structure.html>
- OECD Database. October, 2014. “Employment by Job Tenure Intervals.” <http://stats.oecd.org/>
- Sato, Atsushi. 2011. *Kyaria shakaigaku josetsu* [Introduction to sociology of career] Tokyo: Senbundo.
- U.S. Department of Labor. September, 2014. “Employee Tenure in 2014.” https://www.bls.gov/news.release/archives/tenure_09182014.pdf

AUTHOR

Makoto Fujimoto, Senior Researcher, The Japan Institute for Labour Policy and Training (JILPT). Research interest: Industrial sociology. Profile: <http://www.jil.go.jp/english/profile/fujimoto.html>

▶▶ Human Resource Management

▼ Labor-Management Relations

▼ Labor Market

▼ Labor Administration and Legislation

▼ Social Security System

Recruitment and Hiring in Japan

Shinsaku Matsumoto

The recruiting and hiring practices of human resources in Japan considerably differs between regular employees (normally in long-term employment), and non-regular employees such as part-time workers, *arubaito* (temporary) workers, etc.; between new graduates and mid-career hiring; and between large corporations and small and medium enterprises. Firstly, we will take an overview of recruitment and hiring as reflected in the *Survey on Employment Trends*. This survey conducted twice a year, which was started in 1964 by the Ministry of Labor (now the Ministry of Health, Labour and Welfare), highlights movements of personnel in terms of being hired, entering employment, changing jobs, and quitting. Although it is a sample survey, the data are used to extrapolate figures for Japan as a whole. Here, we will look at the results of the most recent survey at the present time, the 2015 survey. Then we will examine issues such as methods of recruitment and hiring (including the results of other surveys), aspects prioritized by job seekers when choosing workplaces, and attributes expected of core human resources by companies. Finally, we will explain the latest situation in related sectors.

I. An overview of recruitment and hiring in Japan

According to the *Survey on Employment Trends* (Table 1), a total of 7,749.2 (persons in thousands, same applies below) were hired in 2015. Of these, 4,710.4 were hired “on an open-ended contract — without a fixed term labor contract” (known as “regular employees”) and 3,038.8 “on a fixed term contract” (known as “non-regular employees”). These 7,749.2 can be divided into two groups: one is those hired as “new graduates, etc.” (without

previous employment) totaled 2,721.1, and the other is those hired in mid-career totaled 5,028.1. If we then categorize those **new graduates, etc.** hired “on an open-ended contract” by age group, 730.8 were aged 20-24 and 484.6 were aged 19 or lower. The former graduated from university or similar and started working as regular employees, while the latter graduated from junior or senior high school and started working as regular employees.

Of mid-career hiring (shown as “Hired career-changing employees” in Table 1), regular employees accounted for 58.6% and non-regular employees for 41.4% of the total of 5,028.1 job changers. This reveals a higher ratio of non-regular employees than that among **new graduates, etc.** recruits (of whom regular employees accounted for 64.8% and non-regular employees for 35.2%). By age group, 510.1 workers aged 25-29 were hired as regular employees, more than in other age groups. These are probably **new graduates, etc.** who were hired as regular employees when aged 20-24 but changed jobs at 25-29, remaining in regular employment. Other age group, the numbers hired gradually decrease with age. As a general flow of human resources, this would mean that they graduate from senior high school, university or similar, find employment as regular employees, but subsequently change to other jobs as regular employees when aged 25-29. On the other hand, even a certain proportion of **new graduates, etc.** are hired as non-regular employees, and the same goes for hiring as non-regular employees in mid-career.

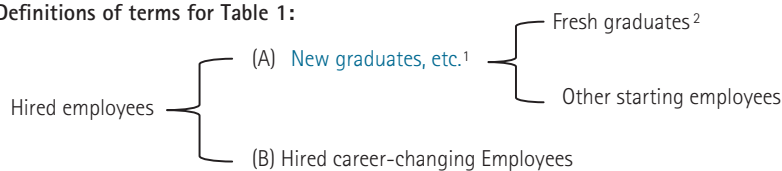


Table 1. Type of employment contract of new graduates, etc. and mid-career, (by corporate scale, and age group)

(male-female totals, unit: 1,000 persons)

Enterprise size and age group	(A)+(B) Hired employees			(A) New graduates, etc. (Fresh graduates and other starting employees)			(B) Hired career-changing employees		
	Total	Open-ended employment	Fixed-term employment	Total	Open-ended employment	Fixed-term employment	Total	Open-ended employment	Fixed-term employment
All corporate scales	7,749.2	4,710.4	3,038.8	2,721.1	1,762.0	959.1	5,028.1	2,948.4	2,079.7
Age 19 and under	1,047.8	670.5	377.2	786.3	484.6	301.7	261.5	186.0	75.5
Ages 20-24	1,506.4	1,109.1	397.3	893.9	730.8	163.2	612.5	378.3	234.1
25-29	983.5	658.3	325.2	221.4	148.3	73.2	762.0	510.0	252.0
30-34	695.1	408.6	286.5	130.7	66.9	63.7	564.4	341.7	222.7
35-39	710.8	429.6	281.2	163.7	88.5	75.2	547.0	341.1	206.0
40-44	732.5	435.4	297.1	128.4	62.1	66.3	604.1	373.3	230.8
45-49	566.4	330.2	236.2	111.5	55.8	55.8	454.8	274.4	180.5
50-54	463.1	252.8	210.3	89.1	44.3	44.8	373.9	208.5	165.4
55-59	345.2	194.7	150.4	56.6	25.3	31.3	288.6	169.5	119.1
60-64	429.7	122.9	306.7	70.3	25.5	44.8	359.3	97.4	261.9
Age 65 and over	268.9	98.3	170.7	69.0	29.9	39.0	200.0	68.3	131.7
1,000 employees or more	2,576.6	1,188.3	1,388.4	1,029.9	516.1	513.9	1,546.7	672.2	874.5
300-999 employees	1,281.1	770.8	510.4	441.3	312.5	128.7	839.9	458.3	381.6
100-299 employees	910.2	539.3	370.8	280.1	173.6	106.5	630.0	365.7	264.3
30-99 employees	1,157.2	860.4	296.8	400.7	309.0	91.7	756.5	551.4	205.1
5-29 employees	1,541.8	1,264.3	277.5	482.0	413.8	68.1	1,059.8	850.4	209.4

Definitions of terms for Table 1:



Source: Adapted from Ministry of Health, Labour and Welfare, *Survey on Employment Trends*, 2015.

Notes: 1. "New graduates, etc." is used in place of "hired starting employee" in the original MHLW document, which means "a hired employee with no work experience within one year prior to finding work."

2. In this survey, "fresh graduates" is used in place of "new graduates" in the original, which means "a hired starting employee who graduated in the survey year, whether moving on to further education or employment (including persons who entered further education but work as a regular employee in addition to studying.)"

Table 2. Educational background of fresh graduates by corporate scale

(male-female totals, unit: 1,000 persons)

	New graduates, etc.									
	Total	Fresh graduates							Other starting employees	
		Total of fresh graduates	Junior high school	Senior high school	Specialized training college (post-secondary course)	College of technology, junior college	University, graduate school			
						Arts	Sciences			
All corporate scales	2,721.1	1,249.9	84.8	411.9	131.3	60.5	561.4	325.3	236.1	1,471.2
1,000 employees or more	1,029.9	526.3	53.1	165.3	33.6	14.7	259.6	146.8	112.7	503.7
300-999 employees	441.3	263.6	6.7	65.6	36.2	8.5	146.6	82.8	63.8	177.6
100-299 employees	280.1	138.0	8.6	52.0	21.1	12.1	44.1	28.7	15.4	142.2
30-99 employees	400.7	146.8	4.4	60.3	19.0	12.8	50.3	24.1	26.2	253.9
5-29 employees	482.0	134.5	11.5	65.4	17.7	9.8	30.0	19.2	10.8	347.5

Source: MHLW, *Survey on Employment Trends*, 2015.

In terms of corporate scale, companies with 1,000 employees or more hired the largest number of *new graduates, etc.* as regular employees (516.1), but companies with 5-29 employees also hired a large number of these (413.8). In other words, many *new graduates, etc.* entered large companies, but significant numbers also found employment in smaller companies. Companies with 5-29 employees hired the largest number of regular employees in mid-career (850.4), while the top hirers of non-regular employees were companies with 1,000 employees or more, hiring 874.5 of these.

Table 2 shows the 1,249.9 fresh graduates (of the *new graduates, etc.* mentioned above, particularly those hired straight after graduation in the year they graduated) in terms of their educational background. The largest were universities and graduate schools, supplying 561.4 new graduates, compared to 411.9 senior high school graduates. Classifying university and graduate school graduates into arts and sciences, arts graduates accounted for around two-thirds of the total, and science graduates for the other third. By corporate scale, companies with 1,000 employees or more hired the largest number of university and graduate school graduates. This was also true of senior high school graduates, but smaller companies such as those with 5-29 employees hired more of these than university and graduate school graduates.

II. Methods of recruitment and hiring

Figure 1 shows the recruitment methods to hire employees, according to the *Survey on Employment Trends*. Job advertisements were the largest method overall, followed by personal connections and public employment security offices. As the figure shows, private job placement agencies were used least of all. By corporate scale, advertisements were most commonly used by companies with 1,000 employees or more, and least by those with 5-29 employees. Both personal connections and *Hello Work* (public employment security offices) were used most commonly by companies with 5-29 employees.

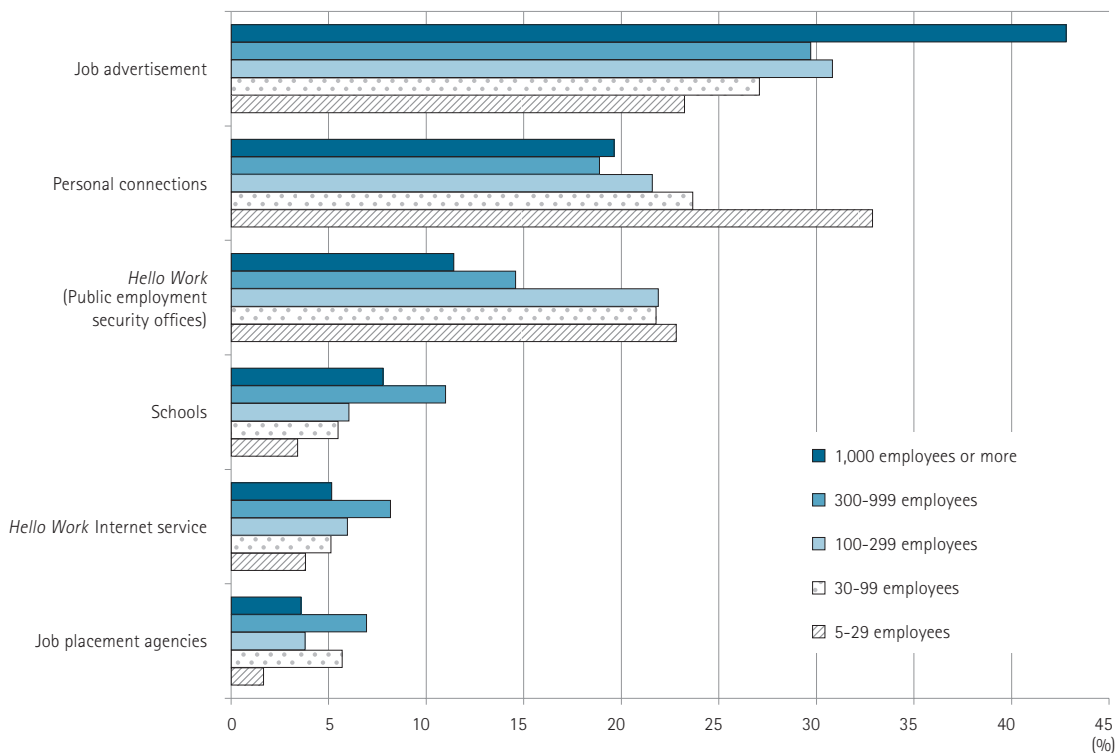
In a different survey from the one discussed so far, Figure 2 shows responses on methods found most effective when hiring mid-career in the 2007 *Survey on Hiring Management at Enterprises*, one of the *Surveys on Employment Structure* conducted by

the Ministry of Health, Labour and Welfare (MHLW) on different themes each year. According to the survey, the most common responses were “Resumes and professional records submitted” (73.6%) and “Responses during interviews” (73.5%).

III. Attributes prioritized by job seekers and recruiters

Next, let us look at the attributes of employers prioritized by job seekers when deciding which jobs to go for. Figure 3 shows this as reflected in the *Survey on Employment Trends*. In a single-response question on the reason for choosing their employer, ratios of answers given by men and women have been calculated from all answers as 100%, after excluding answers that are not reasons for choosing, namely “I just wanted to get a job” and “Other reasons (including temporary transfer, etc.)” Men most commonly give the reason “I was interested in the job content” followed by “I can use my skills, personal characteristics or qualifications,” “Working hours, holidays and other work conditions are good,” and “It is convenient for commuting.” For women, the most common reason was also “I was interested in the job content” followed in a slightly different order by “Working hours, holidays and other work conditions are good,” “I can use my skills, personal characteristics or qualifications,” and “It is convenient for commuting.” In terms of gender difference, “Working hours, holidays and other work conditions are good” and “It is convenient for commuting” were more commonly chosen by women. “I can expect future potential from the company” and “Salary and other earnings are high” were less common.

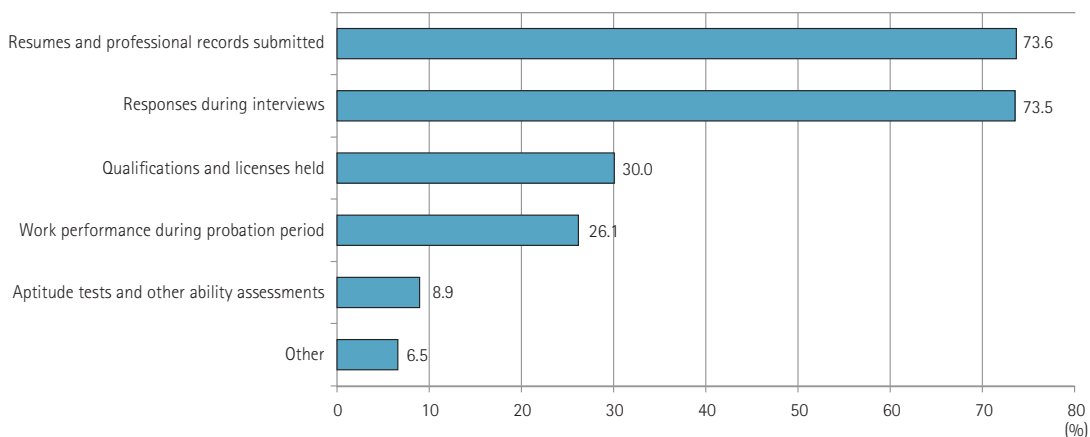
From the opposite angle, what do companies prioritize when selecting candidates? Figure 4 reveals how this was reflected in the *Surveys on Employment Structure: 2007 Survey on Hiring Management at Enterprises* conducted by MHLW. Companies were asked to divide their core human resources into management workers, specialist and technical workers, and skilled blue-collar workers, and to choose up to three main priorities for each. According to this, similar trends were shown for specialist and technical workers and skilled non-clerical workers. For these workers, companies prioritize attributes



Source: MHLW, *Survey on Employment Trends*, 2015.

Note: "Temporary transfer" and "returning from temporary transfer" is excluded from the data calculation. "Others" were also excluded in the chart.

Figure 1. Recruitment methods



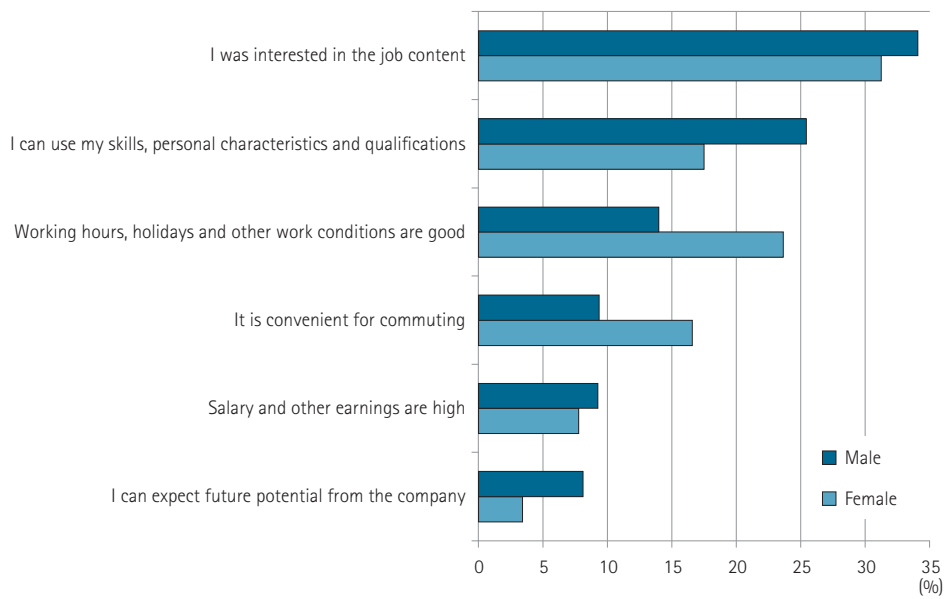
Source: MHLW, *Surveys on Employment Structure: Surveys on Hiring Management at Enterprises*, 2007.

Figure 2. Methods found effective in mid-career hiring (multiple responses)

such as “specialist knowledge and skills,” “sense of responsibility,” and “enthusiasm, motivation.” For managerial staff, in particular, the priorities were “determination, great activity,” “ability to mentor,” and “leadership” among others.

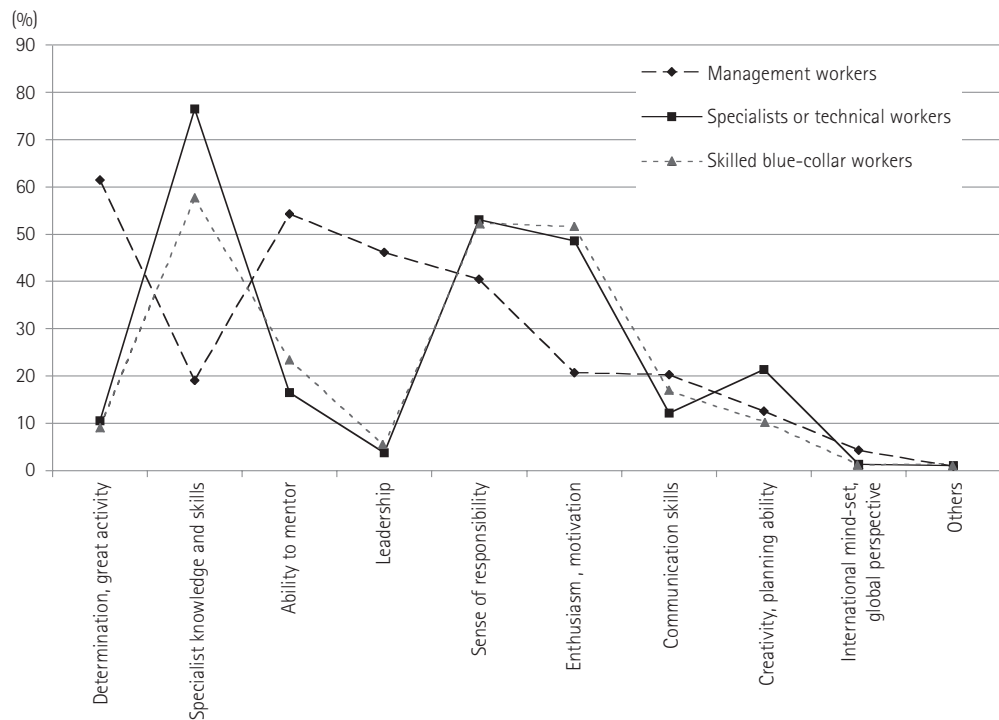
IV. Recent trends

Earlier starts and the longer duration of recruitment schedules are becoming problematic in relation to university graduate hiring, and a tendency to delay those schedules has been seen. Over the last few years, schedules have been fluctuating between



Source: MHLW, *Survey on Employment Trends*, 2015.
 Note: Single response, calculated as % excluding non-reasons.

Figure 3. Reasons for choosing the company to work for



Source: MHLW, *Surveys on Employment Structure: Surveys on Hiring Management at Enterprises*, 2007.
 Note: Three expected attributes as a management worker, a specialists/technical worker, or skilled blue-collar worker for core human resources were responded by each enterprise.

Figure 4. Attributes expected of core human resources by companies

being delayed and brought forward somewhat earlier. Nevertheless, for hiring in April 2018, as in 2017, “PR activities” (company explanation sessions, etc.) for university juniors (third year students) started on March 1, 2017 and “selection” (hiring interviews, etc.) on June 1, 2017 [“Guideline on Recruitment and Selection” by the Japan Business Federation (Keidanren), revised on September 20, 2016]. There was no change in the date of formal offers of employment, starting on October 1, and this is the date when many companies have their ceremonies for prospective employees. The practice of offering internships in around the summer for juniors is now firmly established. Recently, university graduate hiring has become a “seller’s market” that works to the advantage of the students; the informal job offer rate for university students planning to enter companies in April 2017 (as of February 1) was 90.6%, according to the *Survey on Potential Recruits among Graduating Students at Universities, etc.* conducted by MHLW. For university students, hiring in April 2018 will again be a “seller’s market.”

There is currently a thriving demand for labor

among Japanese companies but not enough job seekers, causing a labor force shortage. The active job openings-to-applicants ratio, which passed 1.0 to reach 1.09 in 2014 (meaning that there is more than one job opening per individual job seeker), rose to 1.20 in 2015 and 1.36 in 2016, and has risen further in 2017, according to the *Employment Referrals for General Workers* by MHLW. The ratio is particularly high among construction skeleton workers, security workers, medical practitioners, pharmacists, architects, civil engineers, and surveyors in the survey on the *Employment Referrals for General Workers* (June 2017) by MHLW. This is due to construction work in preparation for the coming Tokyo Olympics 2020, in addition to reconstruction works after the Great East Japan Earthquake of 2011, as well as aging of the society.

AUTHOR

Shinsaku Matsumoto, Project Researcher, The Japan Institute for Labour Policy and Training (JILPT). Research interest: Industrial and organizational behavior.

This five-year series systematically outlines the basis of labor situations and analysis in Japan, covering five field topics.

▶▶ Human Resource Management

▼ Labor-Management Relations

▼ Labor Market

▼ Labor Administration and Legislation

▼ Social Security System

Allocation and Transfer in Japan

Hodaka Maeura

I. Characteristics of allocation and transfer management

In the field of human resource management, “allocation” occurs when a company assigns jobs to its employees. In Japan, where the concept of a “job” is not as well-defined as it is in Europe and the US, we tend not to assign human resources who have the aptitude and competence to perform a particular job with defined job description. Instead, there is a strong tendency for the content of the assigned job to change in line with each employee’s aptitude and competence, or in a form corresponding to changes in the environment surrounding the company.

Meanwhile, we could cite the following four characteristics in the management of “transfer,” whereby Japanese companies assign their employees to different jobs within the company.

First, transfers are made for organizational need, such as a response to expansion or reduction of the corporate organization or changes in business activity, revitalization of the organization, etc. Some transfers are mainly

for the purpose of training/educating employees and maintaining/improving their motivation. Table 1 shows that this kind of trend could be observed throughout the 2000s and 2010s, and applies increasingly as corporate scale rises, while it should be remembered that a simple comparison of data is difficult (see *Note* below).

Second, corporate authority and initiative are very strong when it comes to transfer. Human

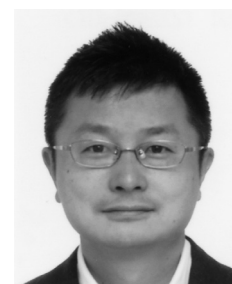


Table 1. The reasons why companies transfer staff (multiple responses, %)

	Total of companies using transfer=N	HR development of employees	To maintain or improve employee's motivation	Treatment of employees / right person in the right place	Response to changes in business activity	To revitalize the organization through transfer	Employment adjustment	Others	No response	
	Total	3,845	67.0	47.5	76.7	55.2	62.9	17.9	1.3	1.0
JILPT survey (2013)	1,000 or more	219	82.2	63.9	84.0	68.5	79.5	25.1	1.4	0.9
	300-999	570	76.0	57.5	82.3	60.7	75.3	18.6	0.9	0.5
	100-299	1,651	67.0	47.3	77.7	56.1	63.1	17.9	1.2	0.7
	fewer than 100	1,405	61.1	41.0	72.2	49.8	54.9	16.4	1.6	1.6
	Total	–	63.8	45.9	78.3	55.6	72.2	17.6	0.8	0.9
JILPT survey (2004)	1,000 or more	–	86.9	70.0	90.3	74.7	85.5	21.9	1.4	–
	300-999	–	73.1	56.4	82.9	63.7	83.3	19.9	1.6	1.0
	100-299	–	64.8	45.8	79.6	55.5	73.8	19.7	1.4	1.6
	fewer than 100	–	57.8	40.4	74.7	51.2	66.2	14.7	0.0	0.3

Source: Survey on the mechanism for establishing and changing terms and conditions of employment and the situation of personnel treatment, JILPT research series no.5, 2005 and JILPT Domestic Labor Information 14-12, 2014.

Note: The 2013 and 2004 surveys differed in their conditions for survey targets, the number of companies, the method of sampling, and the method of aggregating results. N is not shown in the 2004 survey, as the figures are reconstructed.

resource departments tend to have a stronger say in allocation and transfer of employees hired as new graduates as well as transfer of management personnel. In contrast, the intention of the department that is actually in charge of the work tends to be more reflected in transfer of other regular employees. This is observed typically in transfer within large corporations.

Third, the range in which regular employees may be transferred gradually becomes narrower, mainly focusing on specific job skills, when they have been in the company for a certain amount of time. When transfer involves promotion, however, managers often experience transfer beyond departments, due to the limited posts.

Fourth, some types of transfer may go beyond the framework of a single company. The aim of these may be to support suppliers and subsidiaries, develop employees' competence, or secure posts for middle-aged and older employees. These are known as *shukko* (temporary transfer, or transfer to another company while maintaining the employment relationship with the original company) and *tenseki* (permanent transfer, or moving out to another company without maintaining the employment relationship with the original company).

II. New arrangements in allocation and transfer management

Given the four characteristics outlined above, there are two advantages in the management of allocation and transfer by Japanese companies. Namely, (i) companies can adjust internal staff allocation flexibly and quickly because allocation and transfer are made to suit the situation of individual employees and the business environment surrounding the company, without being limited to specific jobs; and (ii) they can develop human resources capable of handling a wide range of work operations, because employees have experience of work in a relatively large number of departments or in other companies. Conversely, these methods are highly likely to have disadvantages. This is because companies have very strong authority and initiative regarding allocation and transfer, while their employees' needs with regard to employment and career formation are not taken into account. Another major disadvantage is

that allocation and transfer can significantly affect the employees' home lives, particularly in the case of *tanshin funin* (transfer not accompanied by family or "solo allocation"), in which employees who are heads of households have no option but to live apart from their families.

With the aim of resolving these negative aspects, two arrangements designed to reflect the wishes of employees in allocation and transfer are now spreading among Japanese companies. These are the "self-declaration system" and the "in-house recruitment system." Under the former, employees declare personal circumstances and wishes, and the company takes these into account when carrying out allocation, transfer and career development of employees. The latter enables companies to specify the content of assigned work in advance, for example when launching new projects or businesses, and to recruit personnel in-house to undertake it. Employees who pass selection process can then be put in charge of that work. Of course, when actually using these arrangements, many companies will probably find it hard to obtain adequate outcomes, owing to barriers arising from the intension of the departments to which the employees belong, the difficulty of securing work to suit employees' needs, and so on.

III. Characteristics of promotion management and how they are changing

One type of allocation and transfer is promotion. Promotion is defined as the movement of an employee from a position handling a job belonging to a lower grade within an organization, to one belonging to a higher grade. In Japanese companies, there is a strong tendency to place emphasis on securing human resources from within the organization, so that when assigning management posts, promotion within the company is used rather than hiring from outside. This "internal promotion" is one characteristic of promotion in Japanese companies.

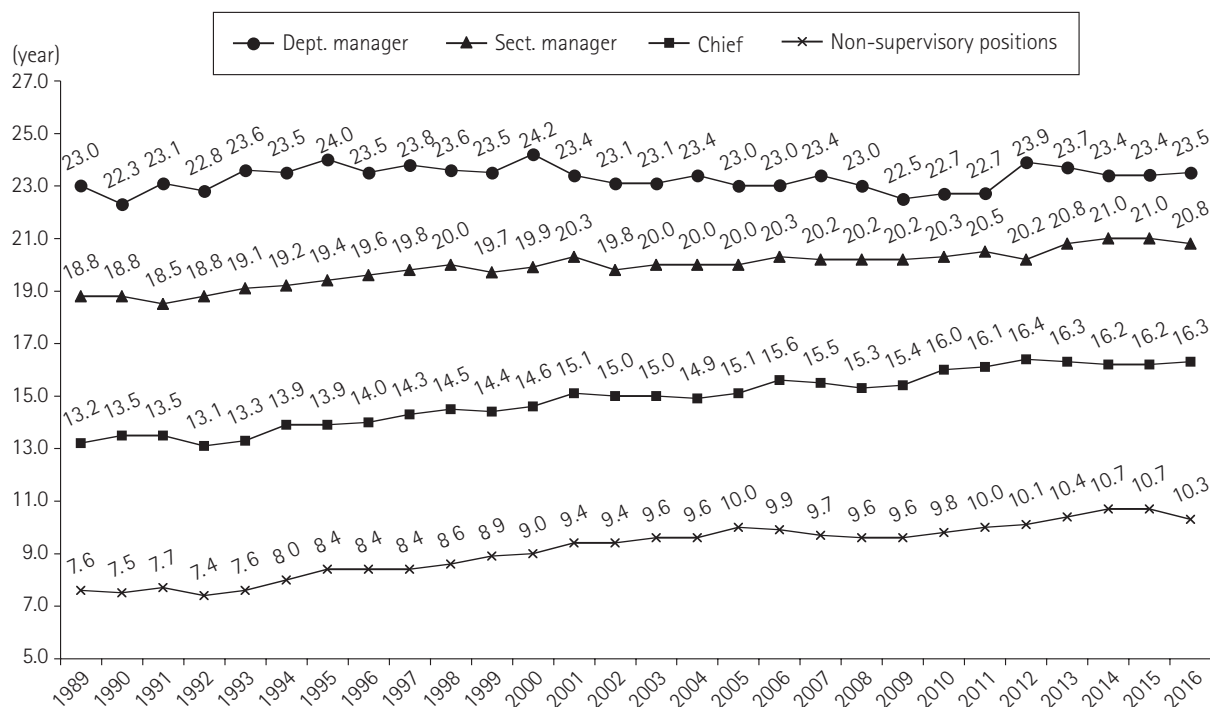
When making decisions about promotion, many companies that have established standards evaluate the work record and competence of the candidate. Many others place emphasis on years of service and practice seniority-based promotion management. This does have certain rationality. That is, by

promoting many new graduates who were hired as regular employees at the same time (*dōki shain*) to managerial posts at a certain level, such as section manager, this system gives hope of promotion to many employees and leads to improved motivation.

Looking at the reality of promotion in Japanese companies, we see that another characteristic is “late promotion”—when the timing of selection for promotion is late compared with the US, Germany, etc. The Japan Institute of Labour (1998) reports that, in the case of university graduate white-collar workers, the timing of the first selection round (the time when a promotion disparity first arises) was 7.85 years on average in Japan, compared to 3.42 years in the US and 3.71 years in Germany. Meanwhile, the average timing of the career plateau phenomenon (when the number of employees competing for promotion within the same year is narrowed down, and there are no further promotion prospects for about half of them) was 22.30 years in Japan, 9.10 years in the US and 11.48 years in Germany.¹ According to the Ministry of Health, Labour and Welfare (Figure 1), around 1996 when

the Japan Institute of Labour survey (1998) was conducted, the timing of the first selection more or less corresponded to the number of years served by employees in non-supervisory positions, and the average timing of the career plateau phenomenon to those of the section manager class. As a recent trend, however, years of service in the section manager class, the chief clerk (assistant manager) class and the employees in non-supervisory positions have increased, and the timing of promotion is thus gradually being delayed.

Thus, promotion in Japanese companies has the two characteristics of “internal promotion” and “late promotion.” In recent years, however, changes have been seen in the *raison d'être* of this “late promotion.” That is, it has become more difficult to see rationality in “late promotion,” for a number of reasons. One is that it has become harder to sustain a high probability of promotion, due partly to the flattening of organizations and cuts in officer posts. Another reason is that it is harder to provide opportunities for equal education and training to all employees due to stagnant corporate growth,



Source: "Wage Census FY1989-2016," Ministry of Health, Labour and Welfare, <http://www.mhlw.go.jp/toukei/list/chinginkouzou.html>
 Note: The above data represent industry totals, corporate scale 100 employees or more, age group totals, males, and university/graduate school graduates.

Figure 1. Average years of service in Japanese companies by position (1989–2016)

and moreover, the inclination toward promotion to management has decreased, particularly among male regular employees.

IV. A new tide in allocation and transfer management?

As one new phenomenon, companies are now starting to adopt the human resource management measure called “talent management.” Although talent management has yet to be given a unique definition, its key points are thought to be threefold: (i) it is targeting a limited number of human resources with “talent,” (ii) its ultimate goal is to improve corporate performance, and (iii) it is strongly oriented toward optimizing human resource allocation (Kakinuma 2015).

This type of management forms groups of human resources (talent pools), which leads to the use of human resources including training, allocation and evaluation. This system has been adopted by some Japanese companies, where selection of future management personnel may be considered to be in progress (Sato 2016; JILPT 2017). Although it is not certain to what degree this system exists, *de facto* selection already seems to be practiced by some companies before the time when disparity appears in promotion timing. If talent management becomes broadly established among Japanese companies, the characteristics of Japanese allocation and transfer management could well change.

Note

1. The characteristics of these data are that they target white-collar university graduates and that, in terms of the scale of the respondents' companies, more than 90% have 1,000 or more regular employees. These differ from the data in Figure 1 (corporate scale 100 employees or more) in the timing of promotion.

References

- Japan Institute of Labour. 1998. *Kokusai hikaku: Daisotsu howaito kara no jinzai kaihatsu / koyo shisutemu — nichu bei doku no daikigyo (2) anketo chosa hen* [International comparison: Systems of human resource development and employment of university graduate white collar workers — large corporations in Japan, the US and Germany, (2) Questionnaire survey] JIL Research Report no.101. Tokyo: The Japan Institute of Labour.
- JILPT. 2017. *Jisedai kanbu jinzai no hakkutsu to ikusei ni kansuru kenkyu: jigyo o gurobaruni tenkai suru seizo kigyo o chushin ni* [Research on identifying and training next-generation executives: Focusing on manufacturing companies with global expansion strategies]. JILPT Research Report no.194. Tokyo: The Japan Institute for Labour Policy and Training.
- Kakinuma, Hideki. 2015. “Nihon kigyo ni okeru tarento manejimento no tenkai to genjo” [The development and present status of talent management in Japanese companies]. Works Discussion Paper Series no.4. Tokyo: Recruit Works Institute.
- Sato, Atsushi. 2016. *Soshiki no naka de hito o sodateru* [Human resources development inside an organization], Tokyo: Yuhikaku Publishing.

AUTHOR

Hodaka Maeura Vice Senior Researcher, The Japan Institute for Labour Policy and Training (JILPT). Research interest: Human resources management and industrial relations. Profile: <http://www.jil.go.jp/english/profile/maeura.html>

▶▶ Human Resource Management

- ▼ Labor-Management Relations
- ▼ Labor Market
- ▼ Labor Administration and Legislation
- ▼ Social Security System

Termination of Employment Relationships in Japan (Part I):

Resignation and Termination of Employment Contracts by Mutual Consent

Hirokuni Ikezoe

This is the first in a series of three articles on the topic of the termination of employment relationships in Japan. These articles provide an outline of the main reasons for such terminations from a legal perspective, while also touching on the actual conditions in Japan. This time, we will look at resignation and termination of employment contracts by mutual consent. (The following and the third (final) articles will cover dismissals and the mandatory retirement age system respectively.)

I. Resignation

Resignation refers to an employee's unilateral notification to their employer of the termination of an employment contract. It tends to be regulated under the Civil Code, as opposed to under the regulations of labor law.

Looking at the present state of conflict resolution by government bodies (see Figure 1), of the 255,000 consultations related to civil affairs in FY 2016, there were a considerable number of consultations regarding resignations—with around 40,000 consultations regarding voluntary resignations, and 22,000 regarding solicited resignations—in contrast with 37,000 regarding dismissals. Moreover, around 71,000 consultations regarding workplace bullying and harassment may include cases in which employers went too far in soliciting resignations. Therefore, judging from the significant numbers of conflicts, such issues related to resignation are a problem that society cannot ignore. Even in the event of employment relationships being terminated due to corporate downsizing and other reasons such as early retirement, both employers and employees tend to aim to end the relationship in a way that avoids conflict. In such a situation, importance of issues related to resignations

becomes more evident, in contrast to dismissals, where the employer unilaterally terminates the employment relationship.

Here we look at the legal treatment of resignations under the Civil Code. (Issues regarding the validity of manifestations of intention to end an employment relationship are summarized in section II.)

According to Article 627 of the Civil Code, when the employment contract does not specify the term of employment, the termination of employment shall take effect when 2 weeks have passed from the day of the request to terminate (Civil Code, Article 627, Paragraph 1). Although scholars' opinions are divided, it is generally understood that the employer is not permitted to extend the notice period to a period longer than 2 weeks, considering the provisions of the Labor Standards Act (such as Article 5, "Prohibition of Forced Labor") and the freedom to choose an occupation (Constitution of Japan, Article 22, Paragraph 1). Systems by which a company prescribes that it must approve resignations also have no legal force as they restrict the freedom of employees to resign (The *Takano Meriyasu* case, Tokyo District Court, Oct. 29, 1976; 841 *Hanrei Jiho* 102, etc.). On the other hand, an employee who has resigned may face liability to provide damages to employers (such as when the employee has resigned suddenly [4 days after starting work at the employing company]; the *K's International* case, Tokyo District Court, Sept. 30, 1992; 616 *Rohan* 10).

In the event that remuneration is specified with reference to a time period, it is possible to request

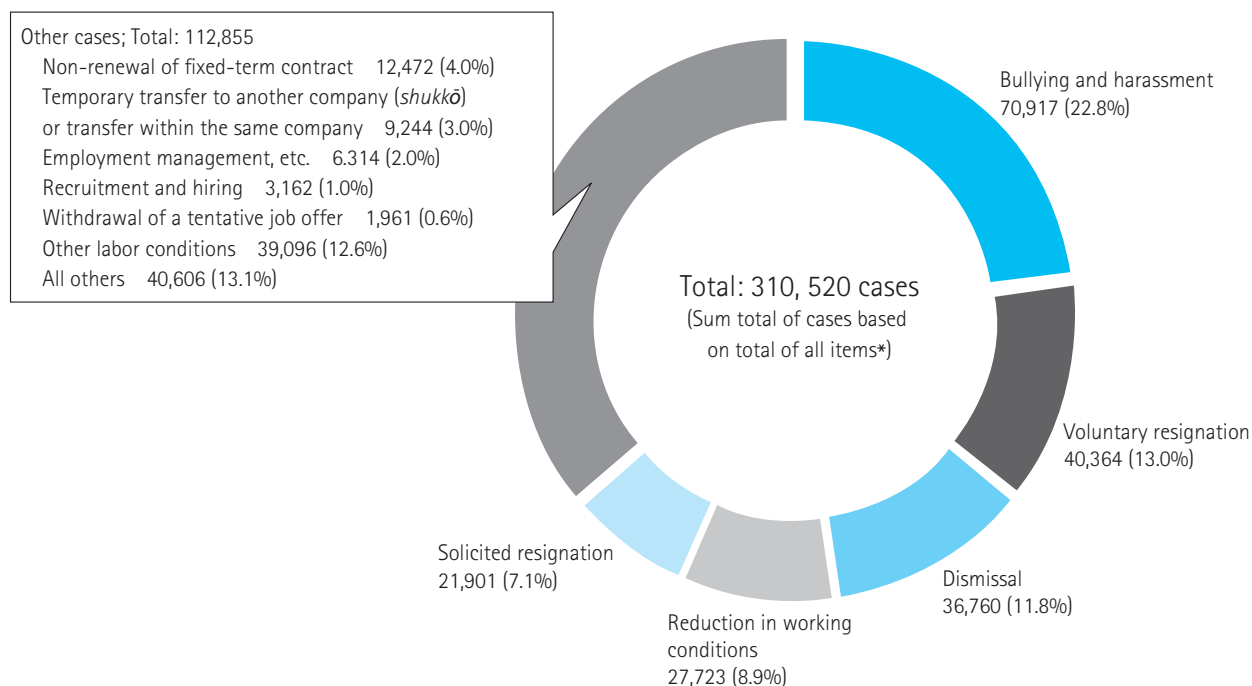


that the employment contract be terminated in the next time period or later, provided that the request is made within the first half of the current period (Civil Code, Article 627, Paragraph 2). Moreover, when remuneration is specified with reference to a period of 6 months or more, the request must be made at least 3 months before the termination of employment (Paragraph 3). It must, however, be noted that for employees who receive annual salaries, the regulations set out in Paragraphs 2 and 3 are excessively restrictive at the time of resignation. In the Amended Civil Code (law of obligations), such regulations are therefore only applied to the termination notification by the employer to the employee (Amended Civil Code, Article 627, Paragraph 2), and termination notifications made by employees are to be subject to the general principle of 2 weeks' notice as set out in Paragraph 1.

On the other hand, in the case of fixed-term employment contracts, the general principle is for the contract to terminate when the term of employment expires. Furthermore, Article 14 of the Labor

Standards Act prescribes the maximum length of contract periods as 3 years as the general rule, and 5 years for contracts concluded with (a) employees with expert knowledge, and (b) employees aged 60 or older. However, Article 137 of the Labor Standards Act seeks to protect employees, by specifying that employees in contracts pertaining to the completion of a certain business lasting more than one year and employees in contracts pertaining to items (a) and (b) above may resign by notifying request to their employer at any point after one year has passed.

The Civil Code addresses such relatively long contract periods by specifying that where the contract period is for a long period such as over 5 years, the parties concerned may terminate the contract after 5 years have passed (Civil Code, Article 626, Paragraph 1). In such cases, 3 months' notice is required (Paragraph 2). However, as under the present regulations, long, fixed-term contracts may also lead to excessive restrictions on employees when resigning, it was decided that the 3 months' notice of contract termination only applies to the



Source: MHLW, "The status of implementation of the individual labor dispute resolution system in FY 2016," press release, June 16, 2017.
 Note: Percentages reflect the proportion of cases within the total for all consultations (sum total of cases based on total of all items*). The total may not be exactly 100% due to the fact that figures are rounded up or down. Moreover, in calculating the sum total of cases based on the total of all items, consultations covering several different areas were counted multiple times.

Figure 1. Individual labor disputes related to civil affairs: Number of cases according to consultation content

employer's duty to the employee, and employees are permitted to terminate their employment contract with 2 weeks' notice (Amended Civil Code, Article 626, Paragraph 2). Moreover, when an employee has continued to work after the expiration of the original period of a fixed-term contract and the contract has been implicitly renewed by the parties concerned, from the point of renewal onward, the employee may terminate the contract with 2 weeks' notice (Article 629, Paragraph 1).

The Amended Civil Code touched on above is due to come into effect in 2020.

II. Termination of employment contracts by mutual consent

The termination of employment contracts by mutual consent refers to a mutual agreement by the employee and the employer to terminate an employment contract. Such an agreement normally takes effect once the employee has manifested to the employer their intention to resign from the company and the employer—in particular, a person with the authority to accept the resignation—manifests their approval of the resignation (The *Okuma Machinery Works* case, Supreme Court, Third Petty Bench, Sept. 18, 1987; 504 *Rohan* 6; Person of authority was head of the personnel department). However, termination by mutual consent is recognized to have taken effect even in such a case where the proprietor of the company the employee was originally employed with has established a temporary staffing agency and an agreement has been formed that the employee will thereafter work under an employment contract with that temporary staffing agency (The *Nikken Sekkei Ltd.* case, Osaka District Court, Feb. 18, 2005; 897 *Rohan* 91, etc.). In contrast, even where the employee is working on the premise that they will resign—and handing over their duties while preparing to leave the company for a new job—termination of the contract by mutual consent cannot be said to have taken effect in such cases where no official written confirmation of the resignation has been exchanged (The *FreeBit* case, Tokyo District Court, Feb. 28, 2007; 948 *Rohan* 90). In other words, substantial agreement of the intentions, of both the employee and the employer, to terminate the employment contract is necessary for termination by

mutual consent to be recognized (albeit, there may be cases in which such mutual consent is acknowledged based on various circumstances).

III. Overview of precedents related to resignation and termination of employment contracts by mutual consent

Here we will provide an overview of specific precedents regarding resignation and termination of employment contracts by mutual consent.

A. Lack or error of manifestation of intention

An employee's manifestation of intention to resign must be the employee's true intention. In the eyes of the law, cases where it is not the employee's real intention are handled under the Civil Code as issues of concealment of true intention, mistakes, or duress.

Concealment of true intention refers to cases such as situations in which an employee submits a letter of resignation despite having no intention to resign from the company, where the employer is aware that the employee in fact has no intention to resign from the company (The *Showa Women's University* case, Tokyo District Court, Feb. 6, 1992; 610 *Rohan* 72). Such manifestations of intention are void (Civil Code, proviso to Article 93).

Mistakes refer to cases in which, for instance, an employee has submitted a letter of resignation because he or she wrongly assumed that he or she would be dismissed and was attempting to avoid that dismissal, but there was in fact no possibility of him or her being dismissed (The *Showa Electric Wire and Cable* case, Yokohama District Court, Kawasaki Branch, May 28, 2004; 878 *Rohan* 40, etc.). Such manifestations of intention are void (Civil Code, Article 95).

Duress refers to cases in which, for example, an employee has been compelled to tender his or her resignation as the employer has hinted that the employee will be subject to disciplinary action or disadvantageous treatment (The *Nishimura* case, Osaka District Court, Oct. 17, 1986; 486 *Rohan* 83, etc.). Such manifestations of intention may be rescinded (Civil Code, Article 96).

B. Solicited resignations

There are some cases in which an employer may encourage an employee to resign, but as a general rule, it is illegal to repeatedly and persistently recommend to an employee that the employee resign in such a way that they are almost obliged to, and the person who solicited the resignation and the employer may be liable to pay damages (The *Shimonoseki Commercial High School* case, Supreme Court, First Petty Bench, Jul. 10, 1980; 345 *Rohan* 20).

Using grounds such as gender or union activities as the basis for soliciting a resignation is of course illegal, as it is in violation of the Equal Employment Opportunity Act or the Labor Union Act. It is also illegal to set a gender-based difference in the ages used as a basis for determining which employees should be solicited to resign (The *Tottori Prefectural Teaching Staff* case, Tottori District Court, Dec. 4, 1986; 486 *Rohan* 53). Encouraging or coercing a woman to resign on the grounds of pregnancy also places the company liable to pay damages, given that it is illegal behavior in violation of the objectives of the Equal Employment Opportunity Act (The *Imagawa Gakuen Konomi Kindergarten* case, Osaka District Court, Sakai Branch, Mar. 13, 2002; 828 *Rohan* 59).

Furthermore, going beyond encouraging and thereby coercing resignation is of course an illegal act. This includes such cases as coercing an employee to resign in a way that constitutes defamation of character, due to the use of particularly derogatory expressions in a public setting (The *Tokyo Women's Medical University* [coercion of resignation] case, Tokyo District Court, Jul. 15, 2003; 865 *Rohan* 57), or hinting at disciplinary dismissal such that an employee is pressured to choose between resigning of their own accord or putting up with being demoted, taking a pay cut, or being transferred to a different position (The *Gunma town* [coercion of resignation] case, Maebashi District Court, Nov. 26, 2004; 887 *Rohan* 84).

C. Early retirement (incentive) systems

Systems to encourage retirement earlier than the normal mandatory retirement age by incorporating more financially favorable treatment are known as

“early retirement incentive systems” among other such names.

As early retirement incentive systems are temporary measures for employment adjustment, they are not specifically applied unless an employee fulfils certain qualification requirements and applies within a certain period or the company has the system automatically applied to the employees. However, if it is prescribed in a company's internal regulations that there may be cases in which the system is also applied to people of other ages—even those of an age that would not normally be subject to the system—the system may be applied with modifications (The *Asahi Advertising* case is an example of a precedent in which a claim for the difference between the actual retirement allowance and the retirement incentive allowance was upheld; Osaka High Court, Apr. 27, 1999; 774 *Rohan* 83).

In order to prevent a call for employees willing to take early retirement resulting in an outflow of talented human resources, companies will often attempt to dissuade people from leaving. As a result, not everyone to whom the system is applied is able to resign with incentives. This is also why it is generally necessary for the employer to give their approval of early retirement. Furthermore, as the right to the additional retirement allowance provided for early retirement only takes effect once the employer approves the early retirement (The *Kanagawa Agricultural Credit Cooperative* [claim for additional retirement allowance] case, Supreme Court, First Petty Bench, Jan. 18, 2007; 931 *Rohan* 5), persons whose early retirement was not approved and other such persons who received relatively disadvantageous financial treatment will not have any claims for payment of the difference (The *Sumitomo Metal Industries* [retirement allowance] case, Osaka District Court, Apr. 19, 2000; 785 *Rohan* 38).

AUTHOR

Hirokuni Ikezoe Senior Researcher specialized in Labor and Employment Law, The Japan Institute for Labour Policy and Training (JILPT). Research interests: Working time, Work-life balance/conflict, Diversification of labor market, Legal concept of employee, and Labor/employment dispute resolution. Profile: <http://www.jil.go.jp/english/profile/ikezoe.html>

This five-year series systematically outlines the basis of labor situations and analysis in Japan, covering five field topics.

▶▶ Human Resource Management

▼ Labor-Management Relations

▼ Labor Market

▼ Labor Administration and Legislation

▼ Social Security System

Termination of Employment Relationships in Japan (Part II):

Dismissal and Refusal to Renew a Fixed-term Contract

Hirokuni Ikezoe

This time, we look at dismissals and refusal to renew fixed-term employment contracts.*

I. Dismissal

Dismissal is an employer's manifestation to an employee of their intention to terminate the employment contract. Unlike resignation or termination of an employment contract by mutual consent, the employment contract relationship may be dissolved in the case of dismissal, as a result of the employer unilaterally manifesting their intention to end the contract. Provisions to protect employees are therefore set out in the Labor Standards Act (LSA) and Labor Contracts Act (LCA).

A. General

The Labor Standards Act prohibits dismissals in the periods of absence from work due to injuries or illnesses suffered in the course of employment nor within 30 days thereafter, and in the periods of absence from work by women before and after childbirth nor within 30 days thereafter (Article 19). Furthermore, statutes prohibits discriminatory or retaliatory dismissals on specific grounds such as gender or union activities (such statutes includes LSA Article 3 and 104, Paragraph 2; the Act on Equal Employment Opportunity between Men and Women, Article 6 (Clause 4) and 9; the Act on Care Leave for Child or Other Family Members, Article 10 and 16; and the Labor Union Act, Article 7).

Dismissals in general, such as dismissals on the grounds of lack of ability or incapacity to perform work duties, have essentially been regulated by the case law called the "abuse of the right to dismiss"

theory (*Kaiko-ken ranyō hōri*). This theory, which is for screening and restricting employers' exercise of the right to dismiss employee (manifestation of the intention to dismiss employee), was established by the Supreme Court rulings in the mid-1970s (The *Nihon Shokuen Seizo Co.* case, Supreme Court, Second Petty Bench [Apr. 25, 1975] 29 *Minshu* 456; and the *Kochi Hoso Co.* case, Supreme Court, Second Petty Bench [Jan. 31, 1977] 268 *Rohan* 17).



As formulated by the Supreme Court, the "abuse of the right to dismiss" theory states that in the event that a dismissal lacks objectively reasonable grounds and is not considered to be appropriate in general societal terms, it will be considered an abuse of the employer's right to dismiss employee and therefore null and void (ruling on the *Nihon Shokuen Seizo Co.* case, 1975). The Supreme Court also set out the specific standard for the judgement used in the theory by declaring that employers cannot always dismiss employee even in the event that there are normal grounds for a dismissal, and when a dismissal is notably unreasonable in the specific circumstances concerned and cannot be considered appropriate in general societal terms, said manifestation of the intention to dismiss employee shall be deemed to be an abuse of the right of dismissal and therefore null and void (The *Kochi Hoso Co.* case, 1977).

By the 2003 Revision of the Labor Standards Act, this unwritten case law was incorporated into the Act as the explicit provision (Article 18-2). This

step was taken because the theory was not statutory provision and therefore lacked clear social bearing, despite having served a key role in the regulation of dismissals in Japan (securing employment and ensuring long-term continuous employment). It was also considered necessary to put the theory in the statutory provision in order to put a stop to irresponsible dismissals in recession periods. The theory is now, as it is, moved into the Labor Contracts Act enacted in 2007 and prescribes that “if a dismissal lacks objectively reasonable grounds and is not considered to be appropriate in general societal terms, it is treated as an abuse of the rights and is invalid” (Article 16).

Let us turn our eyes to policy discussion in Japan with this theory. The current Japanese government is trying to change the legal rule of dismissal theory mentioned above, because it is difficult to anticipate final judgement in the court through this theory for the parties involved. So, the government is considering for developing a system of handling dismissal disputes such that clear anticipations can be made regarding the result of disputes, and for introducing monetary resolution system on dismissal disputes. There is some possibility that such future developments might undermine the socially valuable and important function that the “abuse of the right to dismiss” theory has played.

The factors behind policy discussion are as follows.

—In the event that a dismissal is determined null and void, employers are expected to pay lost wages (the wages the employee should have earned), because the employment contract is considered to have continued to exist.

—Moreover, while in the theory it is possible for the employee concerned to resume their employment, it is difficult for them to do so when the employer does not approve resumption of employment, as the employee is not considered to have the right of reinstatement.

This is why the introduction of a system for the monetary resolution of dismissal disputes is being discussed.

B. Collective / Economic Dismissal

In Japan, employment adjustment is largely made by reducing overtime hours or using other means without dismissing regular employees. Companies have tried as far as possible to avoid eliminating regular employees from the company unless the business is in particularly severe difficulty. This is due to the fact that for various reasons Japanese companies place importance on long-term continuous employment, and the fact that the “abuse of the right to dismiss” theory has made it difficult to actually dismiss employees.

While there are no explicit statutory provisions regarding collective/economic dismissal, a legal theory known as the “collective/economic dismissal” theory (*Seiri-kaiko hōri*) has been formed on the basis of precedents from the lower courts (The *Omura Nogami* case, Nagasaki District Court Omura Branch, [Dec. 24, 1975] 242 *Rohan* 14; and the *Toyo Sanso* case, Tokyo High Court [Oct. 29, 1979] 30 *Rominshu* 1002). This theory was derived from the “abuse of the right to dismiss” theory.

Under the “collective/economic dismissal” theory, judgements as to whether a collective/economic dismissal is null and void are made by closely examining the facts of each case on the basis of the following “four criteria” regarding the employer’s situation and actions.

Whether the employer (i) had the business necessity to reduce the number of employees, (ii) did its utmost to fulfil its duty to endeavor to avoid dismissal, for instance, by reducing overtime hours, transferring employees within the company or making temporary transfers to another company while maintaining employment relationship with the original company (*shukkō*), ceasing to hire new employees, temporarily suspending business, soliciting voluntary resignation, or reducing the number of non-regular employees, (iii) used objective and reasonable standards for selecting the employees to dismiss (for instance, the number of times an employee has been late or absent, a history of behavior infringing upon company discipline, or a relatively low financial impact for the employee such as in the case of an employee without dependents),

and (iv) provided sufficient explanation regarding the developments leading up to the collective/economic dismissal and the timing when and method by which it would be carried out, etc., and then engage in discussions with the employees or the labor union, listening to opinions and making an effort to secure employees' understanding.

This method of making judgements based on the "four criteria" above is thought to have been developed on the basis of Japanese companies' approaches to employment adjustment. The fact that this theory demands multiple concrete grounds for dismissal—unlike the case of dismissals in general, which result from factors such as a lack of ability on the part of the employee—is thought to be because collective/economic dismissals are only allowed as a result of the financial circumstances of a company.

II. Refusal to renew fixed-term contracts

When a term specified in a fixed-term contract expires, it stands to a reason that the contract will be terminated. But there are also cases in which the contract relationship is continued or repeatedly renewed beyond the agreed term. Because the expiration of the agreed term is not dismissal, the "abuse of the right to dismiss" theory is not applied directly when the disputes appears in the court. Moreover, it is the non-regular employees that are employed under such contracts. There is therefore a greater tendency for them to be the target of employment adjustment, in comparison with regular employees whose dismissal are strictly restricted under the theory. Such termination of the contract relationship due to the expiration of the contract term is known as *Yatoi-dome* (refusal to renew a fixed-term contract).

There are two main types of fixed-term contract where refusal to renew is addressed as a problem in the court: (i) Cases in which the employee fulfils the same duties and is under the same employment management as employees working under open-ended contracts, and the renewal procedures at the time of the expiry of the contract term have not been conducted appropriately (The *Toshiba Yanagimachi Factory* case, Supreme Court, First Petty Bench [Jul.

22, 1974] 28 *Minshu* 927). That is, in this kind of case, issue is whether the employment relationship is in reality similar to employment under an open-ended contract. (ii) Cases in which the contract term is clearly defined, and the contract renewal procedures have been appropriately conducted, but the employee is expected to continue their employment (The *Hitachi Medico* case, Supreme Court, First Petty Bench [Dec. 4, 1986] 486 *Rohan* 6). In this kind of case, it is the main issue whether there can be found employees' expectation to continue their employment relationship with looking precisely into every circumstances in the case.

In addressing the refusal to renew fixed-term contracts of non-regular employees, courts have applied the "abuse of the right to dismiss" theory by analogy and declared the refusal to renew contracts on the basis of the expiry of the contract term to be null and void when the refusal to renew the contract lacks objectively reasonable grounds and is not considered to be appropriate in general societal terms, therefore determining that the original contract relationship remains in place (the fixed-term contract is deemed renewed). This is known as the "refusal to renew fixed-term contracts" theory (*Yatoi-dome hōri*). The essence of this theory has been incorporated in the Labor Contracts Act as Article 19 by the 2012 amendment.¹

There is also the issue of whether it is acceptable to terminate a fixed-term contract midway through the contract period.

Article 628 of the Civil Code permits the immediate termination of the contract by the parties involved in cases where there are unavoidable reasons. If the unavoidable reasons have arisen from the negligence of either of the parties, that party shall be liable to the other party for damages. However, it is not necessarily clear on whether it is possible to terminate a fixed-term contract midway through the contract period if there are no unavoidable reasons for doing so.

Therefore, the Labor Contracts Act, Article 17 (Paragraph 1) prescribes that in regard to the termination of a fixed-term contract by an employer, "an Employer may not dismiss a Worker until the

expiration of the term of such labor contract, unless there are unavoidable circumstances,” clearly restricting the right of the employer to terminate a fixed-term contract during the contract period. Unavoidable circumstances are interpreted as grave circumstances that may invalidate the specification of the term within the contract. Possible examples of this are difficulty continuing to operate the business, difficulty to perform work, or severe non-fulfillment of obligations or illegal conduct.

Furthermore, the 2012 amendment to the Labor Contracts Act prescribes that in cases where fixed-term employment contracts have been repeatedly renewed, and the total continued contract term exceeds 5 years, in the event that the employee applies to the employer for the conclusion of an open-ended contract (that is, exercises the right to apply to convert to open-ended employment), the employer will be deemed to have accepted said application (Article 18). In other words, the amended act enables such atypical employees to convert from fixed-term to open-ended contracts. This provision was set up to eliminate the instability of the employment of fixed-term contract employees. While the “refusal to renew fixed-term contracts” theory only allows for the renewal of fixed-term contracts by a court ruling, this provision is an important policy measure that transcends the legal effect of above theory.

However, some major companies are indicating a policy with which they will once terminate fixed-

term contracts intending its total continued contract period will not reach qualified continued 5 years and over to convert to open-ended contracts. Whether the contract period fulfills qualified continued 5 years depends upon the length of an interval (“vacant term”) between one fixed-term contract and the subsequent fixed-term contract. Statutory provision specifies that in the event that there is a vacant term more than 6 months between one contract and the subsequent contract, the total contract period will not be regarded as continuous and the contract period that expired prior to the vacant term is not included in the total continued contract period. It is therefore difficult to clearly anticipate the future of policies concerning stabilizing employment for non-regular employees on fixed-term contracts.

* This is a series of three articles on the topic of the termination of employment relationships in Japan. Part I (April-May issue, vol.2, no.6) looks at resignation and termination of employment contracts by mutual consent. Part III (October issue) will cover the mandatory retirement age system.

AUTHOR

Hirokuni Ikezoe Senior Researcher specialized in Labor and Employment Law, The Japan Institute for Labour Policy and Training (JILPT). Research interests: Working time, Work-life balance/conflict, Diversification of labor market, Legal concept of employee, and Labor/employment dispute resolution. Profile: <http://www.jil.go.jp/english/profile/ikezoe.html>

1. Article 19 of the LCA stipulates that “If, by the expiration date of the contract term of a fixed-term labor contract which falls under any of the following items, a Worker applies for a renewal of the said fixed-term labor contract, or if a Worker applies for the conclusion of another fixed-term labor contract without delay after the said contract term expires, and the Employer’s refusal to accept the said application lacks objectively reasonable grounds and is not found to be appropriate in general societal terms, it is deemed that the Employer accepts the said application with the same labor conditions as the contents of the prior fixed-term labor contract:
(i) the said fixed-term labor contract has been repeatedly renewed in the past, and it is found that terminating the said fixed-term labor contract by not renewing it when the contract term expires is, in general societal terms, equivalent to terminating a labor contract without a fixed term by expressing the intention to fire a Worker who has concluded the said labor contract without a fixed term;
(ii) it is found that there are reasonable grounds upon which the said Worker expects the said fixed-term labor contract to be renewed when the said fixed-term labor contract expires.”

This five-year series systematically outlines the basis of labor situations and analysis in Japan, covering five field topics.

▶▶ **Human Resource Management**

▼ Labor-Management Relations

▼ Labor Market

▼ Labor Administration and Legislation

▼ Social Security System

Termination of Employment Relationships in Japan (Part III):

Mandatory Retirement Age System

Hirokuni Ikezoe

In the final article on the topic of termination of employment relationships in Japan, we discuss the mandatory retirement age system.*

I. The history and significance of the mandatory retirement age system

Behind the background to the creation of the mandatory retirement age system, there was consideration that work performance might decline with age. When economic society increasingly industrialized and secondary industry took a central role in society, it became necessary for companies to maintain the quality of their labor force in order to bring high-quality products to market consistently. Apparently, consideration was also given to the increased risk involved in ensuring the safety of employees as they got older. Companies therefore sought to maintain the composition of their internal labor force. They replenished their supply of young personnel while also establishing a mandatory retirement age system to ensure that employees who have reached a certain age leave employment.

Factors with particularly strong influence on the widespread adoption of mandatory retirement age systems were economic recession and natural disaster—namely, the recession after the *Taisho* bubble economy brought by World War I, the Great Depression in 1929, and the recession after World War II as well as the Great Kanto Earthquake in 1923. As these events dealt a blow to the markets, companies were forced to take measures to reduce their surplus personnel. Amid the social conditions in the postwar period, companies are thought to have adopted the mandatory retirement age system,

supported by labor union struggles against dismissals, and also responding to protective labor legislation.

The mandatory retirement age system is still used with the purpose of optimizing the composition of internal labor force as described above, ensuring companies stable workforce, while providing employees with employment security. From the perspective of typical Japanese employment practices, mandatory retirement age systems are company systems that support long-term employment. Moreover, as companies have adopted the practice of seniority-based wage system over the years, they have also maintained the mandatory retirement age system as a means of addressing potential increases in personnel expenses. Nowadays, as factors such as the decline in the working population and changes in its age composition have necessitated raising the age from which pensions are paid, labor policies have been set out to ensure the establishment of legal provisions that prescribe possible mandatory retirement ages and measures for extending the mandatory retirement age or offering alternatives.



II. The legal treatment and actual state of the mandatory retirement age

Article 8 of the current Act on Stabilization of Employment of Elderly Persons (ASEEP) prescribes that employers must not set the mandatory retirement age below 60 years of age. This provision is also interpreted as a mandatory rule under private

law, so that a mandatory retirement age under 60 is considered null and void (in such cases, it is considered that no mandatory retirement age has been stipulated).

Moreover, under Article 9 of said Act, employers who fix a mandatory retirement age of under 65 are obliged to take measures to secure stable employment for employees until 65. More specifically, there are three measures:

- (i) Raising the mandatory retirement age
- (ii) Introducing a continued employment system
- (iii) Abolishing the mandatory retirement age

These measures are obligations under public law and are not considered mandatory under private law,¹ but there have also been strong claims that they can be interpreted as mandatory rules under private law.

Despite such conflict in the theory, employers who do not take such measures in any way may be liable for damages on the basis that their behavior was illegal. In the case of above-mentioned measure (ii), current law specifies that continued employment must be offered to all employees, and employers are not permitted to screen those who opt for it.² It is also prescribed that for employers that have an affiliated company, continued employment at such an affiliated company also falls under such a continued employment system as set out in measure (ii).

Drawing on the Ministry of Health, Labour and Welfare's report on the "Status of Employment of Elderly Persons in 2017" to look at the introduction of measures for securing employment until 65 years of age, we can see that 99.7% of companies with 31 or more employees (approx. 156,000 companies) had already introduced measures for employment

security as of June 1, 2017. As for the employment security measures introduced, the breakdown was, in the descending order, (ii) 80.3%, (i) 17.1%, and (iii) 2.6%.

In the case of the most commonly adopted measure—namely, continued employment systems—70.0% of companies had introduced a system of continued employment to age 65 and above for all those who opt for it, while 30.0% of companies had introduced a system of continued employment to age 65 and above for employees who meet certain criteria.³ In 94.1% of companies, continued employment is only within the same company, while in 5.9% of companies continued employment can be offered at an affiliated company.

As for companies with advanced efforts, 75.6% of companies offer employment until age 65 or above to all those who opt for it, and moreover, 22.6% of companies offer employment to age 70 or above.

III. The legal nature of the mandatory retirement age system and recent form of disputes

The mandatory retirement age system prescribes retirement upon reaching a certain age and does not preclude the termination of an employment contract midway through the contract term. It is not a provision determining the duration of employment. It is therefore considered as a special agreement prescribing grounds for terminating an employment contract relationship. Because the mandatory retirement age system terminates an employment contract relationship on the basis of age, its legality has been the topic of debate over the years. Among the theories, some argue that the mandatory

1. Under Article 10 of the Act, it is prescribed that where employers violate the provision, public administration will respond with guidance, advice, or recommendations and publication of failure to follow the recommendations.

2. A continued employment system refers to a system of continuing to employ an elderly person currently employed after the mandatory retirement age, if said elderly person wishes to be employed. This consists of re-employment system and employment extended system.

3. Moreover, the continued employment system prior to the 2012 amendment to the Act, which restricted those to whom it applied by setting certain criteria and setting a certain age of 61 years of age or above in connection with the incremental raise in the pensionable age from which pension payment starts, has been legally permitted as an interim measure on condition of the conclusion of a labor-management agreement specifying criteria for selecting those to whom the system applies, as prescribed prior to the amendment of the Act [2012 Amendment to the Act, Supplementary Provisions, Paragraph 3]. When determining the criteria, companies need to ensure that factors such as motivation and ability can be measured concretely as far as possible, necessary ability is defined in objective terms, and it is possible to anticipate the possibility of fulfilling the criteria. [Promulgation by the Director-General of the Employment Security Bureau, No. 1104001, November 4, 2004].

retirement age has no legal rationality, goes against the principle of employment security, and violates public policy (Civil Code, Article 90), making it null and void. However, Japan's long-term employment system is centered on the practice of seniority-based positions and wages, and the mandatory retirement age system is generally considered to be reasonable, given its capacity to provide employment security up until a certain age and allow for internal labor force reshuffles. Court rulings have also judged the mandatory retirement age system to be valid (The *RF Radio Nippon* case, Tokyo High Court [Aug. 8, 1996] 701 *Rohan* 12).

In recent years, legal disputes have arisen regarding continued employment or re-employment described above.

In the *Tsuda Electric Meters* case (Supreme Court, First Petty Bench [Nov. 29, 2012] 1064 *Rohan* 13), an employee past mandatory retirement age, who fulfilled the criteria for the continued employment system as defined prior to the amendment to the Act, was notified of the termination of contract on the basis of the expiry of his one-year contract period as a temporary contract employee (*shokutaku*). In response, said employee asserted his right to remain in employment beyond that point. Citing the *Toshiba Yanagi-cho Factory* case (Supreme Court [Jul. 22, 1974] 28 *Minshu* 927) and the *Hitachi Medico Co.* case, (Supreme Court, [Dec. 4, 1986] 486 *Rohan* 6), the Supreme Court applied the "refusal to renew a fixed-term contract" theory (see Part II in this series), judging it reasonable to consider that an employment relationship equivalent to re-employment continued to exist. Under the amended ASEEP, the continued employment measures apply to all employees who opt for them. It is permitted to set certain criteria regarding the employees to whom the system applies under the Act prior to amendment. Considering the distinctive characteristics of the case, however, the employee could be said to have significant reasonable expectations to be allowed to continue employment. It is understood, therefore, that the court chose to relieve the employee by applying the "refusal to renew a fixed-term contract" theory.

In the *Toyota Motor* case (Nagoya High Court

[Sept. 28, 2016] 1146 *Rohan* 22), the court accepted the employee's claim for the payment of damages on the basis of illegal act (tort) by the employer. In this incident, the commonly-accepted view was that offering labor conditions for re-employment that are markedly lower in comparison with the prior employment is a violation of the objectives of ASEEP (in effect, as the wage level was such that it guaranteed approximately 85% of the pension payment, it was deemed not to be a violation of the objectives of the Act). In addition, although in the case of re-employment it is permitted to provide work duties that differ from those pursued prior to mandatory retirement, in the event that the work is of a different nature, such as work that entails a completely different type of duties, the employment is effectively considered to be regular dismissal and new hiring, lacking substance as continued employment. The judgment ruled that providing such different work duties is not permitted unless there are grounds for justifying regular dismissal, such as lack of competence in the prior job type. (In this case, the employee had previously been engaged in a clerical work but was offered cleaning work on re-employment.) Ultimately, the court approved the payment of damages (more specifically, "consolation money" [*isharyō*]) to the plaintiff employee to the sum of the amount that he would have received if he had been re-employed for one year as a part-time employee. It was judged on the basis that the work offered at the point of re-employment did not qualify as an opportunity for continued employment, and was a clearly illegal act against the gist of the objectives of ASEEP, meaning that it constituted both a failure to meet the obligations of the employment contract and illegal act. This case, and its effectively narrow interpretation of the objectives of continued employment under ASEEP, may influence the actual practices adopted by companies in the future.

As shown above, the interpretation of ASEEP may provide various legal relief measures for elderly employees. Although Japan has not introduced an act on the prohibition of age-based discrimination, it can still be suggested that efforts are being made to secure employment opportunities for elderly

people, in response to factors such as the changes in the size and makeup of the working population and pension policies. If typical Japanese employment practices are to change in the future, Japan's system of employment and labor law and the various interpretations of the laws and theories of legal principles—including the state of the mandatory retirement age system and ASEEP—will also be forced to adapt to those changes.

* This is a series of three articles on the topic of the termination of employment relationships in Japan. Part I (April-May issue, vol.2, no.6) looks at resignation and termination of employment

contracts by mutual consent. Part II (June-July issue vol.2, no.7) covers dismissal and refusal to renew a fixed-term contract.

AUTHOR

Hirokuni Ikezoe Senior Researcher specialized in Labor and Employment Law, The Japan Institute for Labour Policy and Training (JILPT). Research interests: Working time, Work-life balance/conflict, Diversification of labor market, Legal concept of employee, and Labor/employment dispute resolution. Profile: <http://www.jil.go.jp/english/profile/ikezoe.html>

▶▶ **Human Resource Management**

▼ Labor-Management Relations

▼ Labor Market

▼ Labor Administration and Legislation

▼ Social Security System

Corporate In-house Education and Training and Career Formation in Japan (Part I):

In-house Skills Development

Makoto Fujimoto

I. OJT and Off-JT at Japanese companies

There are two types of education and training considered necessary for workers to improve their vocational skills. One is on-the-job training (OJT), namely, acquiring the necessary knowledge and skills for a job while working. The other is education and training conducted while they are not on duty.

For the majority of workers, the main training opportunities are OJT. Such training is particularly important in Japanese companies, where job contents may not be specified, and the vocational skills required are easily influenced by the situations surrounding the company or workplace.

Off-the-job training (Off-JT) is conducted outside the workplace but under the supervision of the company. It has certain advantages that OJT does not, such as the fact that workers are efficiently taught the necessary knowledge and skills that are common to certain departments, job types, or managerial positions, and are able to obtain knowledge and information that they would not be able to acquire in their everyday work.

Off-JT at Japanese companies can be classified into two types: 1) training by employee's position level, that is, training focused at each of the different levels within the company, such as managerial positions or grades according to vocational qualifications; and 2) training by specialty, namely, training focused on certain specialized vocational fields. The latter can be further categorized into two: a) training by division, which seeks to develop the different areas of vocational skills within the organization, such as sales, accounting, or human resources, and b) training by task, which is

aimed at achieving specific tasks in corporate management, such as reforms to the organizational climate or the establishment of more efficient management systems.

Of the above, OJT and Off-JT fall under the category of in-house education and training.



Skills Development at Japanese Companies

● **On-the-job Training (OJT)***

Training conducted for the workers to acquire the necessary knowledge and skills for the job at the company while working.

● Education and training conducted away from workers' normal workplace while they are not on their own duty.

> **Off-the-job Training (Off-JT)***

Education and training conducted away from workers' normal workplace but under the supervision of the company.

1. Training by employee's position level
2. Training by specialty
 - a. Training by division
 - b. Training by task

> **Self-Development**

Education and training conducted outside the workplace which workers autonomously pursued.

*Corporate in-house education and training.

II. How do Japanese companies conduct in-house education and training?

According to *Basic Survey of Human Resources Development* conducted annually by the Ministry of Health, Labour and Welfare (MHLW), 74.0% of the responding businesses conducted Off-JT for their regular employees in 2016. There are significant differences in the tendency to implement Off-JT according to company size; while 54.5% of businesses affiliated with companies with 30–49 employees conducted Off-JT for their regular employees, that figure is as high as 85.8% among businesses affiliated with companies with 1,000 or more employees.

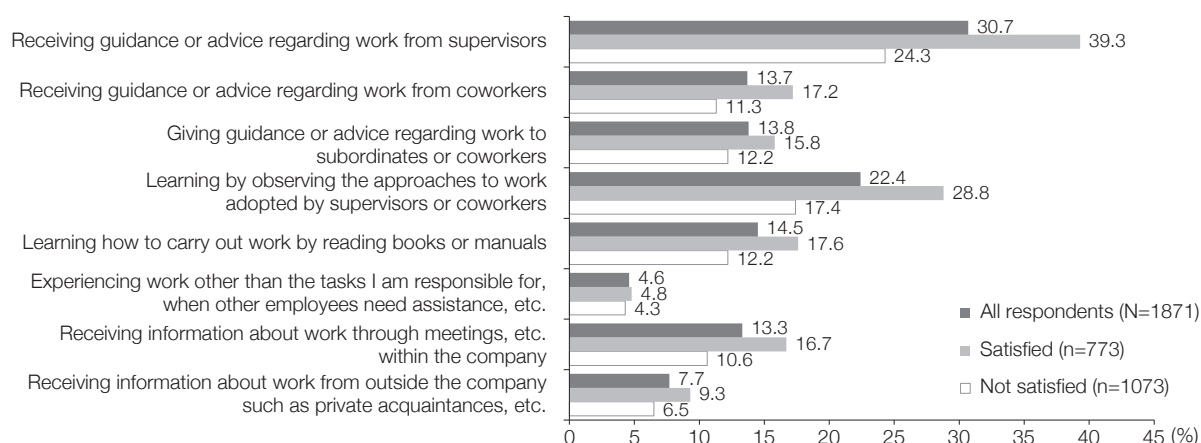
OJT is more commonly implemented in the larger company. 59.6% of businesses provided their regular employees with a type of OJT referred to as “planned OJT.” Planned OJT is education and training conducted on the basis of programs that specify details including the staff in charge of training, the employees who will receive the training, and the time period and content of said training (MHLW 2016). The tendency to implement such planned OJT shows marked differences by company size. 39.0% of businesses affiliated with companies with 30–49 employees provided planned OJT for their regular employees, while 76.5% of business affiliated with

companies with 1,000 or more employees.

Let us explore the current state of corporate in-house education and training in detail by looking at the results of another survey. The questionnaire survey on human resource development, in-house education and training, and career management conducted by the Japan Institute for Labour Policy and Training in 2016 (hereafter, “JILPT Survey 2016”) asked regular employees working at companies with 300 employees or more to what extent they experienced situations in the course of their everyday work that helped to improve their vocational skills and knowledge (Figure 1).

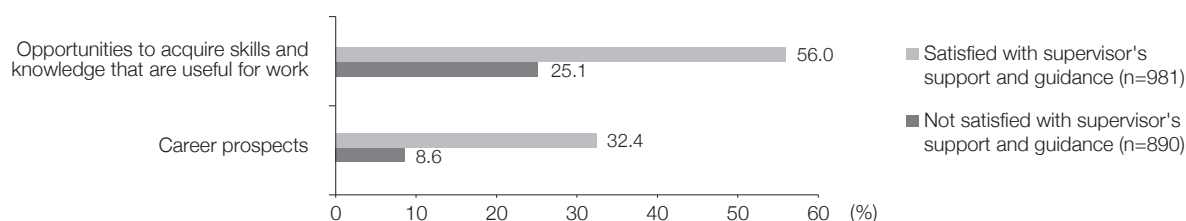
We find here that, from the perspective of employees, the main sources of vocational skills development are the daily interactions and communications with supervisors and coworkers. The kinds of situations that received the most “often experience” responses were “receiving guidance or advice regarding work from supervisors” (30.7%) followed by “learning by observing the approaches to work adopted by supervisors or coworkers” (22.4%) and “learning how to carry out work by reading books or manuals” (14.5%).

Let us then look at the state of such experiences with results divided according to whether employees were satisfied with the learning opportunities in the course of their current jobs or ways of working



Source: JILPT, “Questionnaire Survey on Human Resource Development, In-house Education and Training, and Career Management,” 2016.

Figure 1. Experiences that help to improve vocational skills and knowledge: Percentages of “often experience” responses for 2015 (January–December) and differences according to whether respondents were satisfied with learning opportunities



Source: JILPT, "Questionnaire Survey on Human Resource Development, In-house Education and Training, and Career Management," 2016.

Figure 2. Percentages of respondents satisfied with the learning opportunities and career prospects at the company which they work: Responses divided according to whether respondents were satisfied with the support and guidance provided by their department supervisor

to acquire useful skills and knowledge for work (hereafter, "learning opportunities"). Nearly 40% of respondents who were satisfied said that they often experienced learning opportunities through "receiving guidance or advice regarding work from supervisors," around 15 percentage points more than the percentage for respondents who were not satisfied. Moreover, the percentage of respondents who answered that they often experienced opportunities for "learning by observing the approaches to work adopted by supervisors and coworkers" was more than 10 percentage points higher among respondents who were satisfied.

III. Managers play key role in skill development

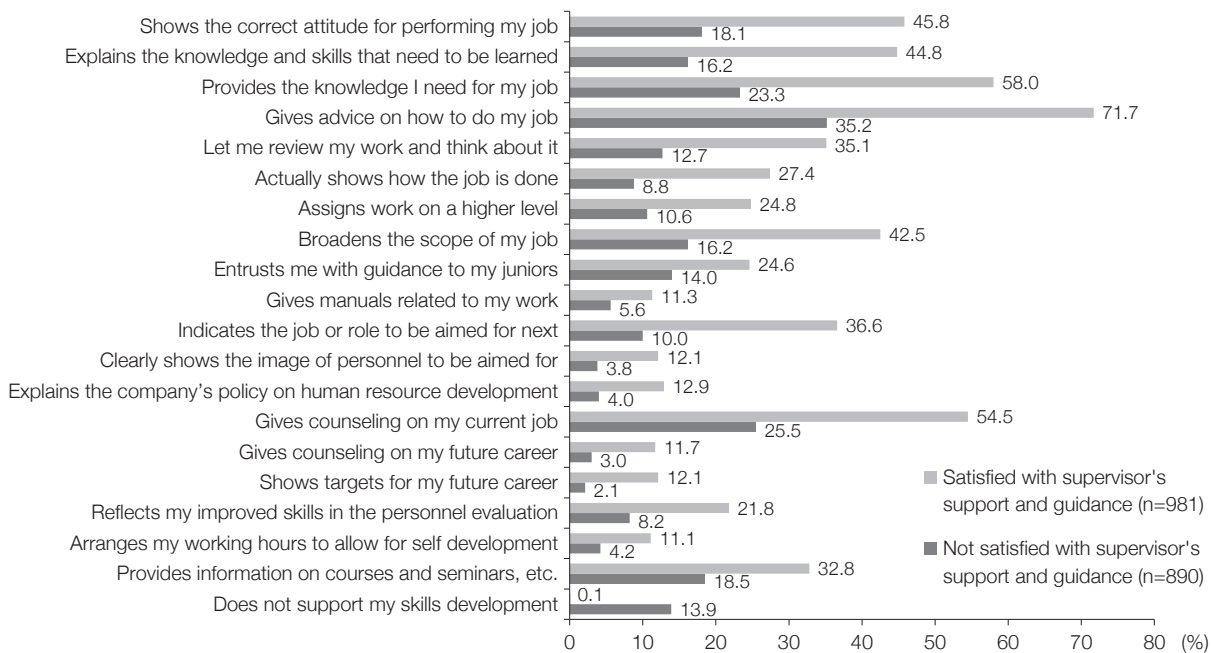
The percentage of respondents who frequently have opportunities for "receiving guidance or advice regarding work from supervisors" and "learning by observing the approaches to work adopted by supervisors and coworkers" was notably higher among respondents who were satisfied with learning opportunities than among unsatisfied respondents. Given this, it is conceivable that the place in which employees work and the department to which they belong have a significant influence on vocational skills development and career formation. Among those factors, the supervisor of an employee's department seems to have a particularly considerable effect on the improvement of employee's skills.

Figure 2 draws on the responses to the JILPT Survey 2016 to show the percentages of respondents (regular employees) satisfied with learning opportunities at the company they work and of

respondents satisfied with career prospects at the company they work, each divided into employees satisfied with the support and guidance received from the supervisor of their department and those not satisfied with such support and guidance. The percentage of those satisfied with learning opportunities was more than 50% among those satisfied with the support and guidance received from the supervisor of their department, in contrast with under 30% among those not satisfied with such support and guidance. Furthermore, while the percentage of those satisfied with career prospects was around 30% among those satisfied with the support and guidance received from their supervisor, among those not satisfied with such support and guidance, that figure was less than 10%.

How are the human resources and skills development activities pursued by supervisors regarded by employees?

In the JILPT Survey 2016, regular employees were asked about what kind of support they were receiving for their own skills development from their supervisors. Figure 3 shows the results, with respondents divided according to whether they were satisfied with the support and guidance received from supervisors. For all of the items, there is a noticeable difference in the response rates depending on whether respondents were satisfied with such support and guidance. The difference is particularly marked for the following items: the supervisor "gives advice on how to do my job" (36.5 percentage-point difference in response rate; the same applies to following percentage points),



Source: JILPT, "Questionnaire Survey on Human Resource Development, In-house Education and Training, and Career Management," 2016.

Figure 3. The support that department supervisors provide for skills development: Response divided according to whether respondents were satisfied with the support and guidance provided by their department supervisor

"provides the knowledge I need for my job" (34.7 points), "gives counseling on my current job" (29.0 points), "explains the knowledge and skills that need to be learned" (28.6 points), and "shows the correct attitude for performing my job" (27.7 points). That is, employees' opinions regarding their supervisors are divided by the factors of whether a supervisor explains to employees the knowledge and fundamental approach essential for conducting the current work, or whether the supervisor deals with the issues and concerns that workers face in their work.

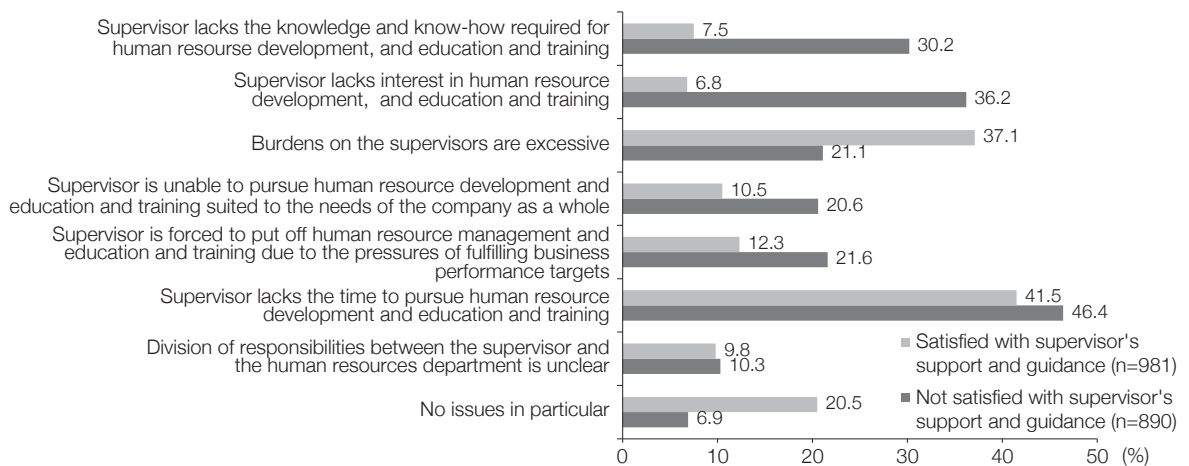
Figure 4 compiles results on the issues that employees identify regarding the human resources development conducted by their supervisors, according to whether they were satisfied with the support and guidance provided by their supervisors. The tendency among respondents who were not satisfied with such support and guidance to note their supervisor's lack of interest in the employees' skills development under their supervision as well as their supervisor's lack of knowledge and know-how are especially pronounced in comparison with

respondents who were satisfied with the supervisors' support and guidance. As a downsize trend, almost 40% of respondents who were satisfied with such support and guidance expressed concern that the "burdens on their supervisor are excessive." This is a far greater percentage in comparison with that of those respondents who were not satisfied with the support and guidance provided by their supervisors

Moreover, regardless of whether respondents were satisfied with the support and guidance provided by their supervisors or not, the percentages of respondents are highest for the option "supervisor lacks time to pursue human resources and skills development." This seems to be a clear indication of the problems affecting education and training in Japanese companies.

IV. Differences in opportunities for in-house education and training by form of employment

In addition to above-mentioned issues identified in the education and training environment for regular employees, issues in in-house education and training in Japan can also be found in the state of in-house



Source: JILPT, "Questionnaire Survey on Human Resource Development, In-house Education and Training, and Career Management," 2016.

Figure 4. Issues regarding human resources development pursued by department supervisors: Responses divided according to whether respondents were satisfied with the support and guidance provided by their department supervisor

education and training opportunities for regular employees and non-regular employees.

According to the *Basic Survey of Human Resources Development* (MHLW 2016), while, as noted above, around 60% of businesses conducted planned OJT for regular employees, the percentage of businesses that conducted such training for non-regular employees was 30.3%—that is, only half the number of businesses that conducted such training for regular employees. Likewise, in the case of Off-JT, there is also a significant gap. Only 37.0% of businesses provide Off-JT for non-regular employees, and in contrast, more than 70% of those for regular employees.

The fact that the education and training opportunities for non-regular employees are conspicuously scarce in comparison with those for regular employees can be seen as companies' reasonable decisions and behavior in light of factors such as the content of the tasks that non-regular

employees are in charge of, or the tendency for such employees to work at a company for shorter periods than regular employees.

In Japan, non-regular employees accounting for almost 40% of the total persons in employment. It is important for society to address what kind of processes should be adopted to enrich the opportunities available to non-regular employees to receive internal training and education, or what kind of approach should be taken to develop a new training and education and career formation as an alternative to corporate in-house education and training and career formation.

AUTHOR

Makoto Fujimoto Senior Researcher, The Japan Institute for Labour Policy and Training (JILPT). Research interest: Industrial sociology. Profile: <https://www.jil.go.jp/english/profile/fujimoto.html>

This five-year series systematically outlines the basis of labor situations and analysis in Japan, covering five field topics.

Corporate In-house Education and Training and Career Formation in Japan (Part II)

Japanese Companies' Commitment to Employees' Career Formation

▶▶ Human Resource Management

▼ Labor-Management Relations

▼ Labor Market

▼ Labor Administration and Legislation

▼ Social Security System

Makoto Fujimoto

Many of Japanese companies are exploring various different measures focusing their employees' career formation. They find it difficult to expand their corporate organizations amid a changing social environment including a low-growth economy, declining birthrate, and aging population. They also see the need to further advance the internationalization of corporate management. Also propelling this endeavor are society-wide demands for continued employment for the elderly and increase of women's career formation opportunities.

This article describes these companies' commitments, based on the results of the "Survey on human resources development and career management in companies" conducted by the Japan Institute for Labour Policy and Training (JILPT) to more than 300 large companies between January and March 2016.¹

I. Recent activities of Japanese companies

What matters for current Japanese companies regarding human resources development and career management of their regular employees? Among the 531 companies, the most common response, given by about 70%, was "Boosting the overall competency of employees" (Figure 1). Following this, the second most was "Clarification of values we want to share across the entire company," cited by more than 50%.

It is notable that the majority of respondents cited efforts that encompass their entire organizations, whether they are boosting the overall competency of employees or clarifying the values they want to share throughout the company. Despite, or perhaps because of, the recent widespread emphasis

for "individualization" of personnel management and labor relations—such as systems for evaluating and correspondingly treating employees based on performance, and the principle of "self-reliant

career formation"—in many large companies, a trend toward increasing the functionality and value of the organization as a whole has been observed. The third most frequent response, given by nearly half of companies, was "Strengthening of ties between management plans/policies and human resources development." Like the two responses cited above, this is also an approach to human resources development for the entire organization's current direction.

Naturally, the areas of focus vary from company to company. When viewed by industry, "Cultivation of personnel that can work effectively overseas," a response largely given by only single-digit percentages in other industries, reaches 24.8% in the manufacturing sector. This seems to reflect the current status of manufacturing, in which significant overseas business development is occurring.

Differences among industries are also noticeable with regard to "Cultivation of personnel with advanced expertise." This was emphasized by about 60% of respondents in the construction industry, and about 50% in medical, health care and welfare and the service industry respectively, but only about 20% in wholesale and retail trade as well as education, learning support. In medical, health care





Source: The author, based on JILPT, 2017.

Figure 1. What Japanese companies are currently emphasizing with regard to human resources development and career management of regular employees (multiple responses)

and welfare, operations are largely carried out by professionals, such as medical doctors, nurses, care workers, while in construction, the structures built and the specialties of construction are becoming increasingly compartmentalized and sophisticated, making these industries place a relatively strong emphasis on the training of highly specialized human resources compared with other industries. Meanwhile, the relatively high response rate from the service industry appears to reflect the fact that Japan's service-industry enterprises (in particular large companies) are focusing on advanced and specialized service fields in order to generate sufficient revenue to maintain and develop their organizations.

II. Trend toward increasing interest in fostering next-generation executives

Looking ahead, what sort of human resources development and career management efforts do major Japanese companies intend to pursue? Figure 2 shows a comparison of responses regarding future intentions and initiatives already underway.

The top five responses regarding initiatives to pursue in the future were “Cultivation and appointment of female managers” (43.3%), “Fostering self-awareness among next-generation section chief and director candidates” (39.9%), “Boosting the overall competency of employees” (38.0%), “Promotion of work-life balance” (37.5%), and “Strengthening of ties between management plans/policies and human resources development” (36.0%), all of which had response rates of around 40%. Perception of the importance of cultivating and appointing female managers appears to be growing among major companies following the August 2015 enactment of the Act on Promotion of Women's Participation and Advancement in the Workplace (APWPAW), which from April 2016 newly obliges large companies with 301 or more workers to formulate action plans for promoting women's career advancement. We may infer that those companies promoting work-life balance also have a common emphasis on planning to pursue efforts to support female regular employees and encourage female advancement to managerial



Source: The author, based on JILPT, 2017.

Figure 2. Efforts pertaining to human resources development and career management of regular employees that companies intend to pursue in the future (multiple responses): Comparison with currently pursued initiatives

positions. Meanwhile, it seems that the approach to fostering next-generation section chief and director candidates reflects the concern with cultivating and securing middle management-level personnel, which is increasing mainly at large companies in recent years.²

When the percentages of companies intending to pursue initiatives in the future and currently doing so are compared, the former is 10 or more percentage points higher than the latter with regard to “Cultivation and appointment of female managers” (43.3%–27.1% = 16.2 percentage points, the same calculation applies to the following percentage points), “Cultivation of top management (executives, general managers, etc.)” (14.3 points), “Offering business opportunities beyond the boundaries of departments” (13.2 points), “Distinction between managerial and professional career tracks” (11.3 points), and “Diversity management efforts” (10.4 points). To advance these efforts, various systems in corporate management will be further upgraded.

It is also predicted that changes in organizations, workplaces and individual work approaches accompanying the progress of these efforts will expand in Japan’s major corporate sector.³

III. Links between management policy and human resources development

Since human resources development and career formation management are crucial means of securing human resources, it is logical that there would be some relationship between these and individual companies’ corporate management. We thus conducted a survey on each company’s policies about management-related matters as well as efforts in human resource management of regular employees. Utilizing the results of this survey, we examined differences in the contents of career formation management among companies with contrasting views on various matters (Table 1).

The difference in management policy related to the target market most influences efforts to

Table 1. Corporate management policies and currently emphasized efforts regarding human resources development and career management of regular employees

Item / Content of policy	n	Clarification of values we want to share across the entire company	Strengthening of ties between management plans / policies and human resources development	Cultivation of personnel with advanced expertise	Cultivation of top management (executives, general managers, etc.)	Boosting the overall competency of employees	Selective training for some employees	Distinction between managerial and professional career tracks
① High quality vs. low cost								
Boosting competitiveness through high added value	419	54.2	48.7	37.5	19.6	70.2	29.8	8.4
Boosting competitiveness by cutting costs	78	50.0	41.0	33.3	17.9	66.7	25.6	9.0
② High quality vs. stronger sales and marketing								
Emphasis on heightening quality of products and services	379	54.4	47.8	39.6	19.5	71.0	27.7	7.9
Emphasis on strengthening sales and marketing	116	50.0	45.7	28.4	19.0	67.2	34.5	10.3
③ Scale of enterprise								
Emphasis on maintaining current size	286	52.4	44.8	38.5	17.8	70.3	24.5	8.4
Emphasis on expansion of the size	209	55.0	51.2	34.4	21.5	69.4	35.9	8.1
④ Self-sufficiency vs. specialization								
All steps from development to manufacturing and sales carried out in-house	254	52.8	48.4	33.9	20.1	67.3	31.1	8.3
Focus on areas at which company excels	216	52.8	44.0	38.9	19.4	72.7	28.7	9.3
⑤ Relationship between business strategy and human resources								
Business strategy tailored to current personnel	188	50.0	44.7	36.2	16.0	70.7	21.8	8.0
Personnel hired to fit business strategy	313	55.3	48.6	37.4	21.1	69.0	33.5	8.6
⑥ Broadening or deepening market								
Emphasis on expansion of new business units	161	55.3	52.8	35.4	21.1	73.3	34.2	9.9
Emphasis on maintaining and reinforcing existing business units	335	51.9	44.2	37.3	18.2	68.4	26.9	7.8
⑦ Domestic vs. overseas								
Emphasis on domestic market	432	53.7	46.5	35.4	18.5	70.1	27.8	7.4
Emphasis on overseas market	57	54.4	49.1	45.6	26.3	70.2	43.9	17.5
⑧ Speed of business development								
Emphasis on speed of business development	237	58.6	53.6	36.7	23.6	73.8	33.3	9.3
Business development carried out cautiously	263	48.7	41.4	36.9	15.2	66.9	25.5	8.0
⑨ Decision-making procedures								
Emphasis on top-down decision-making	430	54.7	49.3	37.0	19.5	69.5	29.1	8.6
Emphasis on bottom-up decision-making	76	46.1	35.5	35.5	15.8	69.7	27.6	7.9

Source: The author, based on JILPT, 2017.

Note: Among companies with different policies for each item concerning corporate management, areas with a response rate differential of 10 percentage points or more are in bold letters and shaded areas.

(%)

Reduction of department- and division- manager level posts	Promotion of self-awareness among next-generation section chief and director candidates	Offering business opportunities beyond the boundaries of departments	Placement of employees that reflects their own wishes	Promotion of employees' self-reliant career formation	Promotion of work-life balance	Cultivation of personnel that can work effectively overseas	Cultivation and appointment of female managers	Diversity management efforts
3.1	41.5	15.0	15.5	28.9	39.9	11.2	28.4	12.6
1.3	37.2	9.0	10.3	17.9	29.5	12.8	24.4	14.1
3.2	39.8	14.2	14.8	28.0	39.6	12.4	29.0	12.7
1.7	43.1	13.8	14.7	26.7	33.6	8.6	23.3	12.9
3.8	39.5	12.6	13.6	30.1	39.2	12.2	25.5	10.8
1.4	41.6	15.8	16.3	25.8	37.3	10.0	30.1	15.3
3.9	42.5	13.4	15.4	28.0	37.4	15.4	26.8	11.4
1.4	40.7	14.4	13.9	26.4	36.6	7.9	26.9	15.3
2.1	41.5	12.2	10.6	28.2	39.4	10.6	23.9	11.2
3.2	40.3	15.0	17.6	27.8	37.4	12.1	29.7	13.7
1.2	42.2	13.7	16.8	31.1	43.5	11.8	32.3	18.6
3.6	40.0	14.0	13.7	25.4	35.2	11.3	25.4	9.9
3.0	40.0	14.1	14.4	25.9	38.4	7.2	28.0	11.6
1.8	49.1	15.8	19.3	33.3	40.4	43.9	24.6	22.8
3.0	46.0	15.6	19.0	31.6	37.6	13.5	32.9	18.1
2.7	35.4	12.2	11.4	23.6	38.4	9.9	23.6	8.0
2.8	41.2	15.3	15.6	29.1	39.8	10.7	29.3	13.5
2.6	34.2	5.3	11.8	19.7	32.9	15.8	21.1	7.9

enhance human resources development and career management. Companies focused on overseas markets more frequently emphasized the following areas than their counterparts focused on domestic markets: “Selective training for some employees,” “Cultivation of personnel that can work effectively overseas,” “Cultivation of personnel with advanced expertise,” “Distinction between managerial and professional career tracks,” and “Diversity management efforts.” We can infer that selective training for some employees is increasingly necessary for developing human resources responsible for the management of business units and organizations that are growing more and more complex with overseas expansion, and to train highly specialized human resources is so for predominating an edge in international competition. Meanwhile, the distinction between managerial and professional career tracks appears to be emerging as an issue, as companies that emphasize overseas markets seek to effectively train and manage human resources while sophisticating both managerial and specialized professional personnel.

Differences in mentality toward the speed of business development seem to have a significant influence on competency development and career management initiatives. Companies that emphasize speed in business development tend to focus on “strengthening the ties between management plans and policies and human resources development” more strongly than companies that conduct business development more cautiously. Companies focused on speed in business development evidently take into account how smoothly management plans and policies can be realized as businesses, and human resources development of their regular employees is carried out so as not to disrupt effective and efficient flow from management plan and policy to execution.

In addition, compared to companies pursuing business development cautiously, a higher percentage of companies focused on swift business development emphasize “Fostering self-awareness

among next-generation section chief and director candidates.” Here we can recognize the importance of middle managers who hold the key to business development, and can see how actively these companies are working to build managers’ skills and capacities.

Notes

1. This survey was conducted to 9,854 private enterprises and corporations with 300 or more employees in Japan excluding enterprises in the agriculture, forestry and fisheries, compound services, political, economic and religious sectors, etc., with responses from 531 organizations (valid response rate: 5.4%). For details of the survey and its results, see JILPT 2017.
2. See Japan Business Federation (2012) and others for data on the extent of this concern.
3. For example, predicted measures include (i) promotion and advancement strongly characterized by positive action, taking the training and promotion of female managers into account, (ii) further improvement and entrenchment of a fast track for managerial executive training, (iii) development of multi-track human resources management, and corresponding differentiation of regular full-time career tracks, and (iv) revision of the custom of “slow promotion” in the context of an increasing number of foreign employees, etc. Positive action mentioned in (i) above refers to a set of measures targeting women, for the purpose of enabling or encouraging them to overcome or minimize disadvantage in employment, or measures for companies to give women opportunities for advancement in the treatment.

References

- JILPT. 2017. *Nihon kigyō ni okeru jinzai ikusei, noryoku kaihatsu, kyaria kanri* [Human resources development and career management in Japanese companies] JILPT Research Report no. 196. Tokyo: The Japan Institute for Labour Policy and Training.
- Keidanren (Japan Business Federation), ed. 2012. *Midoru maneja o meguru genjyō kadai to motomerareru taio* [Current issues surrounding middle managers and required responses]. Tokyo: Keidanren.

AUTHOR

Makoto Fujimoto Senior Researcher, The Japan Institute for Labour Policy and Training (JILPT). Research interest: Industrial Sociology. Profile: <https://www.jil.go.jp/english/profile/fujimoto.html>

▶▶ Human Resource Management

▼ Labor-Management Relations

▼ Labor Market

▼ Labor Administration and Legislation

▼ Social Security System

Combining Work and Family Care in Japan (Part I):

Why do Women Leave Jobs at the Stage of Childbirth?

Shingou Ikeda

This is a series of two articles on the topic of the work-family balance from the viewpoint of working hours in Japan in recent years, providing an outline of the main reasons workers leave jobs due to family responsibilities of childbirth and childrearing (Part I) and elderly care (Part II) based on statistical data and labor policy trends. Childbirth and childrearing are regarded as the most influential factor in women's job leaving. This article introduces the background and reasons why Japanese women leave jobs at the stage of childbirth. It also takes up the matter of Japanese male workers' childrearing and discuss their expanding role in childrearing in recent years.

I. Change in the M-shaped curve of women's employment rates and policy response

In February 2017, much attention was paid to the news that the "M-shaped curve" of Japanese women's employment rates by age had almost vanished after more than three decades since the Equal Employment Opportunity Act¹ was enforced in 1986. Is this the result of governmental measures to support women's job continuation such as childcare leave?

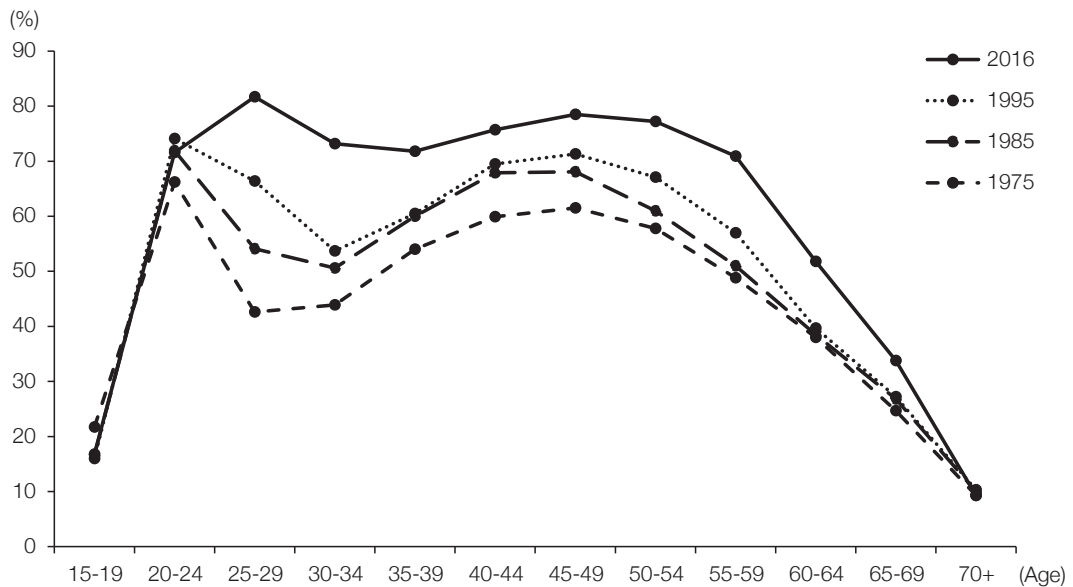
Japanese women's labor participation rate by age plotted as an M-shaped curve for decades, although its bottom has been rising (Figure 1). Let us take a closer look at the bottom curve by women's life events during the age bracket of 25–34 by breaking them up into marriage, childbirth, and childrearing, as they have been long considered to be a chain of life events in Japan and the keys when it comes to examining women's job continuity. The drop in the labor participation rate among women at

this age bracket is due to marriage and childbirth. Leaving jobs for marriage has been decreasing since enforcement of the Equal Employment Opportunity Act, which prohibits the tradition of Japanese

companies' dictating that women resign for marriage and childbirth. Worthy of attention here is that, if we focus on the period after childbirth, the job continuity rate was not increasing. In 1991, the Childcare Leave Act² was established and obligated employers to give employees long-term leave, like parental leave in Europe, to take care of children under one year old upon employees' request. There were many academic papers at that time reporting that the child care leave system had positive impacts on women's job continuation. However, the rate of job continuity after childbirth did not rise after all in the 1990s. It was the period of a long-term depression after the collapse of the economic bubble, in which Japanese employers were not interested in retention of their employees, rather they were considering how they could reduce employees in a managerial crisis. The rise of the bottom of M-shaped curve of Japanese women as a whole through the 1990s was not exactly the effect of governmental measures such as childcare leave but was in consequence of an increase in the number of working women with no children.

Having viewed this situation problematic in terms of the declining birth rate, Japanese government started to emphasize general reforms of





Source: Ministry of Internal Affairs and Communications, *Labour Force Survey*.
 Note: Labour force (Employed persons + Unemployed persons) / Population aged 15 and over × 100

Figure 1. Japanese women's labor participation rate by age

working styles including the expansion of working parents' support systems at the beginning of the 21st century as women's crucial reason for avoiding childbirth was regarded as the conflict between work and childcare at that time. The Next Generation Act³ was enforced in 2005, obligating private companies with over 300 employees to formulate action plans to support employees' childbirth and childrearing. This was well timed to coincide with an expansion of women's employment as the economic climate recovered gradually in the mid-2000s. Employers were increasingly interested in retaining female employees so as to economize on human resource costs in downsized organizations. In fact, the rate of women's job continuation after childbirth began to rise gradually after 2000.

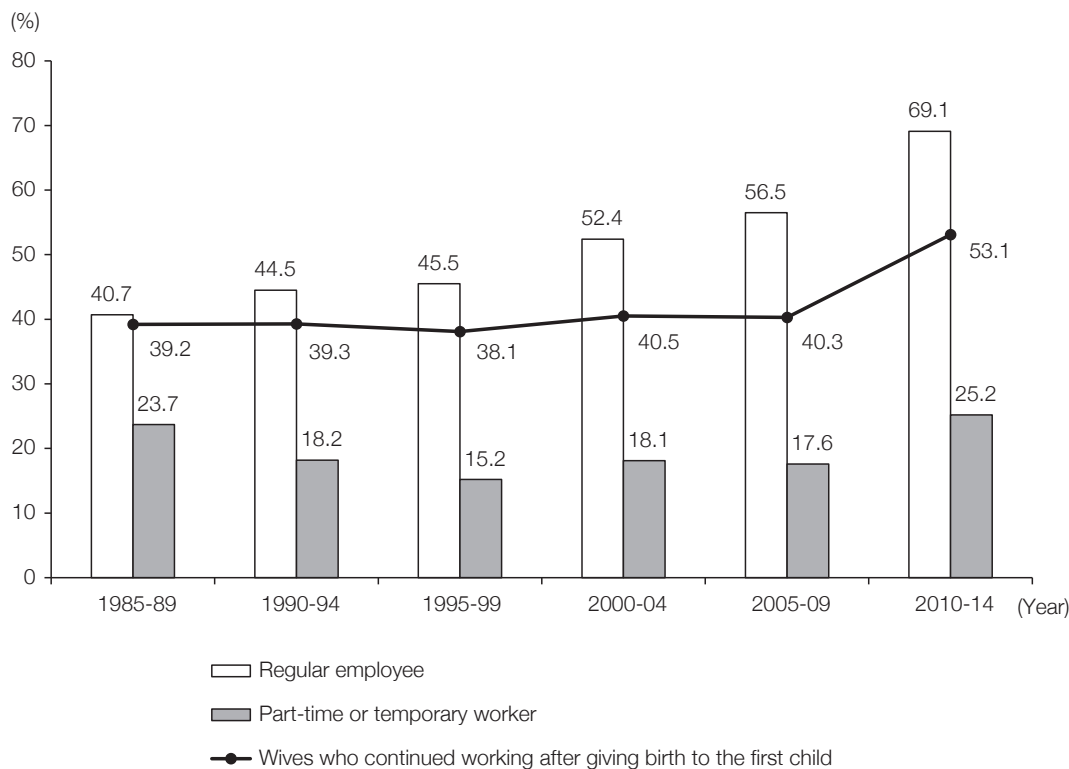
II. Diversification of the female labor force

The legally mandated childcare leave system in Japan is restricted to employees in open-ended employment contracts, as its purpose is to enable employees to continue their jobs at the same companies after childbirth. Fixed-term contract employees such as temporary workers and

dispatched workers are therefore excluded from the legally mandated childcare leave system. Many fixed-term contract employees who are employed continuously through renewal of contracts are eligible for childcare leave, but in reality, few of them take childcare leave. Most of them generally leave their jobs before childbirth.

As for regular employees (full-time workers in open-ended employment contracts), the rate of women's job continuity after childbirth has begun to rise (Figure 2). The large companies to which the Next Generation Act applies took measures to expand support for their employees' childbirth and childrearing as these employees are expected to hold managerial positions in the future. The Act later expanded the range of obligation to formulate action plans to include companies with over 100 employees. As a result, regular employees' rate of returning to jobs after the first childbirth rose to about 70%, while that of non-regular employees is still 25%, according to the latest research by National Institute of Social Security and Population in Japan.

There is the situation where female regular employees are viewed as promising human resources



Source: Author, based on National Institute of Population and Social Security Research (NIPSSR), The 15th Japanese National Fertility Survey in 2015 (http://www.ipss.go.jp/ps-doukou/e/doukou15/Nfs15R_summary_eng.pdf).

Notes: 1. The figures shown are for first-marriage couples with the first child aged 1 or older and below 15.

2. Percentage of wives who continued working shows the percentage of wives who continued working after giving birth (including those who used childcare leave systems) among wives who were already working at the time of marriage or pregnancy.

3. "Regular employee" and "Part-time or temporary worker" expresses that they were working in the employment status before getting pregnant with the first child.

Figure 2. Proportion of wives who continued working after giving birth to the first child and their employment status before getting pregnant with the first child

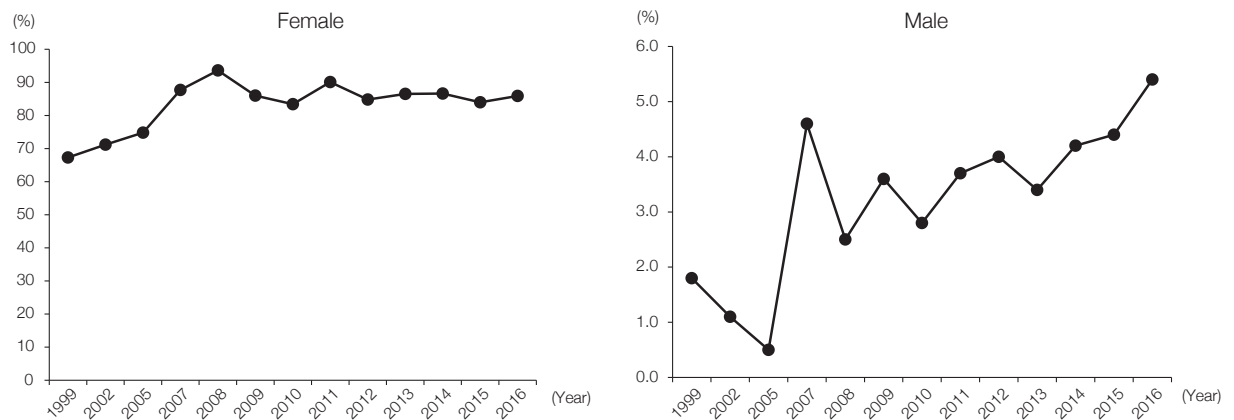
and receive support to combine work and childcare, whereas female non-regular employee face severe instability of employment during pregnancy and childbirth periods. This is an important issue to discuss concerning not only the gender gap but also equality of employment opportunities among women. To address this situation, the 2016 amendment of the Child Care and Family Care Leave Act⁴ broadened the range of application of long-term leave for family responsibility. Furthermore, the government is now attempting to correct pay gap between regular and non-regular employees under the slogan of "equal pay for equal work."

A decrease in labor force population in the world's most aged country has gradually caused

employers to take an interest in diversification of the workforce, making greater use of human resources such as women, older workers, and immigrants. In some industries, retaining non-regular employees and developing their skills are crucial matters for company management. In this sense, career development of all female workers is a vital issue in contemporary Japan.

III. Mothers' dilemmas and fathers' long working hours

Historically, Japanese women have participated in the job market in several ways, including not only full-time employment but also self-employment and as independent contractors. The history of childcare



Source: The Ministry of Health, Labour and Welfare (MHLW), “Basic Survey on Gender Equality in Employment Management.”

Figure 3. Rate of taking childcare leave (by survey year)

leave began in the 1960s, and the first regulation governing it appeared in the Working Women Welfare Act established in 1972. However, women have always faced dilemmas in balancing paid employment and domestic work. Many women bear the entire burden of housework even if they are full-time employees.

Fathers’ commitment to childcare became an issue in the late 1990s in the context of the declining birthrate. In the 2000s, the government began to emphasize the issue of fathers’ taking childcare leave. The Act on Child Care and Family Care Leave was amended in 2009 to expand fathers’ childcare leave, and a government campaign aided the popularization of the word *ikumens*, which means “fathers who play an active role in childcare.” As a consequence of such measures, the rate of men’s taking childcare leave is rising but still low (Figure 3).

The rate of daily commitment to domestic work of fathers with children under six years old is also low. It is often said that long working hours are the most crucial factor preventing fathers from participating in childcare. The working hours of male workers in their 30s are remarkably long, while this corresponds to the period when many fathers have young children. Another problem is that working into the evening, even if not late into the night, is not compatible with taking care of children

as daycare centers generally close before evening. It is therefore important to promote flexible working hours that enable fathers to finish work and pick up their children at daycare centers on time.

IV. Supporting all workers in changing working styles

When measures to combine work and childcare first began in the 1990s, the Japanese government focused on expansion of support systems for working mothers, such as childcare leave. It is now focusing on reforming work styles, including among male workers. It is believed that if the working hours of regular full-time workers become shorter or more flexible, it will benefit working mothers and fathers as well as workers with other private responsibilities. Now that family care of the elderly has become a common concern among all categories of workers — male and female, married and single, older workers and younger ones—reflecting the aging of Japanese society, work-life balance is a universal issue among the government, employers, and employees in Japan.

Notes

1. Act on Securing, Etc. of Equal Opportunity and Treatment between Men and Women in Employment.
2. Act on Childcare Leave and Other Measures for the Welfare of Workers Caring for Children or Other Family Members.
3. Act on Advancement of Measures to Support Raising Next-

Generation Children.

4. Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members.

Reference

JILPT (Japan Institute for Labour Policy and Training). 2012. *Shussan/ikuji to shugyo keizoku: Rodoryoku no ryudoka to yorugata shakai e no taio o* [Childbirth/childcare and job continuity: Addressing job mobility and 24-hour society]. JILPT Research Report no.150. Tokyo: JILPT. <https://www.jil.go.jp/english/reports/documents/jilpt-research/no.150.pdf>.

There will be five articles to discuss Japanese working hours in this series: Shingou Ikeda argues work-family balance in two (this issue and June issue) focusing on workers' leave from work for childcare and elderly care; and Tomohiro Takami will review Japanese long working hours in a series of three starting from July issue.

AUTHOR

Shingou Ikeda Senior Researcher, The Japan Institute for Labour Policy and Training (JILPT). Research interest: Work-life balance. Profile: <https://www.jil.go.jp/english/profile/ikeda.html>

▶▶ Human Resource Management

▼ Labor-Management Relations

▼ Labor Market

▼ Labor Administration and Legislation

▼ Social Security System

Combining Work and Family Care in Japan (Part II):

What is the Challenge after Reforming the Long-term Care Leave System?

Shingou Ikeda

This time, we discuss long-term care for elderly or disabled family members, as this has become a hot issue for both male and female workers. Presenting the background and outline of policy developments in Japan, we argue problems of combining work with long-term family care, which are inherently different from those of childrearing in terms of whether the person in need of care needs to be accompanied by someone all the time. This article focuses mainly on nursing care for elderly family members, rather than that for disabled family members, in consideration with aging population and low birth rate in Japan.

I. Introduction

Japan is the world's most aging society and its elderly population in need of care is expected to increase even more rapidly as the post-war baby boomers reach the age of 75 (Figure 1). The Japanese government views this trend as a problem considering that an increasing number of people giving up work to take care of their elderly parents may restrict the available workforce and threaten the nation's economic growth. To avoid such a situation, the government has begun working on providing support for workers to balance work and care for their parents.

There has been a noticeable increase in male employees leaving work to take care of their parents. Currently, the number of male and female workers who leave their jobs to provide family care is around 100,000 a year, of which men account for 10 to 20%. This fact indicates the possibility that the number of full-time male employees leaving their jobs will increase, resulting in a reduction of

the core workforce, and employers are becoming more and more concerned about this. In fact, recently cases are often seen in which employers and managers leave their positions in order to provide long-term care for their parents. There are also women in managerial positions leaving jobs for the same reason, sacrificing many years of service in their careers. Losing these female employees would be a significant setback to employers, as there are more women in important positions than before backed by recent government policies to promote more opportunities for women in the labor market.



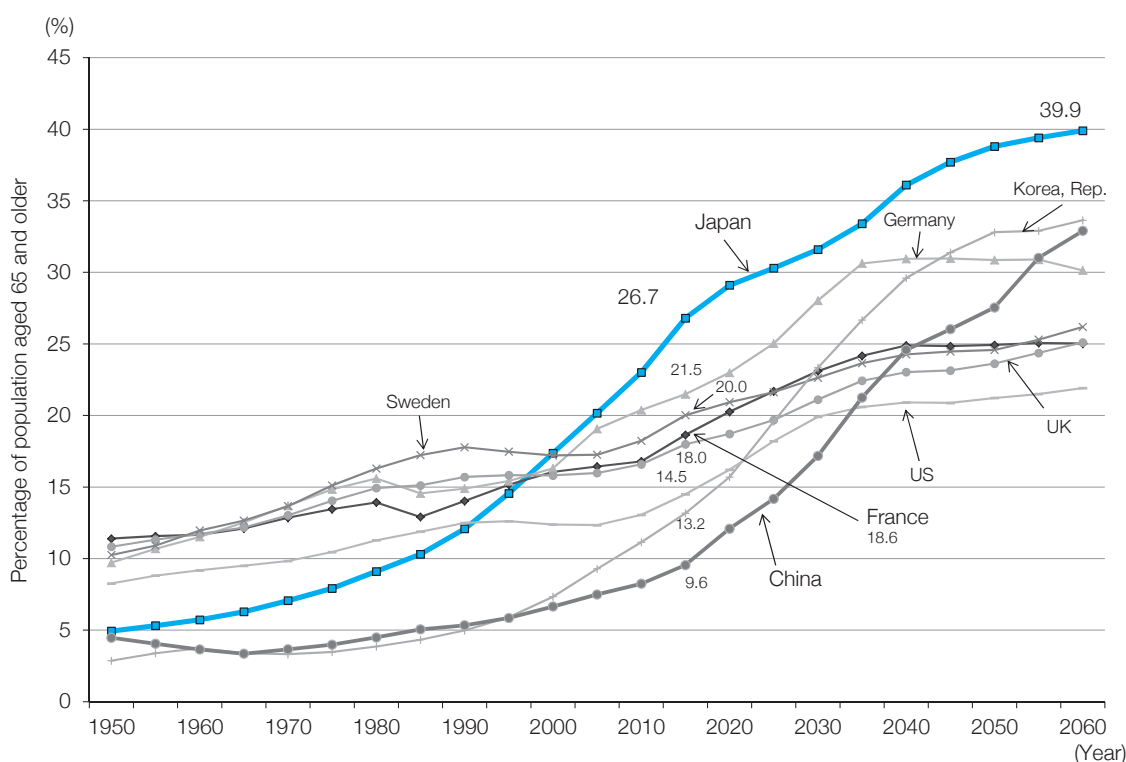
In this context, the amendment to the Child Care and Family Care Leave Act¹ was enforced in 2016, which significantly changed the support systems for workers who need to care for frail elderly family members. Section II presents the outline of the amended Act and Sections III and IV discuss further problems regarding combining work and family care from a new perspective.

II. Legal support systems for combining work and long-term family care

The 2016 amendment to the Child Care and Family Care Leave Act has reformed the long-term leave system and ensured flexible working arrangements for family care (Figure 2).

1. Reform of the family care leave system

The reform of the family care leave system



Source: Ministry of Health, Labour and Welfare (MHLW), https://www.mhlw.go.jp/english/policy/care-welfare/care-welfare-elderly/dl/ltcisj_e.pdf.
 Note: Sources: For Japan, Ministry of Internal Affairs and Communications, Population Census; National Institute of Population and Social Security Research, "Population Projections for Japan (January 2012 estimate): Medium-Fertility & Medium-Mortality Assumption" (figures as of Oct. 1 of each year). For other countries, United Nations, World Population Prospects 2010.

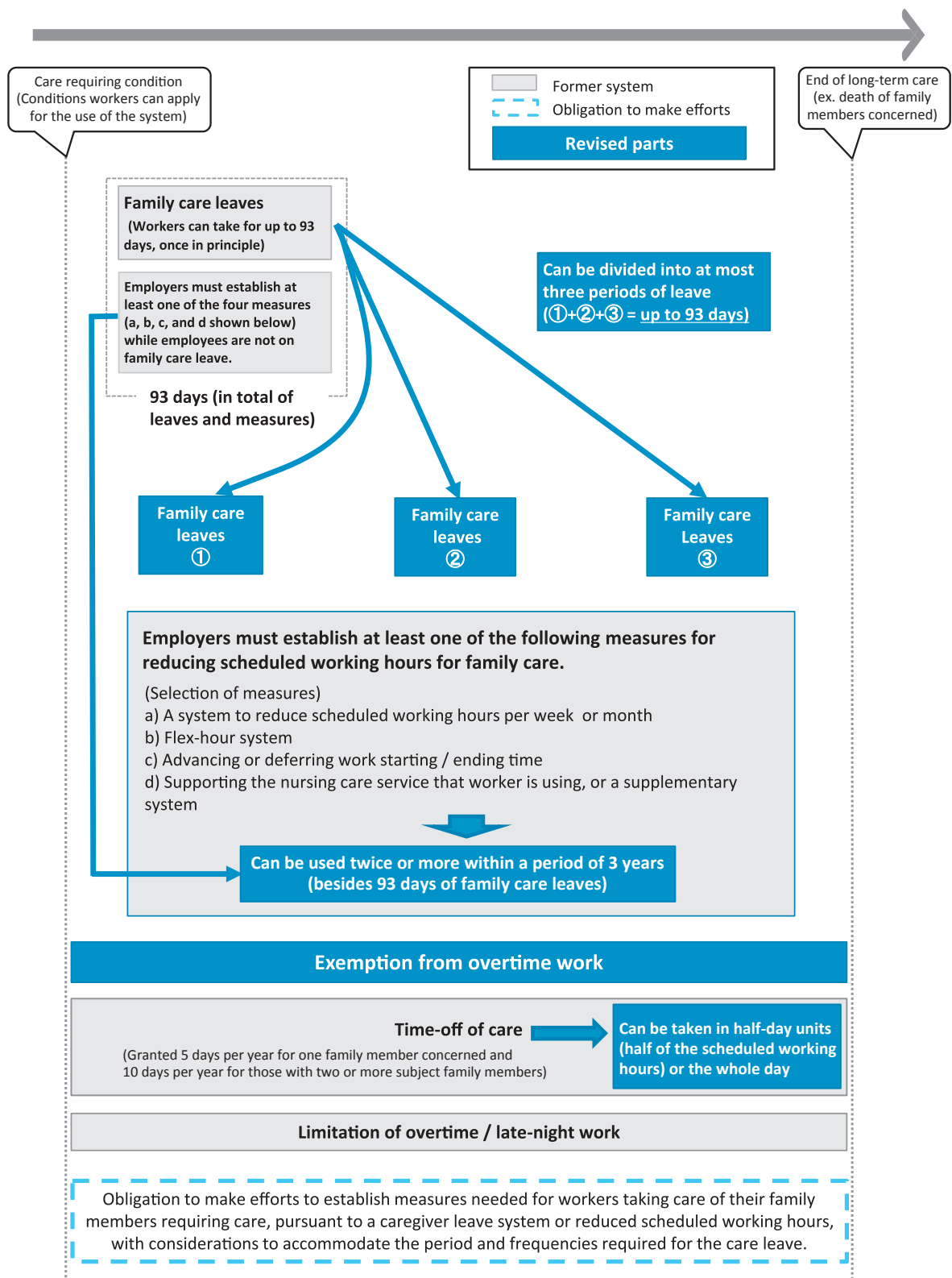
Figure 1. Changes in percentage of the population over age 65

enabled working carers to divide 93 days of leave into at most three periods of leave, while the total days of leave provided remains 93 days. Unlike the childcare leave system, the aim of the family care leave system is not for the workers to spend time caring for their family members directly but for the workers to take time to make arrangements (such as consulting with other family members, taking procedure to use public care services, or renovating their home into a barrier-free residence) so that the workers can combine work with family care. The new "divisible" family care leave system assumes that if care lasts for many years, carers will need to rearrange in use of the public care services, type of care to provide, or the facilities to stay, particularly in the middle and terminal phases of long-term elderly care. In a typical elderly care in Japan, the provision of care begins at home, and in the middle phase of care, it often becomes necessary to transfer a person

under care to a care facility and then move them to a hospital in the terminal phase. The recent legislative amendment recognises that at these transitional period working carers need to take leave to seek suitable care services and facilities or hospitals and that the divisible leave is effective if working carers can divide the leave into separate terms each time they need to make such arrangements. These arrangements make it possible for carers to combine work and care obligations effectively.

2. Ensuring flexible working hours for family care

Shorter working hours systems for supporting childcare are very popular in Japan. In contrast, when it comes to long-term caring for elderly family members, such systems are not effective in terms of preventing workers quitting jobs. Rather, it is relieving caring workers of their obligation to work overtime would be more effective.



Source: Author, based on Ministry of Health, Labour and Welfare (MHLW), <https://www.mhlw.go.jp/english/policy/children/work-family/dl/160802-01e.pdf>.

Figure 2. Revision of work-and-family care balance support system (enforced on January 1, 2017)
(Workers can use the system above for each family member concerned in a state requiring long-term care)

The amended act has established a rule that carers are not obliged to work overtime until the need for care ends. It has also extended the period of flexible working arrangements such as shorter working hours and flextime working hours, from three months to three years. Exemption from overtime and flexible working arrangements are designed to support the daily care even when public home care services are available, because it is recognized that these services address only part of the care recipient's needs and that their family members still play a major role in providing care that cannot be outsourced. These changes make the necessary caregiving arrangements easier for carers such as day service drop-offs and pickups, providing meals, changing clothes and other daily nursing assistance the elderly require.

Exemption from overtime is crucial for maintaining a daily routine in which work and care can be combined successfully. It is especially important in Japan where workers are generally expected to regularly work overtime. In order to keep caregiving employees from quitting jobs, employers need to relieve them of overtime work or, alternatively, introduce their own systems and provide the employees financial allowances or supplementations that enable working carers to purchase professional care services in order to work as usual.

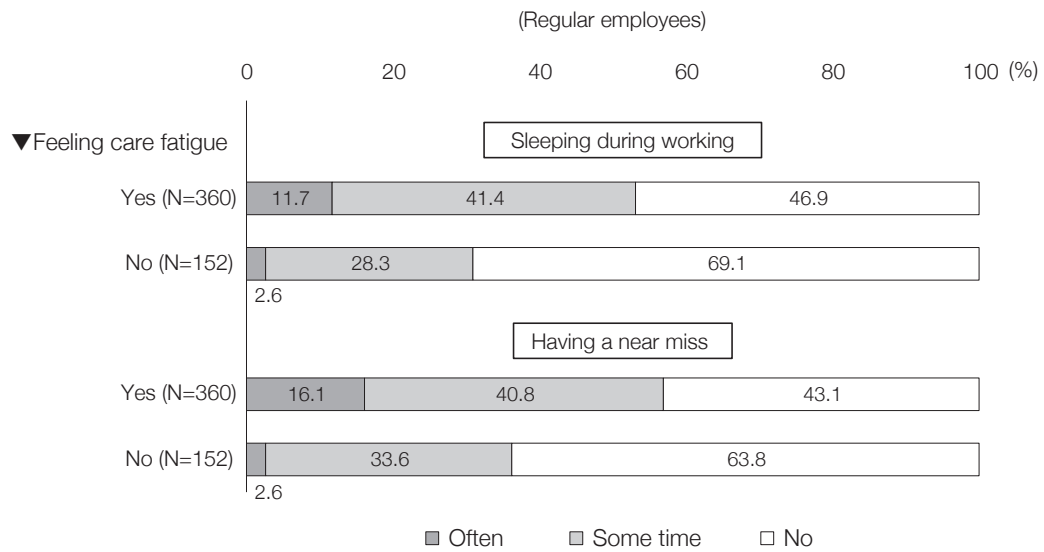
3. Policy stance and evidence regarding the amended act

The new scheme aims to address working carers' needs over several years. The original family care leave system, when introduced in 1995, was aimed to ensure workers mainly to make various arrangements at the point when needs first arise so that working carers can provide family care while combining work and care, not addressing their support when care needs become daily and over a long period of time. In short, Japan has recognized that conventional family care leave system was insufficient to fully satisfy subsequent care needs and that it needs to enhance support systems to respond to changing care needs across the entire

period of care requiring time, from beginning to end.

Therefore, the framework of support is now designed to allow workers to combine long-term leave and flexible working arrangements, which is similar to that for childrearing support. However, it is not desirable to use this support system for family care in the same way as the support for childrearing is intended. Childrearing is a time-consuming responsibility, as infants cannot be left alone at home, whereas this is less applicable to care for the elderly, depending on the case. This is because there are many cases in elderly care that care receivers can stay at home by themselves for a short period of time during the carer's absence as they are matured adults as a person even in the case of heavily dependent, bed-ridden patients. Furthermore, in the sense of the well-known way of thinking and attitude in family caregiving (but not so well infiltrated in Japanese society), it is important for family carers and their family members in need of care to put a proper distance and respect each other in order to keep them healthy mentally in the long-term care contrary to that intimacy between parents and infants is stressed in the context of childcare. For the reasons set forth above, carers can and should make time to go to work. Additionally, in terms of service infrastructure, there is no official data suggesting there is a waiting list for home care services for the elderly, while there is a serious shortage of nurseries for children. This also indicates that family carers for the elderly should be able to go to work easier compared to parents of infants.

This understanding is apparent in the relationship between the support policies and employment turnover. In the context of elderly care, a longer-term leave system longer than the period of three months (93 days), as stipulated by law, is unlikely to reduce turnover. Rather, it would seem to be more effective if the 93-day term could be broken down. Also, in terms of flexible working arrangements, exemption from overtime is more effective than shorter working hours. These arrangements would help employees manage work and caregiving relatively well. It must be noted that, in the context of elderly care, an increasing number of people are breadwinners as



Source: Japan Institute for Labour Policy and Training (JILPT), "Survey on Combining Work and Care" (2014).

Note: Analysis on regular employees who started long-term family care after April 2000.

Figure 3. Influence of care fatigue on daily work (by yes or no of feeling physical fatigue or mental stress from long-term family care)

well as carers, such as unmarried employees taking care of elderly parents or married ones looking after their spouse in need of care. For these people, a system based on the no-work no-pay principle would offer very little no matter how extensive the terms were, as their income would diminish eventually. In this sense, again, it is better if the system offers working carers more flexibility to be able to receive the necessary support when needed.

III. Working carers' presenteeism

This being said, it is premature to think that being able to work will solve the problem. There is another problem in that, even if employees could come into work, physical and mental fatigue from caregiving would build up and hinder their work performance. This problem often manifests outside the workplace in Japan, in the form of family carers becoming abusive at home or committing suicide. It would be unreasonable to assume that people in such a state of health can perform normally at work. Ultimately, they are highly likely to leave their jobs as their health deteriorates to the point where they can no longer come to work. It is usually not a quick process in which they decide to resign when they

feel exhausted. They spend some time struggling to make things work, but the adverse effects of lack of sleep begin to manifest at work, in the form of not concentrating enough or falling asleep during work hours and failing to fulfill the targets and so on.

Recently, the concept of *presenteeism*, in which focuses on reduction of productivity, has been attracting attention in the context of health care in work places in contrast to the traditional concept of *absenteeism*, which means reduction of productivity by employees' absence from the workplace due to sick or injury. Presenteeism problematizes the reduction of productivity while working in a worsened health condition. We can say that the negative influences on daily work due to care-providing fatigue are a kind of presenteeism, while problems in workplaces due to workers taking long-term family care leave, time-off, or arranging working hours flexibly for family care are workers' absences, which could be said to be similar problem to absenteeism for employers.

Here, we must recognize that, from the viewpoint of corporate administrators, the physical and mental state of the employee is not always apparent. In terms of the time of care that causes fatigue, average

employees who provide elderly care are more likely to feel tired or stressed if they perform care outside working hours, for instance in the evening, during the night, or in the early morning. In other words, it is more probable that people become fatigued when they are on a regular working schedule without having to take family care leave or flexible working arrangements. These people may be unable to perform as expected even if they seem to have come to work as usual.

There is another point. The vast majority of employees do not inform their employer of the fact that they need to look after a family member at home. They seldom take leave, ask for alternative arrangements, or discuss their issues with their employer. In the meantime, their situations become exacerbated without the employer's knowledge. This is an implicit problem in support policies for workers in the context of elderly care as opposed to childcare.

IV. Uniqueness of long-term family care

People may think that childcare and long-term elderly care have common problems in the workplace under the name of the Child Care and Family Care Leave Act because each contain long-term leave, time off, and flexible working arrangements. This is partly true, but we must focus on differences between them to construct effective support systems

for long-term family care. Long-term family care has unique problems such as presenteeism that cannot be reduced through time management between work and providing care. Although job leaving for long-term family care is a hot issue among government and companies, more serious problems might be hidden among working carers who do not leave their jobs.

Note

1. Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members

Reference

Ikeda, Shingou. 2017. "Family Care Leave and Job Quitting Due to Caregiving: Focus on the Need for Long-term Leave." *Japan Labor Review* 14, no. 1. https://www.jil.go.jp/english/JLR/documents/2017/JLR53_ikeda.pdf.

For argument on combining work and childcare in Japan, see Part I "Why do Women Leave Jobs at the Stage of Childbirth?" *Japan Labor Issues*, vol.3, no.14 (May 2019).

AUTHOR

Shingou Ikeda Senior Researcher, The Japan Institute for Labour Policy and Training (JILPT). Research interest: Work-life balance. Profile: <https://www.jil.go.jp/english/profile/ikeda.html>

▶▶ Human Resource Management

▼ Labor-Management Relations

▼ Labor Market

▼ Labor Administration and Legislation

▼ Social Security System

Current State of Working Hours and Overwork in Japan

Part I: How Has It Changed Over the Years?

Tomohiro Takami

I. Overview of the series

As symbolized by the term *karōshi* (death from overwork), work in Japan has typically been characterized by long working hours and problems of overwork. Has Japanese labor situation changed over the years? What are the related issues today? This series of three articles will explore the current state of working hours in Japan, with a particular focus on overwork.

Part I overviews the characteristics of working hours in Japan in international or longitudinal comparison. It also investigates the background to long working hours, addressing the regulations including the amendments that have been made to related laws in recent years. Part II will focus on the relationship between the Japanese-style employment system and working hours. Companies' employment systems play a considerable role in the factors that contribute to employees' working hours. Discussion in recent years has therefore explored toward steps such as revising the working styles in companies as well as industry practices to reduce working hours. Finally, Part III will consider the distinctive features of overwork at present and the measures that can be taken against it. Current diverse working styles stem from the growth of service industry or workers' diverse preferences. There are calls for environmental improvements to the industrial society to allow for those new ways of working. Touching on the current issues, the article examines what measures need to be adopted in terms of workers' health, family lives, well-being, and other such factors.

II. Working hours of major countries decreasing on average

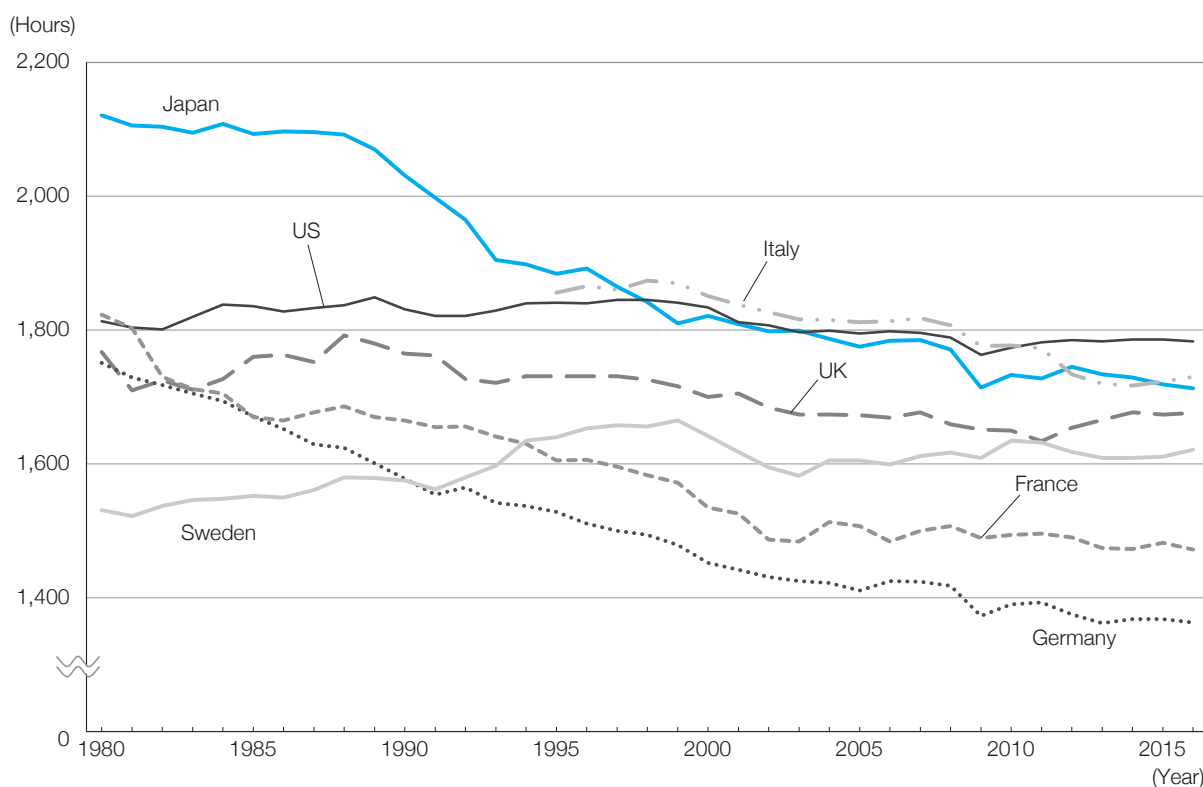
Let us start by looking at an international comparison of statistical data. Figure 1 shows the trends in average annual hours actually worked



per worker in major industrial countries. In the long term, working hours are on the decrease in most developed countries. This decrease in working hours has been attributed to factors such as the rise in productivity along with the development of industry or the results of labor movements.

What distinctive characteristics do working hours in Japan show in comparison with other countries? Up until the 1980s, they were extremely long when compared with those of other developed countries. Since then, following a significant decrease in the period from the end of the 1980s to the early 1990s, working hours in Japan have been consistently on the decrease. In recent years, Japanese working hours can be described as at a similar level to those in the US and the UK, but are still long in comparison with developed countries such as France, Germany, and Scandinavian nations.¹

The reduction in working hours in Japan from the end of the 1980s was largely due to the effect of legal policies. In the 1980s, Japanese workers became the target of criticism from Europe and the US that they were “overworking” in terms of fair international competition.² At around the same time, people in Japan themselves began to reconsider the conventional values that had justified long working



Source: OECD Data, "Hours worked," <https://data.oecd.org/emp/hours-worked.htm>. Quoted in Japan Institute for Labour Policy and Training (JILPT), *Databook of International Labour Statistics 2018* (Tokyo: JILPT, 2018), figure 6-1, 203.

Figure 1. International comparison of average annual hours actually worked per worker

hours in the society. In response to such awareness of the problem, the reduction of working hours became a major policy issue, aiming at 1,800 working hours per year, the level of the US and Europe. The statutory working hours were in fact reduced from 48 to 40 hours per week with the 1987 amendment to the Labor Standards Act and have been set at a 40-hour workweek and 8-hour workday since then. As the result of further amendments to the act, the system of a "5-day workweek" was quickly adopted by an increasing number of employers in the 1990s.

III. The persistence of long working hours

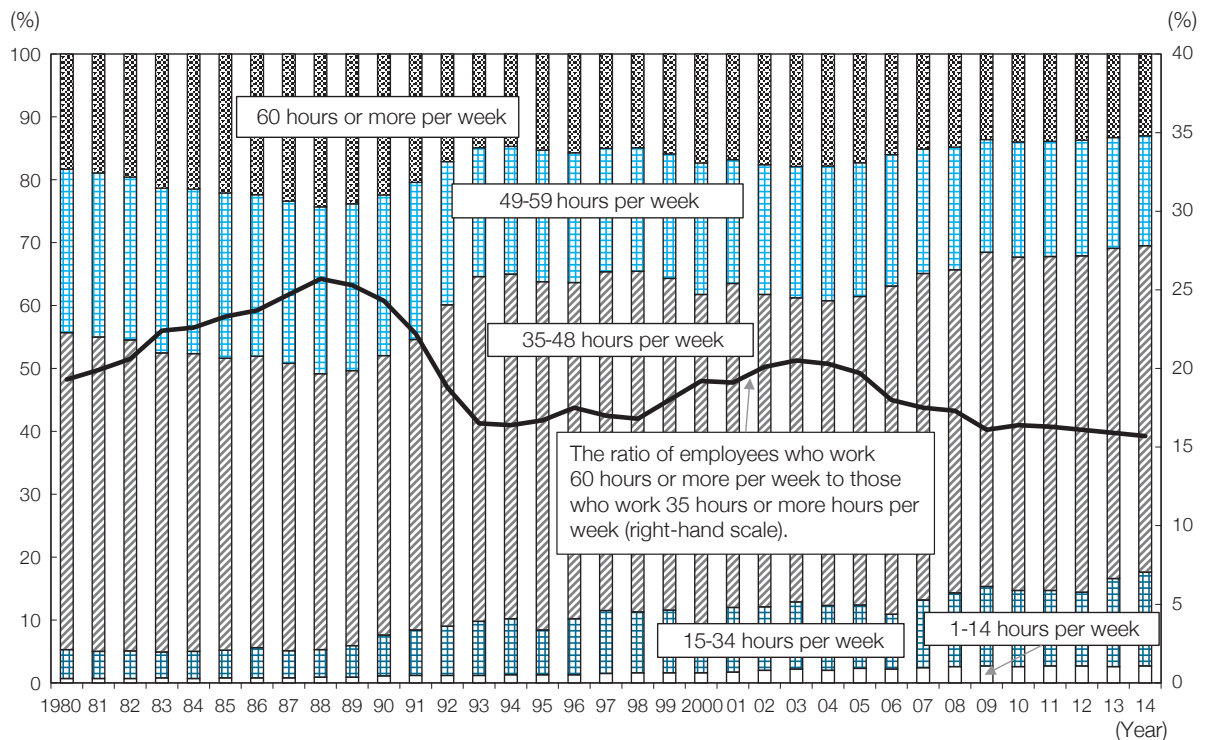
While working hours in Japan have been decreasing on average, this does not mean that all workers are working shorter hours. This is because the average reduction in working hours in recent years can be significantly attributed to the increase in the numbers of (largely female) part-time workers. Though the sharp decline in the working hours

during the end of the 1980s through the early 1990s is thought to be the result of legal amendments, working hours of regular employees have seen little decrease in the period since then.

Figure 2 shows trends in the breakdown of the working hours of male employees (including non-regular employees) over the years. We can see that the percentage of employees working "60 hours or more per week" has been gradually decreasing since its peak in 1998. However, combined with the percentage of employees working "49-59 hours per week," we can also find that there is still a certain percentage of employees working long hours.³ As far as Figure 2 suggests, long working hours still exist—largely among regular employees.

IV. The factors behind long working hours: insufficient regulation

Why state of overwork in Japan remain unchanged? There are various possible factors, but



Source: Prepared by Office of Counsellor for Labour Policy Planning of MHLW, based on the MIC's *Labour Force Survey* (Basic Tabulation).

Notes: 1. Data for workers on leave or workers whose working hours are unknown has been excluded.

2. Averages over the 12 months of each year.

3. Values for 2011 do not include Iwate, Miyagi, and Fukushima Prefectures.

Figure 2. Trends in the breakdown of hours worked in the final week of the month (male employees)

here we will focus on the characteristics of the legal system.

As noted above, the Labor Standards Act stipulates a 40-hour workweek and an 8-hour workday as the upper limits on working hours (“statutory working hours”). Employers are obliged to establish the starting and ending time of work (“prescribed working hours”) to ensure that workers do not work beyond the statutory working hours. However, overtime work beyond the statutory working hours is permitted, provided that the necessary procedures are followed. Under Article 36 of the Act, when an employer concludes a labor-management agreement with a labor union organized by a majority of the workers in the establishment or with a person representing the majority of the workers—known as an “Article 36 Agreement (*saburoku kyotei*)”—and submits it to their local Labor Standards Inspection Office, the employer is

not subject to sanctions even if they allow workers to work beyond the statutory working hours or on days off.

It was often suggested that these regulations on overtime in Japan had little practical effect on restriction of overtime work, because there was formerly no binding limitation on extension of working hours that could be negotiated under an Article 36 Agreement. While in 1998 the government stipulated a limitation of overtime recognized under an Article 36 Agreement, this was merely a non-legally binding administrative guidance. This lack of legal provisions to place cap on overtime and impose penalties for violations has continuously been highlighted by critics of the legislation as it is insufficient to prevent overtime work.

Since the Act on the Arrangement of Relevant Acts on Promoting Work Style Reform (“Work Style Reform Act”) was enacted in 2018 (and put

into effect in 2019), there is considerable public attention to the potential changes in working hours. The key feature of this new act includes its provision of definite upper limits on overtime hours—namely, 45 hours per month and 360 hours per year.⁴ In addition, employers that violate these limits will now be punished.

As we have seen, Japan’s legal regulations are said to lack the force to deter long working hours and discussion has been directed at strengthening legislation. However, the long working hours is attributable to not only insufficient regulation but also Japanese-style employment systems, industry practices, company systems, workplace customs, and people’s values on work. All of these factors are inextricably embedded in this issue. We shall examine them in the next part of this series.

Notes

1. Among the OECD countries, the average hours worked per

year in South Korea for 2016 were 2,069 hours, longer than those of Japan.

2. In the 1980s, Japan’s vast trade surplus (particularly the trade imbalance between Japan and the US), coupled with the appreciation of the yen became an issue. Consequently, Japanese people’s long working hours also faced international criticism that they constituted “social dumping.”
3. The percentage of male employees working 60 hours or more per week has decreased in comparison with that in the late 1980s but has seen no significant change since the 1990s.
4. It is permitted to conclude a labor-management agreement for working hours beyond this limit in extraordinary, special circumstances. But the law also prescribes a separate upper limit for working hours in such cases.

AUTHOR

Tomohiro Takami Vice Senior Researcher, The Japan Institute for Labour Policy and Training (JILPT). Research interest: Sociology of work. Profile: <https://www.jil.go.jp/english/profile/takami.html>

▶▶ Human Resource Management

▼ Labor-Management Relations

▼ Labor Market

▼ Labor Administration and Legislation

Current State of Working Hours and Overwork in Japan

Part II: Why do the Japanese Work Long Hours?

Tomohiro Takami

The previous article (Part I) in this series overviewed the characteristics of working hours and their trends in Japan, and addressed working time arrangements intended to prevent overwork. Why do the Japanese work so long? While insufficient legal regulations are indeed noted as a possible factor behind long working hours, they are not the only cause. In this article, we explore this question by considering the characteristics of the Japanese-style employment system and its related issues such as industry-specific working customs and practices.

I. The reasons for working overtime

Figure 1 shows the reasons for working overtime, drawing on the results of a questionnaire survey of employees. An outstandingly large proportion of the non-managerial employees responded that they work overtime because of their “heavy workload.” Those workers are unable to complete their tasks unless they work overtime. Along with excessive workloads, the survey revealed other factors behind overtime, including “sudden and unexpected tasks,” “shortage of personnel,” “due to nature of the work,” and “tight deadlines.” The characteristics of work and the situation of workplaces are thought to be the factors behind employees’ working overtime on a regular basis.

II. The Japanese-style employment system and overtime

Long working hours in Japan are said to be attributed to the Japanese-style employment system, people’s attitude to work, and industry practices. It is also argued that the causes of overtime are deeply

rooted in Japan’s industrial society, rather than being the results of labor management at individual companies. Let us consider whether this is the case.

The Japanese-style employment system is defined as an employment and labor system aimed at ensuring the long-term livelihood security and skills development of its members (where “members” is almost synonymous with regular employees), which has typically been seen in large corporations and manufacturing companies since Japan’s high economic growth period from the 1960s to the early 1970s (JILPT 2017). It is composed of elements unique to Japan that are centered around the long-term employment practice known as “lifetime employment.” These include a seniority-based wage and promotion system, cooperative industrial relations, and in-house skills development through approaches such as on-the-job training and job rotation. Japanese companies have also been known for their community-like nature. Relations between labor and management are not merely employer-employee relationships (that is, economic relationships), but mutual aid based on a sense of unity (Hazama 1996). Why, then, does such an employment system lead to overtime?

Firstly, under the system of cooperative industrial relations in Japan, overtime work has been seen as a “buffer” against employment adjustment. Companies avoid dismissing employees as far as possible even during recession periods, while workloads in prosperous periods are covered by employees’ overtime instead of hiring new personnel. That is, employees regularly work overtime in return for job security. As a matter of fact, it has been said that



Source: The author, based on the data from Japan Institute for Labour Policy and Training, "Work characteristics, personal characteristics and working hours" in JILPT Research Report no.128. 2011.

Note: N=2515

Figure 1. Reasons for working overtime among non-managerial employees (multiple responses)

companies establish their organizational structures for allocating personnel on the assumption that employees will work overtime.

Secondly, while ensuring the livelihood security of their employees, companies have also developed norms by which employees are expected to prioritize the company and their work over their private lives. In other words, companies have a community-like nature, and workers reflect this in their work ethics by placing a high value on diligence and commitment to the company as a member of that community. This has been noted as a factor behind long working hours. For example, there is a significant amount of overtime with no remuneration or an equivalent, which is referred to as *sābisu zangyō* ("service overtime" or unpaid overtime). Such overtime includes many cases of *mochikaeri zangyō* ("take-home overtime"), as workers take

work home because they are unable to complete it during working hours. Another type of overtime that is rooted in the community-like spirit of companies is cases in which workers continue working after the scheduled hours because they find it difficult to leave the workplace when their supervisor or colleagues are still working, a custom known as *tsukiai zangyō* ("collective overtime"). Furthermore, the scope of each worker's job is not clearly defined at Japanese companies, and most employees are expected to be generalists with a range of skills for handling various work scenarios. This, combined with the group-oriented values within companies, makes it difficult for workers to say that their work is finished.¹

"Service overtime"—even when workers seem to do it of their own accord—cannot be attributed to Japanese work ethics alone, as it is suggested that companies have demanded such ways of working

from their employees. Specifically, this indicates that personnel evaluations at Japanese companies often assess not only the employees' achievements, but also their levels of motivation and other such aspects of diligence. This prompts workers to throw themselves into highly demanding work schedules from a young age. In a sense, the fact that there are few workers venting dissatisfaction regarding "service overtime" can be attributed to this conventionally shared belief that such efforts will be rewarded in the long term.

As shown above, it is suggested that Japanese companies have expected their employees to adapt their ways of working to suit the needs of the company in return for stable, long-term employment and a salary scheme that considers living expenses. The Japanese-style employment system played a role in allowing Japan to accomplish its postwar high economic growth, and long working hours were an integral part of this system. Furthermore, the typical ways of working of male regular employees, in which working long hours is a given, were developed in close connection with the gender-based role division in the household. They are increasingly being recognized as outdated, as the number of women in employment is on the increase.

III. Tackling the problem of long working hours

Resolving the issue of long working hours is currently a topic of public interest and the target of policy development, toward the implementation of the Work Style Reform. While it is natural for individual companies to pursue efforts to reduce overtime, there is also a demand for the revision of industry-specific practices that lead to overwork.

Factors behind long working hours and their trends differ significantly from industry to industry. Looking at the breakdown by industry, the industry with the highest percentage of employees working 60 hours or more per week was transport and postal services (17.7%), followed by education (12.6%), and construction (10.7%) in 2017 (Figure 2). Among such industries in particular, it is common to work long hours.

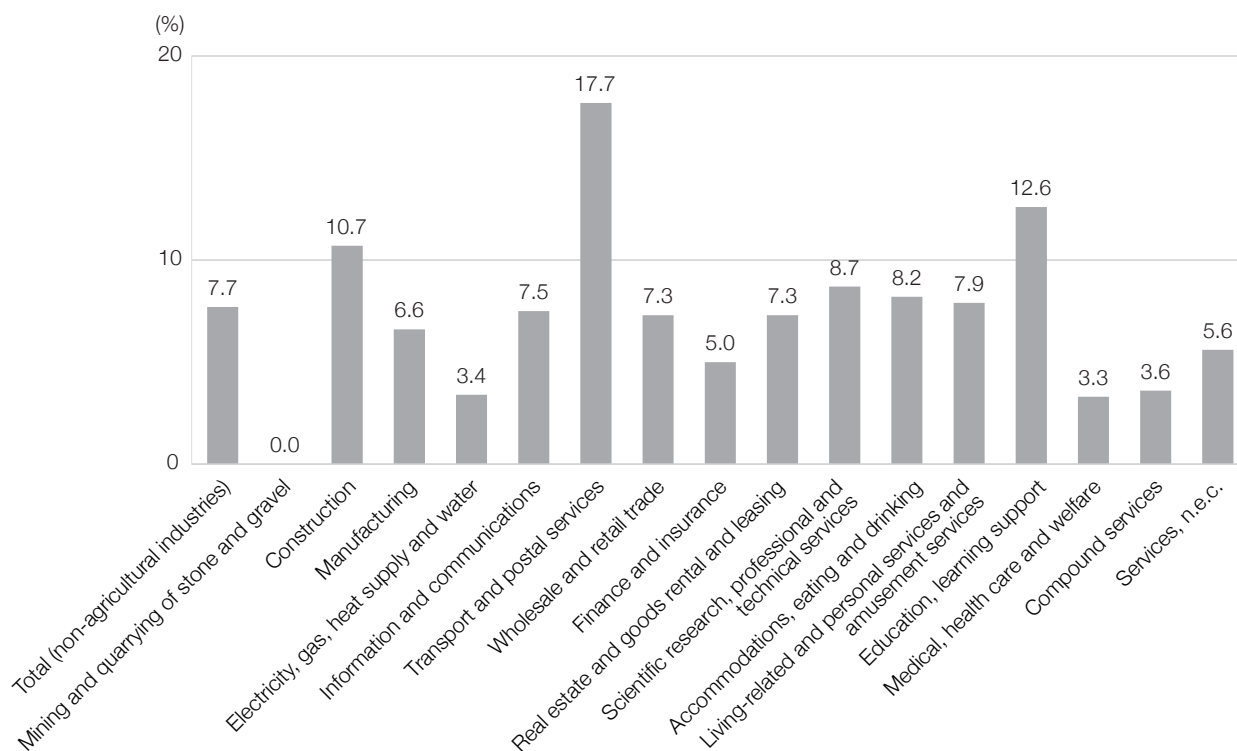
Why do workers in those industries work long hours? The problem is not uniform, because factors such as working customs and practices as well as employment management may be unique to the industry. Let us look at several industries in detail to explore these problems.

In the transport and postal services industry, a particular issue is the long working hours of drivers in truck transportation. The main factor behind them is a large amount of stand-by time—that is, waiting for cargo to be loaded at a loading point, and to be stored in a warehouse at the place of delivery. Efforts to shorten drivers' working hours therefore depend on the cooperation of the owners of cargo. Discussions are underway within the industry toward improvements.

When it comes to long working hours in the education industry, the working styles of elementary school and lower secondary school teachers have been an issue. Their long working hours may be a result of the wide range of tasks teachers may have to address. They not only teach classes and provide guidance for students but also prepare for classes, attend staff meetings, supervise extracurricular activities, organize grade reports, and carry out administrative tasks. As a result, many teachers frequently take their work home with them. The national government has launched deliberations on how to pursue reforms in teachers' working styles.

Long working hours in the construction industry can be largely attributed to the extremely limited number of days off, rather than long working hours per day. This is because tight schedules are regularly required to meet deadlines for the completion of construction work. To solve this issue fully is difficult because the actual execution of work may be affected by weather conditions. However, addressing the roots of the problem, that is, setting appropriate completion dates when placing or taking orders and managing the processes properly, is inevitable for the industry as a whole.

In addition to the above, in industries such as wholesale and retail trade as well as accommodations and eating and drinking, regular employees are excessively burdened by factors such as a shortage



Source: Ministry of Internal Affairs and Communications *Labour Force Survey*. Quoted in the 2018 White Paper on Measures to Prevent of *Karōshi* (Death Caused by Overwork), etc.

Note: Percentages among total employed persons, excluding those on leave at the time of the survey

Figure 2. Percentage of employed persons working 60 or more hours per week by industry

of personnel and the increasing percentage of non-regular employees in the workplace. As for industries such as information and communications, manufacturing, and finance and insurance, overly high targets and performance quotas as well as pressure to meet tight deadlines for clients or customers are noted as factors that lead to employees easily falling into taking on excessive workloads.²

As we have seen, overwork is largely affected by employment management and industry-specific working customs and practices. Many companies are currently responding to the government's efforts to promote the Work Style Reform and pursuing a number of initiatives to reduce overtime. There are issues, however, that cannot be solved with companies' internal initiatives alone. The question is how to tackle the fact that—even if a company makes efforts to improve its operational efficiency or places decisions on working hours at its employees'

discretion—many employees still have to work hard in order to respond promptly to customers' needs.³ Simply making changes to the legal system will not be enough. It is also necessary to readdress the employment system, industry practices, and other such key factors.

Notes

1. Regarding the typical characteristics of Japanese companies, such as their emphasis on generalist skills and group-oriented nature, see Sugimoto (2003, 94–100).
2. Regarding the differences in working hour-related issues by industry, see Takami (2017).
3. Regarding overwork to respond to the needs of customers, see Takami (2018), which examines how some professionals (IT engineers, etc.) have to pursue their work to be responsible for customers and end up working long hours. Subjective indicators also suggest that they tend to overwork, even if their company or supervisor allows them to determine their hours on their own.

References

- Hazama, Hiroshi. 1996. *Keizai taikoku o tsukuri ageta shiso: Kodo keizai seichoki no rodo etosu* [The Japanese work ethic during the rapid economic growth period]. Tokyo: Bunshindo.
- JILPT. 2017. *Nihonteki koyo shisutemu no yukue* [The Future of the Japanese-style Employment System]. JILPT 3rd Midterm Project Research Series no.4. Tokyo: The Japan Institute for Labour Policy and Training.
- Sugimoto, Yoshio. 2003. *An Introduction to Japanese Society*, 2nd ed., 94–100. Cambridge: Cambridge University Press.
- Takami, Tomohiro. 2017. “Industry-Specific Characteristics in

Overwork by Young Regular Employees,” *JILPT Research Eye*. September 28, 2017. <https://www.jil.go.jp/english/researcheye/bn/RE017.html>.

———. 2018. “Challenges for Workplace regarding the Autonomy of Working Hours: Perspective for the Prevention of Overwork,” *Japan Labor Issues* 2, no.5.

This is a series of three articles on the topic of overwork in Japan. Part I (July issue) looks at the characteristics of working hours and investigates the background to the topic by addressing the regulations. Part III (November issue) will consider the distinctive features of overwork at present and the measures that need to be adopted against it.

Tomohiro Takami

Vice Senior Researcher, The Japan Institute for Labour Policy and Training. Research interest: Sociology of work.

<https://www.jil.go.jp/english/profile/takami.html>



▶▶ Human Resource Management

▼ Labor-Management Relations

▼ Labor Market

▼ Labor Administration and Legislation

Current State of Working Hours and Overwork in Japan:

Part III: How Can We Prevent Overwork?

Tomohiro Takami

In this series, we have discussed thus far overwork mainly from the aspect of the length of working hours. Following a review of the distinctive features regarding Japanese working hours in international or longitudinal comparison, Part I addressed the background to long working hours in relation to the legal system. Part II examined the reasons why the Japanese work long hours, highlighting the relationship with the Japanese-style employment system and paying attention to industry-specific working customs and practices in particular. This final article discusses important aspects to consider overwork besides the length of working hours, namely, timing of work, flexibility as to when and where they work, and work intensity. We will reexamine the characteristics of overwork from these three aspects and search for measures to be adopted in terms of workers' health, family lives, and well-being to prevent overwork.

I. *Karōshi* as a current social issue

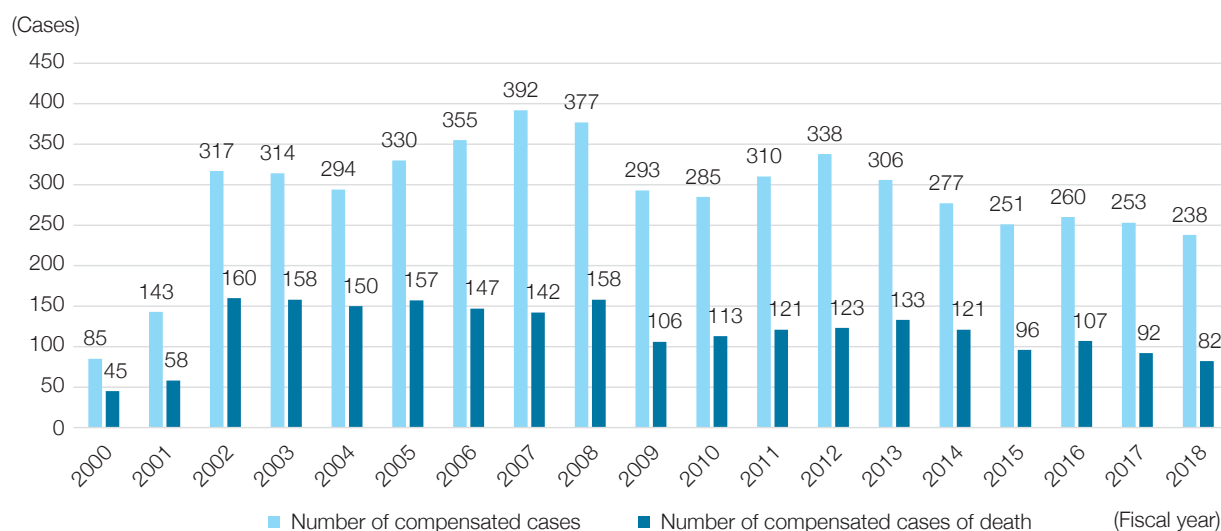
Overwork is an issue due to the ways in which such working styles have a negative impact on workers' health and work-life balance. Workers' health, in particular, can be severely affected by overwork. In Japan, cases in which excessive work burdens cause workers to develop conditions such as cerebrovascular and cardiovascular diseases (CCVDs) or mental disorders that may ultimately be fatal are classed as industrial accidents, and compensation for them may be received.¹

As can be seen in Figure 1, for over 10 years the number of compensated cases in relation to CCVDs has consistently exceeded 200 and at times reached

high in to the 300s since exceeding 300 in FY 2002. The number of death cases among them was as high as 160 in FY 2002, but has dropped to the 90s and the low 100s in the past few years. The rates of incidences differ according to industry and occupation. Truck driver is a typical occupation for which the number of compensated cases are particularly high. In terms of workers' ages, the number of compensated cases are highest among those in their fifties.

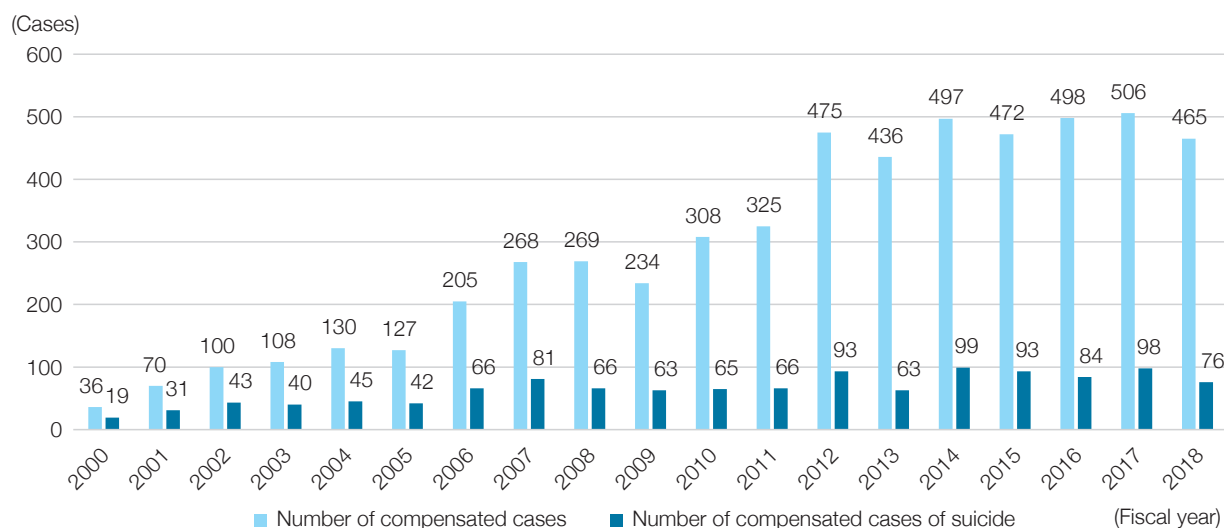
Mental health is also an issue that draws considerable attention at present. The number of compensated cases related to mental disorders exceeded 300 in FY 2010 and has been well above 400 since FY 2012 as shown in Figure 2. Suicides caused by overwork have been a particularly great focus of attention in the past few years as the result of a number of related lawsuits and other such incidents. These have prompted calls for companies to address their social responsibilities. The number of compensated cases related to mental disorders are largely centered on workers in their thirties and forties, a slightly different trend from that among CCVDs.

Karōshi (death from overwork) has been a major issue in Japanese society. Policies related to overwork have seen significant developments in recent years. Prompted by movements led by bereaved families and their supporters, the Act Promoting Measures to Prevent Death and Injury from Overwork was established in 2014, the Outline of Measures to Prevent Death and Injury from Overwork was approved in 2015. In 2016, the first white paper on overwork *White Paper on Measures to Prevent Karōshi, etc.* was put together. Similarly, with regard



Source: Ministry of Health, Labour and Welfare, "Status of industrial accident compensation for 'death and injury from overwork'."

Figure 1. Trends in the number of industrial accident, compensated cases regarding CCDVs



Source: Ministry of Health, Labour and Welfare, "Status of industrial accident compensation for 'death and injury from overwork'."

Figure 2. Trends in the number of industrial accident, compensated cases regarding mental disorders

to mental health, the "Stress Check Program" was introduced in 2015 for workplaces employing 50 or more people. Companies have continued to further focus on maintaining employees' mental health in the years since.

II. Key points of the ongoing discussion

In Japan, the issue of overwork has typically been almost solely equated with the problem of

long working hours. While long working hours are still the focus of such discussions today, changes in working environments have led to other aspects that also need to be addressed.

The first aspect is the changes in timing of work that have arisen by factors such as the growth of 24 hour service economy and economic globalization. More specifically, while the number of people working during the daytime on weekdays are

decreasing, that of people working in the evenings or at night are increasing.² While this growing diversity in timing of work any time across 24 hours can be seen to reflect an increase in the options for employment, it has also been noted for the potential problems it may cause in terms of its negative impacts on workers' health and family lives. This trend of increasing diversity in timing of work is not limited to Japan, and it will no doubt become an ever more crucial issue of working hours in the future.

The second trend to be addressed is the growing flexibility in working styles with regard to when and where workers work. Discussions have explored what kinds of approaches are needed to adopt to manage working hours in the case of professions such as sales or specialist roles, which are unsuited to rigid control or constant monitoring of working hours by employers and the case of positions for which workers can work outside their regular workplaces. As a means of adapting to the changes in the economic environment and responding to the diverse needs of workers, working time arrangements have been devised to manage the legally-prescribed working hours more flexibly. Flexible working time arrangements enable working style adjustments to suit companies' changing levels of demand or schedules that are convenient for workers.³ Expanding the options for working styles such as working from home and other such approaches has also been a topic of policy development in recent years, allowing workers greater flexibility with regard to the place where they work. The fact that such flexible working styles also help to reduce commuting time is a key benefit in Japan where the lengths of commuting time are particularly long in comparison with other countries.⁴ With laptop computers and cellular phones now in common use, it has become ever easier to avoid being restricted to a fixed workplace or working hours. At the same time, there are concerns that workers who are free to determine their own working styles may find it difficult to draw the line between work and other aspects of their lives and potentially overwork to an extent that is detrimental to their health or private lives. Especially, when they are under pressure

to meet deadlines for clients or expected to fulfil high achievement targets, it may be hard for them to liberate themselves from the burdens of work, even if they are able to choose when and where to work.⁵ More specifically, there is a risk that workers "working *where, when, and how they want*" may turn out to be "working *anytime, anywhere,*" and what is worse, "working *everywhere, all the time.*" This is an especially relevant issue in Japan given that it has long been typical for workers in Japanese companies to take their work home with them (*mochikaeri zangyō*).

Third, work intensity is another aspect that needs to be addressed in relation to overwork. Discussion of work intensification, which tends to be related with increased workloads, mostly focuses on the pace and density of work. Needless to say, environments in which workers are expected to constantly process tasks at a high speed or meet tight deadlines are demanding and stressful. This has for some time been highlighted by countries in the EU as a major issue in the labor environment against the background of progress in information and communications technology and other such developments.⁶ In Japan, on the other hand, relatively little attention has been given to the aspect of work intensity. This is simply because it is typically considered that the larger amounts of work there are, the longer overtime hours occurs. Now that Japan has seen the introduction of stricter regulations on overtime hours, it is possible that work intensification may become a growing interest in the future discussion on overwork along with the attention to the worldwide developing technological innovation.⁷

III. Preventing overwork

What steps then need to be taken to prevent overwork? Looking at the typical practices and current state in Japan that have been touched on in this series, the length of working hours remain an important aspect to tackle the problem. The Work Style Reform Act enacted in 2018 (and put into effect in 2019) placed clear upper limits on overtime hours—namely, 45 hours a month and 360 hours a year—and these are expected to have an impact

in the coming years. In order to ensure that these regulations are effective in practice, government bodies need to monitor and provide guidance to companies.

Moreover, we should search for measures beyond the conventional approach toward preventing overwork. First, it is necessary to consider how to address the work-related factors that may prompt to overwork, such as pressure to fulfil clients' demands or performance quotas. It is crucial that efforts be made to ensure appropriate workloads.

Second, it is also important to consider steps toward ensuring time for sleep and other such activities that constitute private time and rest. One approach that has been discussed as its potential measure is the introduction of a "work-interval system,"⁸ which is thought to be an effective method for ensuring rest time, particularly for workers in jobs involving work at night or shifts. Moreover, with the growing digitalization, there is an urgent demand among workers for the development of rules to protect the time that they are able to switch off from work, such as those seen in France, where steps have been taken to honor them "right to disconnect" (*le droit de la déconnexion*). There is a demand for measures that will prevent work from intruding upon a non-working time.

Since the efforts were made to address overwork as a major issue and to adopt policy measures from the end of the 1980s, the average working hours of an individual worker have decreased in comparison with previous years. However, we still face the issue of overwork and the negative impact it exerts on workers' health and family lives. Overwork in Japan can, to a great extent, be attributed to factors that are common to contemporary industrial nations, and yet the problem is also firmly rooted in Japan's distinctive systems, practices and values. It will be important to follow the social shifts in the coming years.

Notes

1. The industrial accident compensation insurance system sets out provisions determining what is treated as an "employment injury" (the injuries and diseases to which this

applies and the criteria for determining how they are related to the work, etc.).

2. The Ministry of Health, Labour and Welfare 2015 showed an increase in engagement in work in the evenings or at night between 1986 and 2011.
3. When the Labor Standards Law (LSL) was amended in 1987 to reduce the maximum number of working hours, several statutory flexibility arrangements were added to the LSL at the same time. Since the 1994 amendment, the LSL has permitted five arrangements to make working hours flexible: (1) uneven distribution of working hours over a period not exceeding one month (Art. 32-2), (2) flex-time (Art. 32-3), (3) uneven distribution of working hours over a period not exceeding one year (Art. 32-4), (4) uneven distribution of working hours over a one-week period (Art. 32-5), and (5) presumed working hours for discretionary work (Art. 38-3). The 1998 amendment also created a different kind of discretionary work arrangement (Art. 38-4). Arrangements (2)-(5) require the employer to have a worker-management agreement on the relevant points and to submit it to the Labour Standards Inspection Office. See Hanami et al. 2015.
4. According to NHK 2016, a Japanese worker's average commuting time on weekdays is 79 minutes (total for both directions), and is particularly long in the Tokyo Metropolitan area, at 102 minutes (total for both directions).
5. The risks of overwork due to pressure to meet client demands are covered in more detail in Takami 2018.
6. Green 2006 is a key source on this topic. Green's scale of work intensity is based on the frequency at which workers are expected to work at very "high speed" and to "tight deadlines." Surveys in recent years have also highlighted work intensity as an issue and noted concerns regarding its impact on health and stress levels. See Eurofound 2017.
7. In fact, in a survey by the JILPT in 2014 where workers were asked if "being expected to complete heavy workloads" and "often being expected to meet tight deadlines or delivery schedules" were scenarios that apply to them, the percentages of workers who responded "applies" (the total for all workers who responded "applies" or "slightly applies") were around 47% and around 56%, respectively. See JILPT 2015.
8. A "work-interval system" sets out a certain period of no work (rest period) in the period between the ending time of work on a given day and the starting time of work on the next day. This approach was discussed in Japan on the basis of an initiative developed by the EU, and efforts to promote the application of this system were prescribed in the Work Style Reform Act enforced in 2019.

References

- Eurofound 2017. *Sixth European Working Conditions Survey: Overview Report (2017 update)*. Publication Office of the European Union, Luxembourg.
- Green, Francis. 2006. *Demanding Work: The Paradox of Job Quality in the Affluent Economy*. Princeton: Princeton University Press.

- Hanami, Tadashi A., Fumito Komiya, and Ryuichi Yamakawa. 2015. *Labour Law in Japan Second Edition*, Zuidpoolsingel, The Netherlands: Wolters Kluwer.
- JILPT (The Japan Institute for Labour Policy and Training). 2015. *Jōhōtsūshin kiki o riyō shita tayō na hataraki-kata no jittai ni kansuru chōsa kekka* [Results of a survey regarding the state of flexible working styles using information and telecommunications devices]. JILPT Research Series no. 140. Tokyo: JILPT.
- MHLW (The Ministry of Health, Labour and Welfare). 2015. *White paper on the labour economy 2015*. Tokyo: MHLW.
- NHK Broadcasting Culture Research Institute. 2016. *The 2015 NHK Japanese Time Use Survey*. Tokyo: NHK Broadcasting Culture Research Institute.
- Takami, Tomohiro. 2018. “Challenges for workplace regarding the autonomy of working hours: Perspective for the prevention of overwork.” *Japan Labour Issues* 2, no. 5 (February–March 2018): 50–63.

Tomohiro Takami

Vice Senior Researcher, The Japan Institute for Labour Policy and Training. Research interest: Sociology of work.

<https://www.jil.go.jp/english/profile/takami.html>



▶▶ Human Resource Management

▼ Labor-Management Relations

▼ Labor Market

▼ Labor Administration and Legislation

Fringe Benefits

NAKAMURA Ryoji

I. What are fringe benefits?

“Fringe benefits” (referred to below as “benefits”) basically refers to remuneration other than the wage that enterprises regularly offer to employees. When benefits are substantial, enterprises can expect to secure and retain a competent workforce and boost their motivation to work, while workers can work with peace of mind and effectively demonstrate their abilities. This is enterprises’ fundamental purpose in introducing benefits, which are considered to be systems with positive outcomes for both labor and management.

II. Breakdown of labor costs and welfare expenses

All costs incurred by employers hiring workers (i.e. enterprises’ share of costs) are labor costs, and as Figure 1 shows, the majority of labor costs consist of cash earnings. Looking at the breakdown of labor costs other than cash earnings, they include statutory welfare costs, voluntary social benefits and retirement allowances (see the right-hand side of the figure). Since retirement allowances are statistically regarded as “labor costs other than cash earnings,” they may on occasion be regarded as belonging to the category of benefits, but basically they are interpreted as part of wages and remuneration, paid collectively at retirement. Retirement allowances are paid only if payment criteria are clearly defined by the work rules, or by labor-management practices or labor-management agreements.

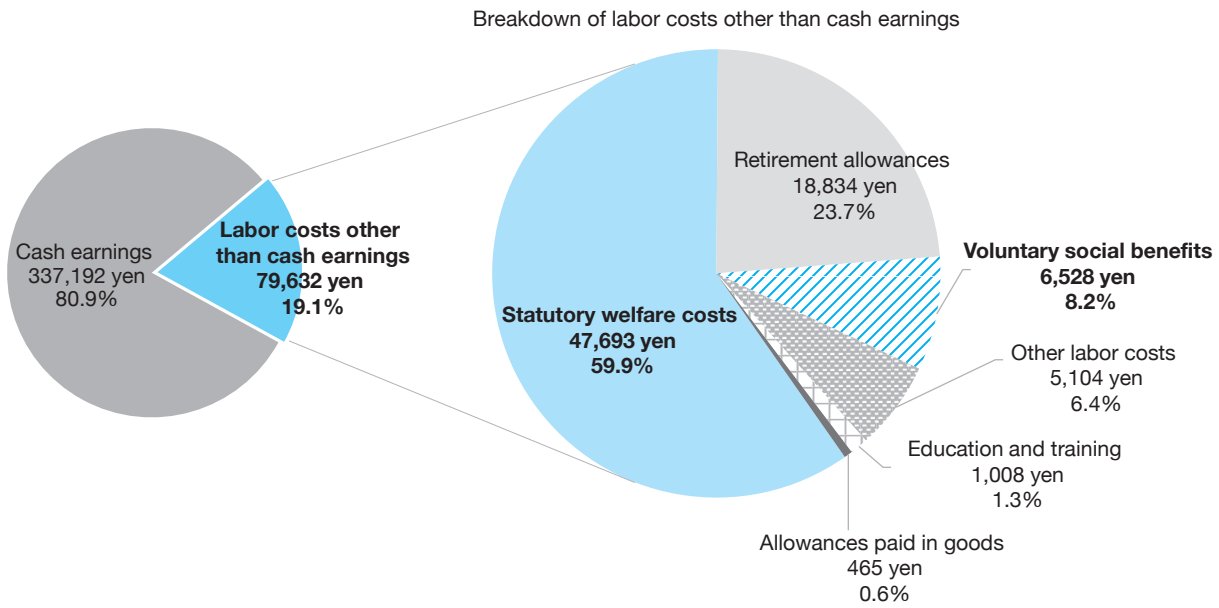
Welfare expenses are subdivided into statutory welfare costs and voluntary social benefits. The

former are the costs of benefits that are defined by laws on social insurance, and comprise social insurance-related expenses including medical insurance, pension insurance, long-term care insurance, industrial accident compensation insurance, and employment insurance, of which enterprises and workers share costs. The latter consist of costs of benefits defined by enterprises at their own discretion which apply only to employees who work in-house. Typical examples are provision of company housing and assistance with home purchases. Although these are said to be voluntary benefits, they may be subject to laws and regulations, such as non-discrimination provisions under the Equal Employment Opportunity Act¹, and regulations regarding company housing and systems of personal savings within the company under the Labor Standards Act.

III. Changes in welfare expenses: Long-term trends

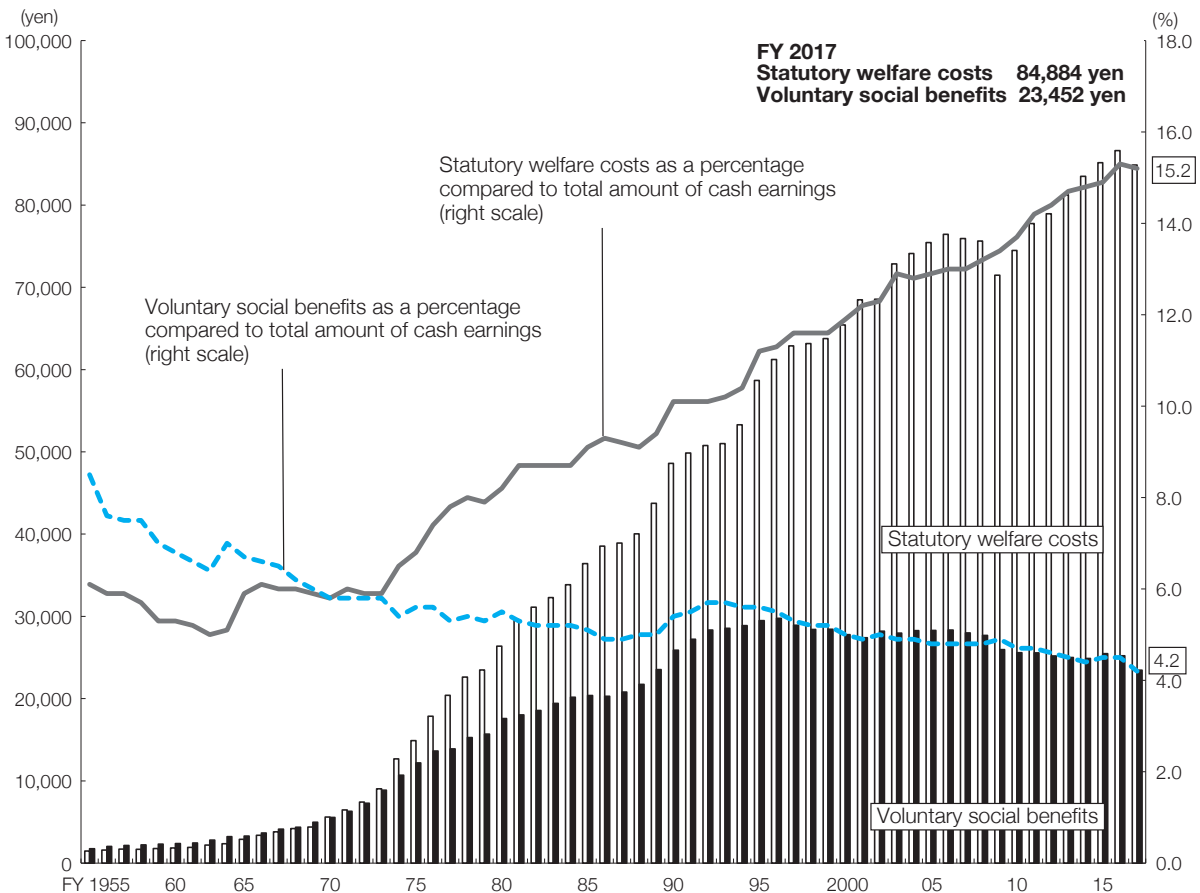
Let us examine changes in welfare expenses over time based on the Japan Business Federation (Keidanren)² survey on corporate welfare expenditures for FY 2017 (Figure 2). The survey covers enterprises belonging to Keidanren, and thus basically illustrates the situation in large enterprises. The difference between large enterprises and small and medium-sized enterprises (SMEs) in terms of benefits is an important issue, which will be discussed later.

The average across all industries of enterprises’ welfare expenses for FY 2017 (total of statutory welfare costs and voluntary social benefits) was



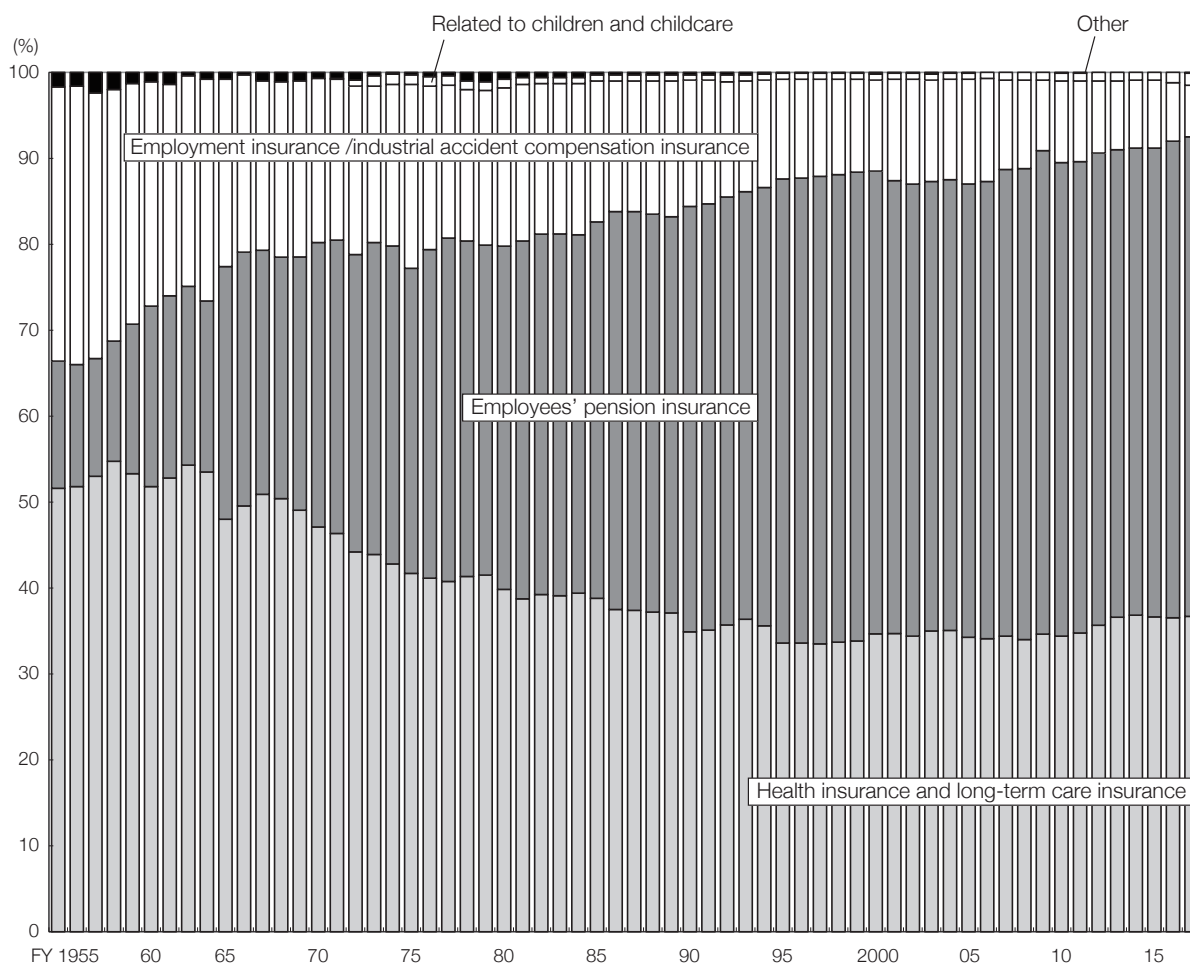
Source: Prepared on the basis of MHLW, "General Survey on Working Conditions 2016," 2017.

Figure 1. Average monthly labor cost per regular employee



Source: Prepared on the basis of Japan Business Federation, "Results of Survey on Corporate Welfare Expenditures for FY 2017," 2018.

Figure 2. Change in welfare expenses



Source: Prepared on the basis of Japan Business Federation, "Results of Survey on Corporate Welfare Expenditures for FY 2017," 2018.

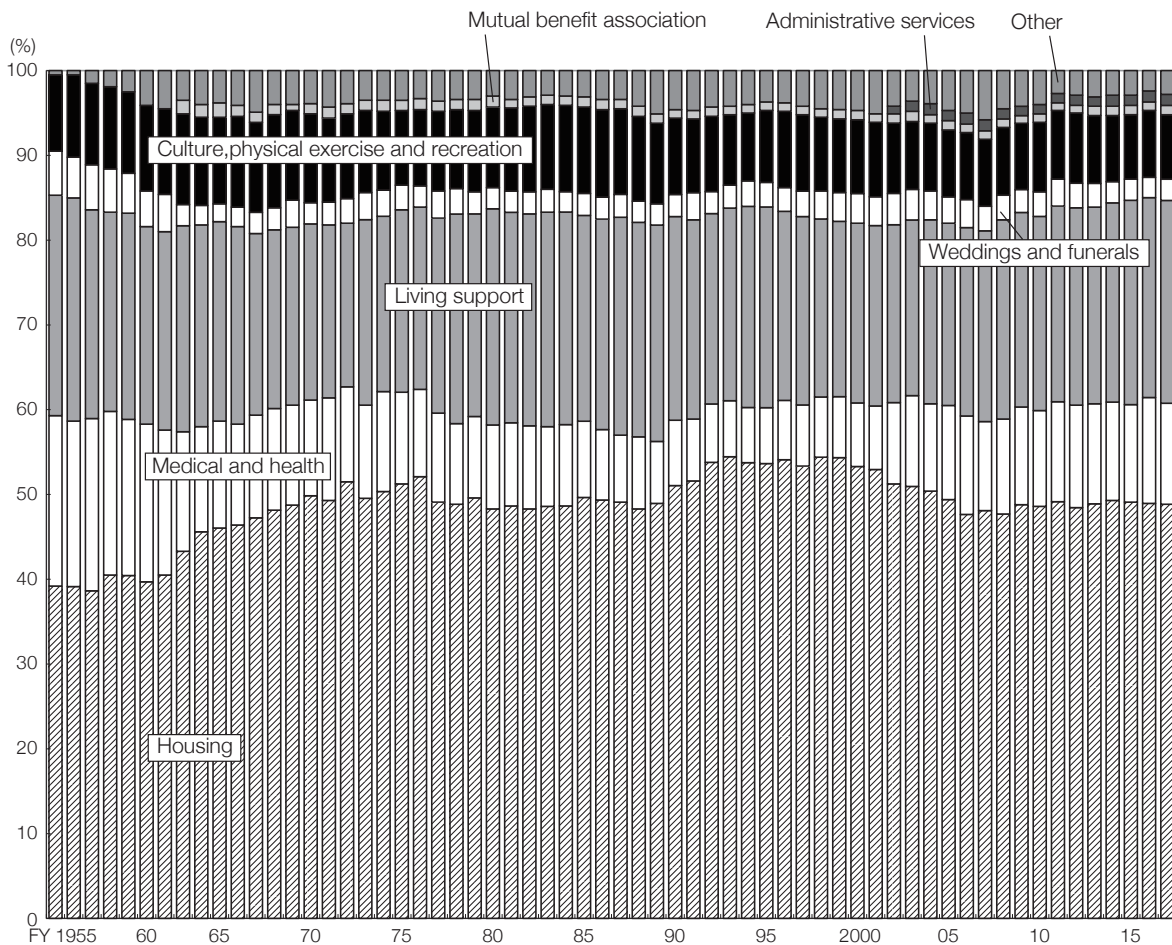
Figure 3. Breakdown of statutory welfare costs

108,336 yen per employee per month, (down 3.1% year-on-year), which accounts for only 19.4% of total cash earnings. Statutory welfare costs were 84,884 yen (down 2.0% year-on-year) and voluntary social benefits were 23,452 yen (down 7.0% year-on-year).

Until 1970, voluntary social benefits had accounted for larger part of cash earnings than statutory welfare costs, but the latter surpassed the former that year, and the ratio of statutory welfare costs to cash earnings has been consistently on the rise. For example, the ratio of statutory welfare costs to total amount of cash earnings was 5.8% in 1970, but in 2017 it reached approximately one-sixth, or 15.2%. In contrast, the ratio of voluntary social benefits to total amount of cash earnings has

continued to decline, from between 5% and 6% in the 1970s to 4.2% in 2017. This trend is considered to result from an increase in costs borne by employers due to increases in premium rates of employees' pension insurance, health insurance and so forth due to the declining birthrate and aging population.

Examining the breakdown of statutory welfare costs and its changes (Figure 3), we see an ongoing year-on-year rise in the aggregate amount of employees' pension insurance and health and long-term care insurance as a percentage of the total. Their shares of statutory welfare costs in fiscal 2017 were 55.8% and 36.7% respectively, which when combined exceeds 90%. Clearly, it can be considered as the impact of the declining birthrate and the aging of the population.



Source: Prepared on the basis of Japan Business Federation, "Results of Survey on Corporate Welfare Expenditures for FY 2017," 2018.

Figure 4. Breakdown of voluntary social benefits

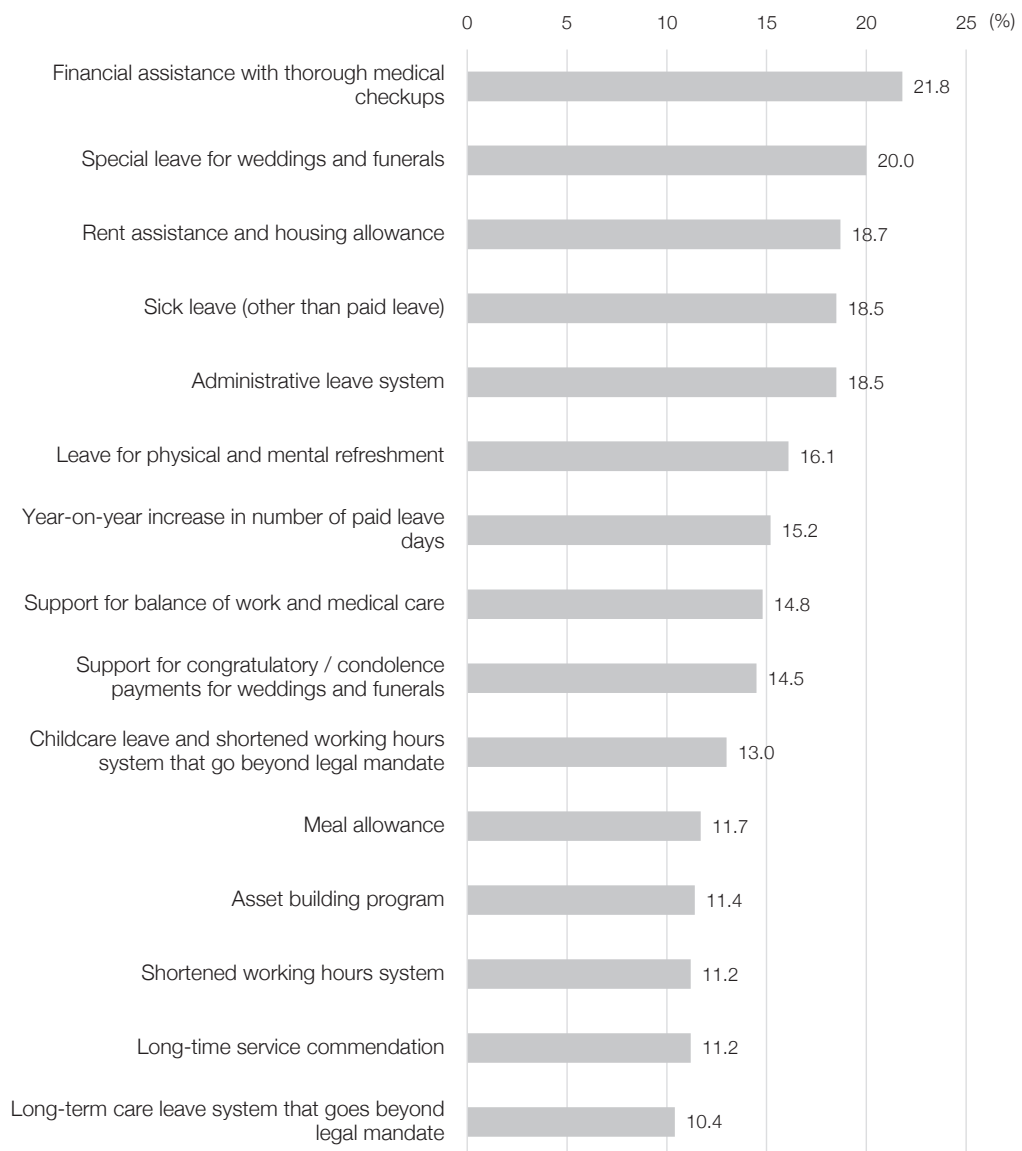
The breakdown of voluntary social benefits and its changes over time are shown in Figure 4. Housing-related expenses such as assistance with home purchases were the largest category, accounting for about 50%. This was followed by the cost of supporting various aspects of workers' day-to-day lives (shown as "living support") such as providing meals, purchasing and shopping, insurance, family care, child-care related costs, 'family support,' asset building and so forth, accounting for a quarter. Only about 10% were related to "medical and health."

IV. Benefits sought by employees and enterprises

Do the systems and schemes of benefits meet the needs of employees? According to the results of a

survey conducted by the Japan Institute for Labour Policy and Training (JILPT) in 2017, categories where employees felt "there is a particularly strong need for assistance" were related to "maintenance of health" and "leave system." As seen in Figure 5, the most frequently cited, in order, were "financial assistance with thorough medical checkups" (21.8%), "special leave for weddings and funerals" (20.0%), "rent assistance and housing allowance" (18.7%) "sick leave (other than paid leave)" (18.5%) and "administrative leave system" (18.5%) (JILPT 2018a, and 2018b).

We should also consider whether the feelings and hopes of employees are in line with the intentions of the companies that provide benefits. According to Matsuura (2003), it is apparent that



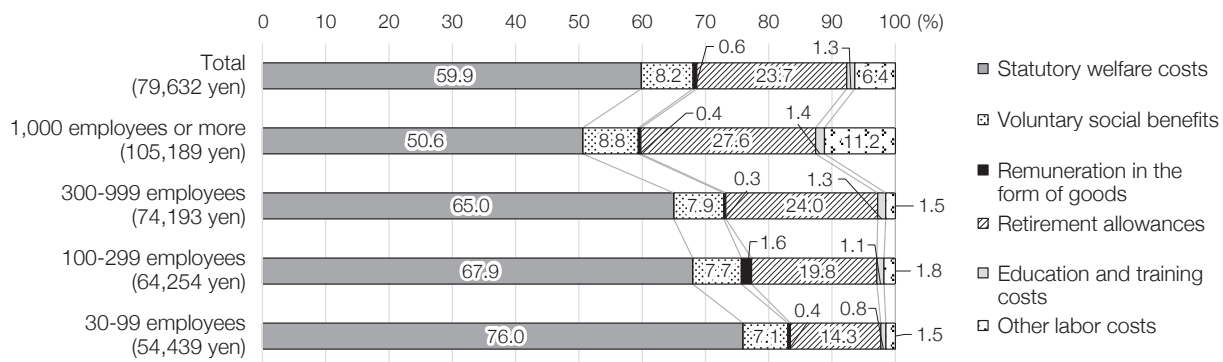
Source: JILPT, Fact-finding survey on current voluntary social benefits programs of Japanese firms: Companies and employees questionnaire survey. Press release, July 24, 2018.

Figure 5. Systems and measures perceived as highly necessary (employees survey)

labor and management had somewhat different perceptions of categories of “particularly strong need for employees.” While employees want to utilize benefits for their current health and future lives, enterprises focus more on productivity, such as acquiring skills and qualifications that are directly applicable to their current work (Matsuura 2003, 4–6). Further study from this perspective will be required in the future.

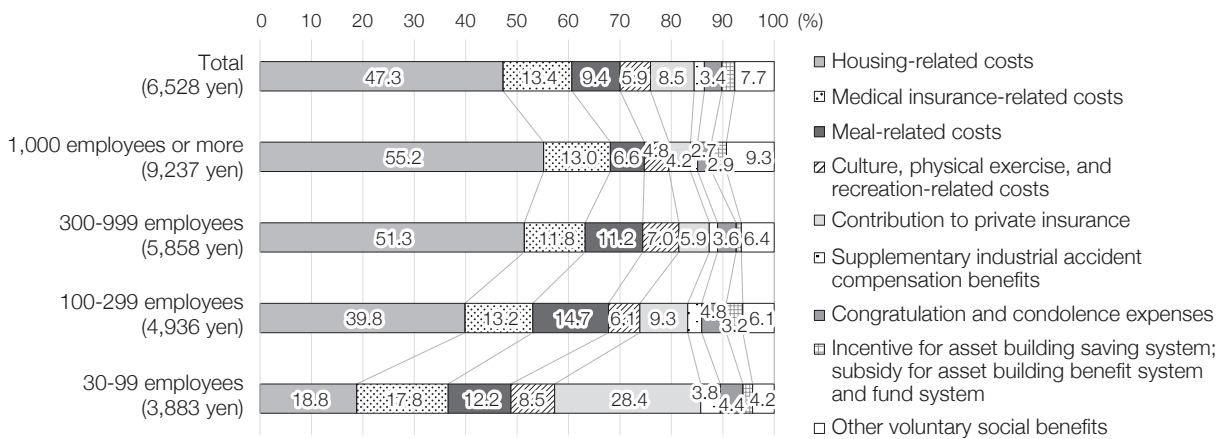
V. Disparities between large enterprises and SMEs

Finally, let us examine disparities in benefits between large enterprises and SMEs as tracked by the Ministry of Health, Labour and Welfare (MHLW 2017). There are various disparities in treatment of employees, including wage. Various differences exist with respect to benefits as well, as seen in



Source: Prepared on the basis of MHLW, "General Survey on Working Conditions 2016," 2017.

Figure 6. Average monthly labor costs other than cash earnings per regular employee



Source: Prepared on the basis of MHLW, "General Survey on Working Conditions 2016," 2017.

Figure 7. Average monthly voluntary social benefits per regular employee

Figure 6. To clarify these disparities, let us compare enterprises having 1,000 or more employees with those having 99 or fewer employees.

First, the total amount of labor costs at large enterprises is roughly double that of SMEs. There is a sizable difference concerning statutory benefits, their share of total labor costs being approximately 50% at enterprises with 1,000 or more employees and slightly under 80% at enterprises with 99 or fewer. Taking into account retirement allowances as a percentage of total labor costs as well, SMEs struggle to provide even mandatory benefits stipulated by laws and labor agreements, and providing benefits beyond legal requirements would be extremely challenging. It should be noted, with

regard to retirement allowances, that the share to total labor costs is relatively low at SMEs as compared with large enterprises. The reasons for this may be that remuneration levels at the former are not high, and that relatively small enterprises may have no retirement allowance system at all.

Concerning statutory welfare costs, while there are scale-based discrepancies (they average 53,254 yen at enterprises with 1,000 or more employees and 41,349 yen at those with 99 or fewer), their components are almost the same. As for voluntary social benefits (Figure 7), while the average is above 9,000 yen at enterprises with more than 1,000 employees, it is only about 40% of that, approximately 3,900 yen, at enterprises with 99 or fewer employees.

In terms of the specific breakdown, at both large enterprises and SMEs, housing-related expenses are the single largest category, accounting for well over half for the former and about 20% for the latter. One notable characteristic is that at enterprises with 99 or fewer employees, “contribution to private insurance” accounts for slightly under 30%, a significantly higher percentage than at large enterprises.

As we have seen, voluntary welfare is first of all geared toward delivering basic support for the daily lives of employees and their families, such as housing-related, medical and dietary assistance. In that sense, benefits within enterprises are an important system to secure livelihood. However, compared to large enterprises, SMEs are faced with relatively limited budgets for fringe benefits. There is public-sector support for SMEs to compensate for this situation, but it is necessary to continually review the scope of these systems and whether they are functioning adequately.

Notes

1. Act on Securing, Etc. of Equal Opportunity and Treatment between Men and Women in Employment.
2. The Japan Business Federation (Keidanren) is a

comprehensive economic organization with membership comprised of 1,376 representative companies of Japan, 109 nationwide industrial associations and 47 regional economic organizations (as of May 31, 2018).

References

- Japan Business Federation (Keidanren). 2018. *Results of survey on corporate welfare expenditures for FY 2017*. Tokyo: Keidanren.
- JILPT 2018a. *Kigyo ni okeru fukuri kosei shisaku no jittai ni kansuru chosa: Kigyo/jugyoin ankeito chosa* [Fact-finding survey on current voluntary social benefits programs of Japanese firms: Companies and employees questionnaire survey]. Press release, July 24, 2018.
- . 2018b. “Kigyo ni okeru fukuri kosei shisaku no jittai ni kansuru chosa: Kigyo/jugyoin” [Fact-finding survey on current voluntary social benefits programs of Japanese firms: Companies survey/Employees survey]. *Business Labor Trend*, no. 519 (August–September).
- MHLW (Ministry of Health, Labour and Welfare). 2017. “Heisei 28 nen Shuro joken sogo chosa” [General Survey on Working Conditions 2016]. Released on February 28, 2017. <https://www.mhlw.go.jp/toukei/itiran/roudou/jikan/syuro/16/index.html> (Japanese).
- Tamie, Matsuura. 2003. “Koyo kanko no henka no moto deno kigyo nai fukuri kosei: Sono igi ya mokuteki ni tsuite kangaeru” [The Significance and Objectives of Employee Benefits amid Japan’s Evolving Employment Practices]. NLI Research Institute Report, August, 2003, NLI Research Institute, Tokyo. https://www.nli-research.co.jp/files/topics/51136_ext_18_en_0.pdf (English).

NAKAMURA Ryoji

Project Researcher, The Japan Institute for Labour Policy and Training. Research interest: Industrial Sociology, International Human Resources Management.

Wages in Japan

Part I: Why Does Japanese Wage Curve Have a Strong Seniority Element?

NISHIMURA Itaru

I. Wage curve with a strong seniority element

Differences in wage levels depending on the length of service (years of continuous work for a given employer) among manufacturing employees in various countries are shown in Figure 1. In all countries, wage levels rise in correlation with length of service to some extent, but this tendency is conspicuous among Japanese employees. The wages of employees with 30 or more years of service are approximately 120% or 130% of those of employees hired for 1 year or more and less than 5 years in the UK, France, and Italy, but in Japan, they are approximately 180%. In particular, the rate of increase after 10 years of service in Japan is relatively high, and rate of increase rises even more quickly thereafter. Germany also shows similar increases to Japan after “6 to 9 years” and “10 to 14 years” of service respectively, but the rate of increase slows thereafter.

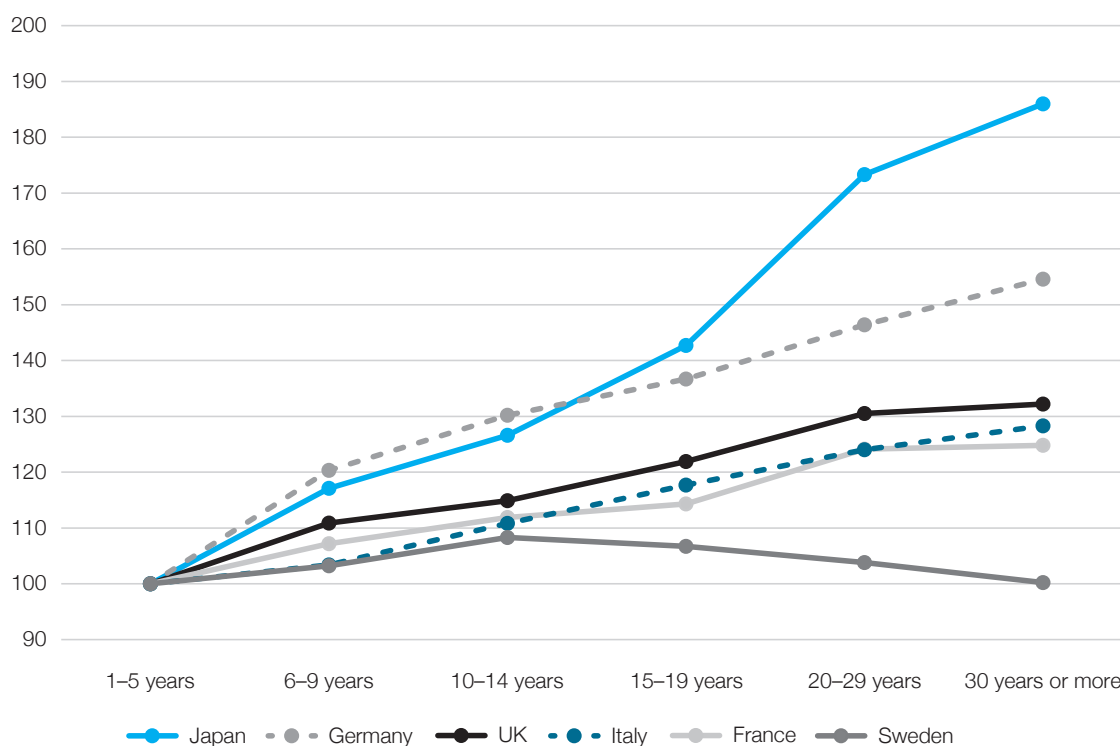
II. Why does a wage curve have a strong seniority element?

Several factors appear to lie behind Japanese seniority-based nature of wages, which as we have seen is notable compared to other countries. One of them is that the degree to which job title determines wages is smaller compared to other countries. The “job-based pay” concept, i.e. wages determined according to the *content* of job duties handled, is weak. Instead, there is a strong tendency to set wage levels according to the perceived level of *ability* required to carry out a wide range of duties assigned

by the employer. This “ability” is assumed to grow as employees gain experience over the years of continuous work at the company. For this reason, wages are significantly higher for longer term employees. This tendency to emphasize the ability that is possessed by the individual employee, rather than currently exhibited skills or performance. With this wage determination method that emphasizes employees’ ability in terms of long-term potential, wages do not go up and down according to the degree of difficulty of current duties, and are likely to be sustained at the level once they reach.

Another factor is that, there is at Japanese enterprises a deep-rooted view of wages not only “as remuneration for labor” with employees’ abilities or services rendered, but also as a crucial resource for securing and stabilizing the livelihoods of employees. The traditional paradigm of the male employee as a primary breadwinner responsible for supporting his wife and children remains strong. Companies’ concept of security of employees’ livelihood often encompasses not only the economic security of the individual employee, but also that of their family members. In general, older employees tend to incur higher household expenses for childcare and education. If the company seeks to guarantee coverage of household costs for employees and their families, higher wages will naturally be paid to those with more years of service, who are generally synonymous with a higher age group.

Then, what system has made Japanese wage curve strongly based on seniority? Two systems support (monthly) wage increases. One is annual wage increment (*teiki shokyu*), (referred to herein as



Sources: Japan: Ministry of Health, Labour and Welfare, *Basic Survey on Wage Structure* (Feb. 2017). Other countries: Eurostat, *Structure of Earnings Survey 2014* (Oct. 2017).

Notes: 1. Data derived from private-sector enterprises with 10 or more employees. Calculated based on scheduled cash earnings in Japan and average monthly earnings in Europe.

2. In Japan, “1–5 years” means at least 1 year but less than 5 years, while “6–9 years” means at least 5 years but less than 10 years.

Figure 1. Length of service and wages: Comparison of full-time male employees of Japan and European countries (100 = monthly wages for employees with 1–5 years of service)

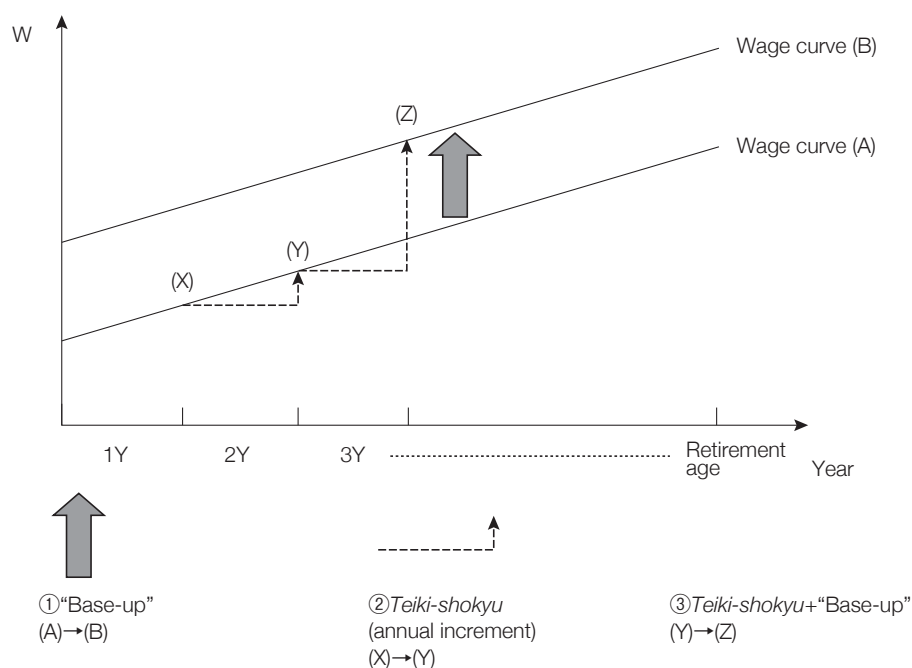
an “annual increment”) for the individual employee. The other is known as “base-up,” across-the-board pay raises, which raise the basic wages themselves, and are often determined through spring wage negotiations called *Shunto*. Figure 2 shows the relationship between annual wage increments and “base-up.”

1. The annual wage increment system

Annual increment refers to regular pay increases based on the enterprise’s wage system. For example, in the case of a wage system where the amount of wage increase is set according to scores on employee evaluations, such as 1,500 yen for an A score and 1,000 yen for a B score, pay raises based on this system are implemented every year. In Figure 2, the change from X to Y indicated by the broken lines is the annual increment.

In the “Survey on Wage Increase”¹ of the Ministry of Health, Labour and Welfare (MHLW) defines an annual increment as “an increase in wage implemented in a given period every year in line with the enterprise’s implementation of wage hikes in accordance with systems established in advance through collective agreements, work rules, and so forth. In addition to automatic increases based on age or length of service, appraisal increases based on ability and performance in a given period are also included.” This definition shows the feature of this system, that is, while there is a regular increase each year, the scope of increase is determined by ability and performance evaluations.

Although there are various views, this annual increment system is said to have been established around the mid-1950s.² In terms of postwar trends, annual increment is said to have been introduced by



Source: Prepared by the author based on Imano and Sato (2009, 199).

Figure 2. Annual wage increment and “base-up” systems

management. Table 1 clearly shows how this system is widely applied to the wage structures of Japanese enterprises.

This annual increment is one of the systemic foundations of the seniority-based wage curve.³ However, this does not necessarily mean that wages in Japan are strictly seniority-based and disregard employees’ performance and achievements. Wages tend to rise with length of service, but not all employees receive equal increases in wages. Employees’ wage increases are determined by personnel reviews of work performance in half-year or full-year, thus their performance and competence are taken into account when determining wages. Japanese wages are sometimes referred to as seniority-based, but in fact, it differs. Whether blue-collar or white-collar, employees’ wage increases vary depending on their performance.

2. “Base-up”

The second type of wage increase, “base-up,” refers to increases brought about by across-the-board revisions of an enterprise’s wage table. Supposing that on the wage table where an A evaluation brought

a wage increase of 1,500 yen, the increase in wages can be caused by rewriting the wage table itself, that is, for example, by revising this amount to 2,000 yen. This is a “base-up.” “Base-up” is shown in Figure 2 as a rise from the wage curve A based on the previous wage table to the wage curve B based on the new wage table.

The “base-up” is determined through labor-management negotiations. Although there has been a trend toward implementing “base-up” since 2014, there was a tendency not to do so from the late 1990s onward (Ogura 2017). Also, as shown in Table 2, even among enterprises that have implemented wage revisions, not many have implemented “base-up.”⁴ Even among large enterprises with 5,000 or more employees, the implemented percentage of “base-up” is less than half. The smaller the enterprise, the smaller the percentage becomes. Thus “base-up” is a type of wage increase primarily at large-scale enterprises, in contrast to the annual increment system in widespread use regardless of the size of enterprise.

Table 1. Status of annual wage increment system by size of enterprise and employees' position (fiscal 2019) (%)

Size of enterprise (Number of employees)	Total of enterprises implementing or planning to implement wage revisions, and those not implementing wage revisions	Managerial position					
		Have annual wage increment system	Implementation status of annual wage increment			No annual wage increment system	Unknown
			Currently implementing or planning to implement	Have not implemented or will not implement	Postponed		
Total	100.0	77.5	71.2	6.2	0.2	21.8	0.7
5,000 or more employees	100.0	70.6	67.5	3.1	—	28.1	1.3
1,000–4,999 employees	100.0	78.6	76.0	2.5	0.1	21.3	0.1
300–999 employees	100.0	77.3	72.9	4.4	—	22.6	0.1
100–299 employees	100.0	77.6	70.3	7.1	0.3	21.5	0.9

Size of enterprise (Number of employees)	Total of enterprises implementing or planning to implement wage revisions, and those not implementing wage revisions	Non-managerial position					
		Have annual wage increment system	Implementation status of annual wage increment			No annual wage increment system	Unknown
			Currently implementing or planning to implement	Have not implemented or will not implement	Postponed		
Total	100.0	83.5	80.4	3.0	0.0	15.8	0.7
5,000 or more employees	100.0	91.1	89.1	2.0	—	8.9	—
1,000–4,999 employees	100.0	91.5	90.0	1.4	0.1	8.3	0.1
300–999 employees	100.0	84.6	81.9	2.7	—	15.3	0.1
100–299 employees	100.0	82.3	79.0	3.3	—	16.7	1.0

Source: MHLW's "Survey on Wage Increase," 2019.

III. Importance of the annual increment system

Annual increments systemically support the formation of Japan's seniority-based wage curves, while "base-up" increases have contributed to maintaining and improving wage levels. Both are important mechanisms that have underpinned wage curves and wage levels. Annual increments are implemented in accordance with the wage

system, while "base-up" is the outcome of labor-management negotiations. A characteristic of Japanese management practices is this clear separation between wage increases through operation of established annual increment systems, and those resulting from labor-management negotiations. In this way, employees' wages may rise every year even if labor unions do not demand for wage increases. This phenomenon is the result of the annual increment system.

Table 2. Percentage that instituted “base-up” (for non-managerial employees) among enterprises that implemented wage revisions (%)

Size of enterprise (Number of employees)	Non-managerial position						Unknown
	Enterprises with annual wage increment (regular wage increase) system	Differentiation between annual wage increment and “base-up,” etc.	Status of implementation of “base-up,” etc.			No differentiation between annual wage increment and “base-up”	
			Have implemented or will implement “base-up”	Have not implemented or will not implement “base-up”	Have implemented or will implement “base down”		
Total	100.0	66.2	31.7	34.3	0.1	33.3	0.6
5,000 or more employees	100.0	83.5	45.5	38.0	—	16.0	0.5
1,000–4,999 employees	100.0	79.3	38.1	41.0	0.2	20.3	0.4
300–999 employees	100.0	78.2	35.7	42.6	—	20.9	0.8
100–299 employees	100.0	60.6	29.6	30.9	0.2	38.9	0.5

Source: MHLW’s “Survey on Wage Increase,” 2019.

In many countries, labor and management is thought to aim to balance wages as an incentive to work, and wages as a means of ensuring standards of living. In Japan, this balance is largely attained through the annual increment system. The annual increment system is central to any explanation of the characteristics of Japanese wages.

1. MHLW, “Survey on Wage Increase,” 2019. <https://www.mhlw.go.jp/toukei/itiran/roudou/chingin/jittai/19/dl/03.pdf>.
2. Nitta dates the establishment of the annual wage increment system to the mid-1950s, and argues that the concept of seniority-based wages emerged from this (Nitta 2003). However, there are various views regarding the time of establishment of the annual wage increment system. For example, Magota (1972) believes that it was established in the 1920s before the war.
3. See Nitta (2003) for an example.
4. “Wage revision” is a frequently used term encompassing both annual increments and “base-up.” As Table 2 shows, there are enterprises that in practice do not strictly differentiate between these two. If any wage increase including either or both of these two is implemented, the enterprise in question is considered to

have implemented a wage revision.

References

- Imano, Koichiro, and Hiroki Sato. 2009. *Jinjikanri nyumon, dai 2 han* [Introduction to human resource management, 2nd ed.] Tokyo: Nikkei Publishing.
- Magota, Ryohei. 1972. “Chingin taikai no hendo” [Shifts in wage system]. In *Chingin: Sono kako, genzai, mirai* [Wages: Its past, present, and future]. Edited by Yoshio Kaneko. Tokyo: Nihon rodo kyokai.
- Nitta, Michio. 2003. *Henka no naka no koyo shisutemu* [Changing employment system in Japan]. Tokyo: University of Tokyo Press.
- Ogura, Kazuya. 2017. “Chin’age ni tsuite no keiei-gawa no kangae to sono haikai” [Employers’ thoughts on pay raise and its background]. In *Hitode-busoku nanoni naze chingin ga agaranai no ka* [Why wages are not raised despite labor shortage]. Edited by Yuji Genda. Tokyo: Keio University Press.

This is a series of three articles on the topic of Japanese wages. Part II (July issue, vol. 4, no. 24) will discuss wages in relation to size of enterprises.

NISHIMURA Itaru

Vice Senior Researcher, The Japan Institute for Labour Policy and Training. Research interest: Industrial Relations, Human Resources Management.

<https://www.jil.go.jp/english/profile/i.nishimura.html>

Wages in Japan

Part II: Wages and Size of Company

NISHIMURA Itaru

Part I identified the formation of seniority-based wage curves as a characteristic of wages in Japan. Seniority-based wage curves are comprised of annual increments and “base-up”.¹ Do the wage curves of all employees take the same form? This article presents characteristics of wages with focus on size of company (as measured by the number of employees).

I. Wage curves vary depending on size of company

First of all, let us look at the wage curve of employees who were employed immediately after graduation and continued to work at the same company. Using data of the *Basic Survey on Wage Structure*, Figure 1 shows the wage curves of “standard employees (*hyōjun rōdōsha*)”² at companies with 1,000 or more employees. Both wages of university graduates and high school graduates show seniority-based curves and rise at roughly the same pace, particularly in their twenties. Although the curve of high school graduates subsequently becomes more gradual compared to that of university graduates, both have similar shapes. Regarding degrees of increase, the peak of the wage for high school graduates is at the 55–59 age group, when the wage amount reach 2.3 times that at the 20–24 age group. The peak for university graduates is at the 50–54 age group, when the wage amount reach 2.6 times that for the 20–24 age group.

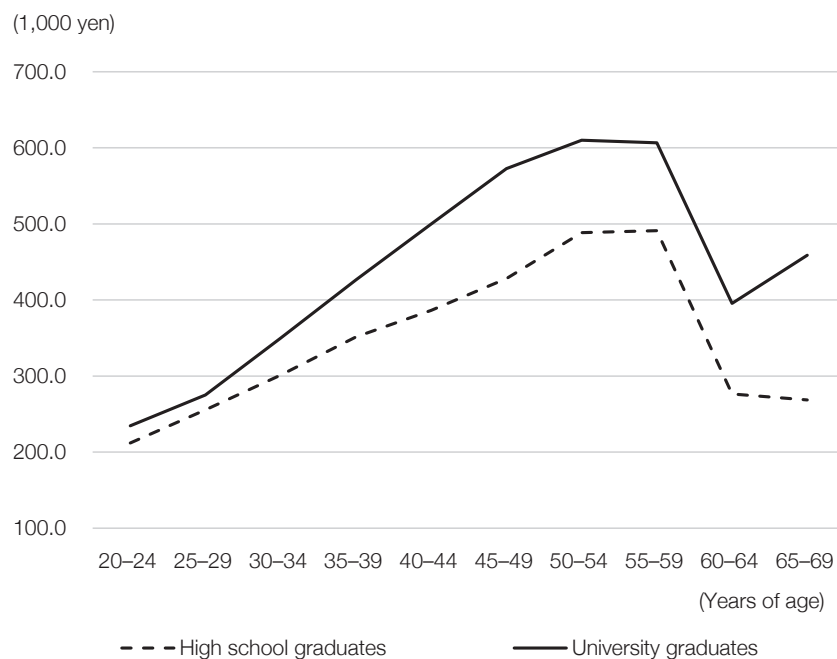
Figure 2 shows wage curves for “standard employees” by size of company, looking only at university graduates. It is apparent that while wages show a seniority-based curve for all sizes, the

steepness of the curves varies. The larger the size of company is, the more seniority-based the wage curve is.

For all company sizes, wages are lowest for the 20–24 age group and peak at the 50–54 age group. Let us look at degree of increase for each size of company. For companies with 1,000 or more employees, the peak is at the 50–54 age group, with wages being 2.6 times those of the 20–24 age group. For companies with 100–999 employees, the peak is at the 50–54 age group, with wages being 2.3 times those of the 20–24 age group. For companies with 10–99 employees, the peak is at the 50–54 age group, with wages being 2.1 times those of the 20–24 age group. Thus, the steepness of the wage curves varies depending on the size of the company at which employees work. Moreover, looking at the steepness of the wage curve by education background, the peak for high school graduates at companies with 1,000 or more employees is 2.3 times those for the 20–24 age group. Regarding university graduates, the steepness of the wage curve at companies with 100–999 employees is the same as that for high school graduates at companies with 1,000 or more employees, and that at companies with 10–99 employees is more gradual than that for high school graduates at companies with 1,000 or more employees. The above suggests that employees’ wages depend on the size of the companies at which they are employed.

II. To what extent do wage differentials arise depending on size of company?

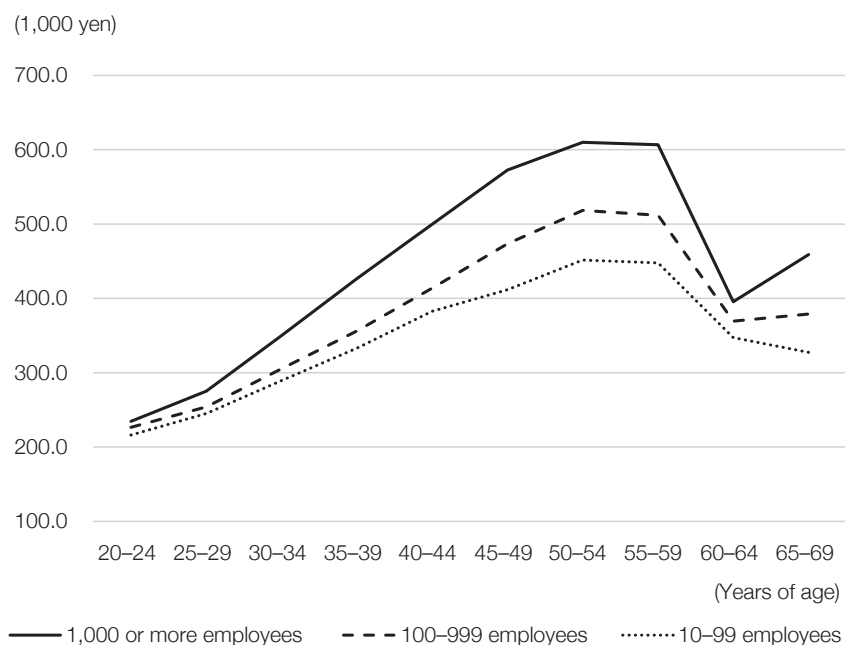
Then, to what extent do wage differentials arise



Source: MHLW, *Basic Survey on Wage Structure*, 2019.

Note: Calculated based on scheduled cash earnings of male "standard employees (*hyōjun rōdōsha*)."

Figure 1. Wage curves of "standard employees" in companies with 1,000 or more employees (industrial total)



Source: MHLW, *Basic Survey on Wage Structure*, 2019.

Note: Calculated based on scheduled cash earnings of male "standard employees (*hyōjun rōdōsha*)."

Figure 2. Wage curves of "standard employees" by size of company (university graduates)

Table 1. Wage differentials among establishment size categories

(1,000 or more employees=100)

Size of establishment/company	Size total	5–29 employees	30–99 employees	100–499 employees	500–999 employees	1,000 or more employees
Japan ¹	68.8	58.2	67.2	78.5	86.7	100
United States ²	60.9	48.3	58.4	69.5	84.5	100
United Kingdom ³	99.0	84.8	111.1	101.8	121.5	100
Germany ³	68.7	—	71.0	100.9	88.7	100
Italy ³	92.0	78.6	110.9	102.4	—	100
Netherlands ³	101.8	102.5	115.4	125.4	124.1	100
Denmark ³	100.4	95.0	110.5	111.4	116.4	100
Finland ³	100.3	95.1	104.0	110.6	104.6	100
Spain ³	91.2	95.1	89.9	103.7	114.4	100

Source: JILPT, *Databook of International Labour Statistics 2017*, https://www.jil.go.jp/kokunai/statistics/databook/2017/05/p186_t5-14_t5-15.pdf.

Notes: 1. 2015 values. By size of establishment. Size total is for establishments with 5 or more employees. For “regular employees (*jōyō rōdōsha*)” of companies in a non-agriculture/forestry/fishery industry. Calculated based on monthly contractual cash earnings.

2. Values for the first quarter of 2015. By size of establishment. Size total is for establishments with 1 or more employees. For private-sector companies in a non-agriculture/forestry/fishery industry. Calculated based on average weekly wage.

3. 2014 values. For companies with 10 or more employees and in a non-agriculture/forestry/fishery industry, excluding those in Public Administration and Defense; Compulsory Social Security. Calculated based on total monthly wages.

with different company sizes? Table 1 summarizes wage differentials by size of company in Japan and other countries, in which the wage level for each size is displayed using establishments and companies with 1,000 or more employees as the basis. It can be seen that in Japan, wage differentials grow larger as company’s size decreases. Although it should be noted that calculation methods differ when making comparisons, wage differentials depending on size of company are apparently larger in Japan than in other countries. The United States shows a tendency similar to that of Japan. In European countries (United Kingdom, Italy, Netherlands, Denmark, Finland, and Spain), wages are higher in the 100–499 employee and 500–999 employee categories than the 1,000 or more employee category, and higher in the 30–99 employee category than the 1,000 or more employee category except Spain. Additionally, in Germany, wages in the 100–499 employee category are about the same as those in the 1,000 or more employee category.

III. What causes wage differentials by size of company?

1. Labor-management negotiations

What causes wage differentials by size of company? One factor is that Japan does not have

a mechanism for forming cross-company wage rates, such as sectoral bargaining in continental Europe (e.g. Germany or France). For example, labor-management negotiations are conducted at the company level, and there is no system by which wage rate of each job title is decided at the industrial level. Industrial unions encourage their member company unions to call for achieving uniform wage increases by presenting to them minimum standards for wage increases (minimum increase, in Japanese, so-called *hadome*). However, member company unions are allowed to settle for an amount below the minimum standards depending on business conditions of their companies. For this reason, labor and management at each company can set wage levels in accordance with the situation of their company.

2. Job content and wages

Furthermore, Japan’s wage system has the characteristic of not promoting the formation of cross-company wage rates. Connections between wage and particular job is not strict in Japan. As in other countries, the elements of a job are not ignored when determining wages in Japan, and the abilities necessary for a job and the content of the job actually performed are considered. However, in the case of jobs in Japan, the scope of duties and the level of

Table 2. Hourly wages of part-time employees

Size of company (Number of employees)	Hourly wage (yen)	Wage differentials with other company sizes (1,000 or more employees=100)
1,000 or more employees	1,146	100.0
100–999 employees	1,226	107.0
10–99 employees	1,212	105.8

Source: MHLW, *Basic Survey on Wage Structure*, 2019.

responsibility change from employee to employee.

Let us examine this point a little more closely. In the basic interaction of the employment relationship—namely, “how much work will an employee do and how much money will he or she get for it”—there is a difference in thinking between the United States/Europe and Japan. In the United States and Europe, regarding at least for non-managerial employees who are not considered to be prospective managers in the future, the “how much work” component of the abovementioned employment relationship is already established to a certain degree prior to their entering the company, and the “how much money” component is determined in a cross-company wage rates that is much stronger than that of Japan. Accordingly, the scope of duties that companies can require their employees to perform as well as the pay for those duties are predetermined to a certain extent and cannot be easily changed by the company. Marsden points out that companies of the United States, United Kingdom, and Germany must utilize human resources under such constraints (Marsden 1999). Japan is a country where companies do not have the constraints faced in the U.S. and Europe.³ Consequently, it is quite common for the scope of duties and the weight of responsibilities to change each year even for employees assigned to the same position. This unique relationship between job and wage in Japan is thought to be a factor that inhibits the formation of cross-company wage rates based on the sense of “this job is to be paid this amount of money.”

A characteristic of this labor-management negotiation framework and wage system is that wages are aligned with the company’s ability to pay wages and the state of labor relations in the company.

As a result, differences in wage levels and wage curves arise according to the size of company.

IV. Do the wage differentials by size of company apply to all forms of employment?

This article has presented characteristics of wages of “standard employees” with a focus on size of company. Meanwhile, Table 2 shows wage levels by size of company focusing on part-time employees. No major differences in the hourly wages of part-time employees are observed among the company size categories. In other words, part-time employees earn roughly the same wages regardless of company size. Noteworthy is that their wages of companies with 999 or less employees are higher, albeit only slightly, in comparison with those at companies with 1,000 or more employees. Thus, the wages of part-time employees have a characteristic that differs from “standard employees.” This suggests the possibility that wages may also differ depending on how employees work. Part III will examine forms of employment and wages.

1. The “base-up” is a wage increase brought about by across-the-board revision of a company’s pay scale. It is determined through labor-management negotiations in spring called *Shunto*. As explained in Part I, seniority-based wage curves are comprised of annual increments and “base-up.”

2. “Standard employees” refer to *hyōjun rōdōsha*, as used in statistics, that is defined as those employees among employees who were employed by a company immediately after graduation and are deemed to be continuing to work at the same company who meet the following condition according to their educational background. High school graduates: Employees whose age minus their number of years of continuous service is 18. University graduates: Employees whose age minus their number of years of continuous service is 22 or 23.

3. Marsden points out that, unlike the three countries of the United States, United Kingdom, and Germany, in Japan, the scope of assigned tasks and minimum performance standards

of an employee to be hired are not established by any kind of externally-formulated standards prior to the employee's joining the company. He further notes that the building of a trusting relationship between management and the employee is the foundation upon which the employment relationship is established in Japan (Marsden 1999).

Reference

Marsden, David. 1999. *A Theory of Employment Systems: Micro Foundations of Societal Diversity*. Oxford: Oxford University Press.

This is a series of three articles on the topic of wages in Japan. See Part I (May-June issue, vol. 4, no. 23) at <https://www.jil.go.jp/english/jli/documents/2020/023-04.pdf>. Part III will be in August-September issue, vol. 4, no. 25.

NISHIMURA Itaru

Vice Senior Researcher, The Japan Institute for Labour Policy and Training. Research interest: Industrial Relations, Human Resources Management.

<https://www.jil.go.jp/english/profile/i.nishimura.html>

Wages in Japan

Part III: Wages and Forms of Employment

NISHIMURA Itaru

I. Wage curves vary depending on forms of employment

Part I identified the seniority-based wage curves as a characteristic of wages in Japan. This aspect, however, does not apply to all employees. Depending on the size of the company by which they are employed, the steepness of wage curves varies and wage differentials arise. Part II examined these situations and pointed out at its conclusion the possibility that wages varied depending on forms of employment. This article presents the characteristics of wages by form of employment.

There are differences in how wages rise between regular employees and non-regular employees. Figure 1 shows wage curves for male regular employees and male non-regular employees. The wage curve for regular employees shows a seniority-based shape that continuously rises from the age of 19 until around the age of 50 and peaks at the 50–54 age group. Looking at the degree of increase, the peak of their wage amount is 2.4 times the amount of the 19 or younger age group. Meanwhile, the wage curve for non-regular employees shows a gradual rise but is nearly flat. The 60–64 age group, the peak of their wage amount, is 1.5 times the amount of the 19 or younger age group. Thus, the wages of non-regular employees do not form the seniority-based wage curve as seen in Japanese wages which was identified in Part I.

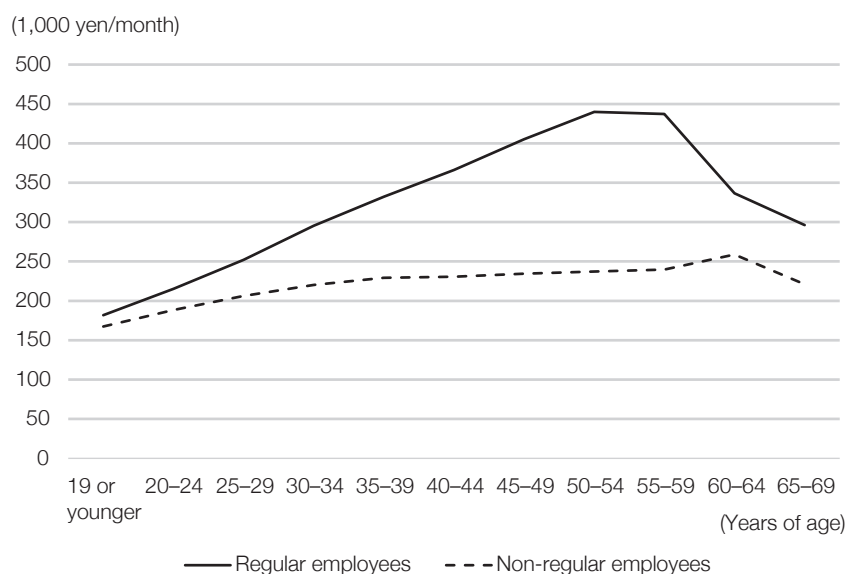
As to these wage curves, the wage differentials between regular employees and non-regular employees are not so large in the younger age groups but grow larger with each older age group. In the

19 or younger age group, the wages of non-regular employees are 92.1% of those of regular employees. The gap is not exceptionally large or could be said roughly the same at this age group. The gap then gradually grows larger with successive ages, and at the point of the 50–54 age group, which is where regular employees' wages peak, the wage amount of non-regular employees is 53.9% of that of regular employees. Thus, different wage curves form for regular employees and non-regular employees. Attention must be paid to what extent the actual differences are, as this analysis above does not take into account the industries, occupations, or jobs that employees actually do. Furthermore, the existence of fixed-term contract employees who receive higher wages than those of regular employees has been pointed out. It is not the case that the wages of *all* non-regular employees are low compared to those of regular employees.

II. Wage differentials between full-time workers and part-time workers

Let us now examine the wage curves and wage levels of part-time workers in comparison with those of full-time workers. The wage curve for part-time employees is almost flat as shown in Figure 2. Looking at the degree of increase, the amount of the 30–34 age group, the peak of their wage amount, is 1.2 times the amount of the 19 or younger age group. It can be seen that part-time employees' wage curves resemble those of the non-regular employees shown in Figure 1.

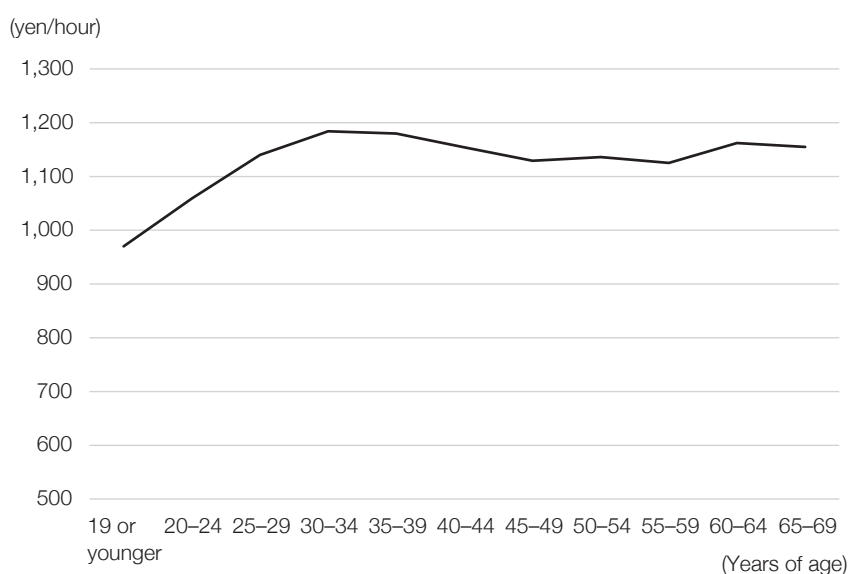
What about the wage levels of non-regular employees? Table 1 shows the wage gap between



Source: MHLW, *Basic Survey on Wage Structure*, 2019.

Notes: 1. Regular employee refers to a person considered to be a regular employee or regular staff member at his or her establishment, while non-regular employee refers to any other person (i.e., a person who is not a regular employee or regular staff member).

Figure 1. Wage curves by form of employment



Source: MHLW, *Basic Survey on Wage Structure*, 2019.

Figure 2. Wage curves of part-time employees

full-time employees and part-time employees in Japan and other countries. In Japan, the wage levels for part-time employees is 56.6% (2014), 59.4% (2017), and 60.4% (2018)¹ of that of full-time employees. The wage gap between full-time

employees and part-time employees is shrinking, albeit gradually.

Part-time employees' wages in France, Denmark, and Sweden are about 80% of those of full-time employees. In the United Kingdom and German,

Table 1. Earnings gap between full-time workers and part-time workers
(%, Full time workers=100)

	2014	2017	2018
Japan ¹	56.6	59.4	60.4
United Kingdom ²	71.0	71.6	72.6
Germany ³	72.1		
France ³	86.6		
Italy ³	66.4		
Denmark ³	79.0		
Sweden ³	82.2		

Source: JILPT, *JILPT Databook of International Labour Statistics 2019*.

Notes: 1. Hourly scheduled cash earnings (average) of part-time workers in comparison with “ordinary workers (*ippan rōdōsha*)” at private-sector companies with 10 or more “regular employees (*jōyō rōdōsha*)”. Overtime work is excluded.

2. Sample survey targeting 1% of all occupational types, excluding self-employment. Average hourly wage (excluding overtime pay) of part-time workers in comparison with full-time workers. Revised values for 2014 and 2017; provisional values for 2018.

3. Average hourly wage (including overtime pay) of part-time workers in comparison with full-time workers at companies with 10 or more employees.

these same wage levels are about 70% (Table 1).² The gap in wage level between full-time employees and part-time employees in Japan is larger than that in other countries.

One factor behind this situation is that a high percentage of part-time employees are non-regular employees in Japan. In other words, the wage differentials between full-time and part-time employees are thought to be largely due to differences in forms of employment.

III. Why do differences arise in wage levels?

The above discussion examined wages based on forms of employment. The shape of the wage curve differs for regular employees and non-regular employees. There are gaps between regular employees and non-regular employees in terms of wage level as well.

Several factors are thought to be behind these phenomena.³ One major cause is that the principles for determining wages differ. Regular employees’ wages are determined in accordance with organizational rules, while non-regular employees’ wages are determined by market wage rates in

the labor market. In Japan, the wages of regular employees are determined based on the employees’ professional abilities, their general abilities such as character and personality, and their own performance. Employees’ abilities grown through experience in their jobs result in their wage raises. In contrast, in the case of non-regular employees, wages are determined by market wage rate but not by their general abilities and their own performance. Thus, while regular employees can increase their wages based on their own efforts and results without being affected by labor market conditions, few non-regular employees increase their wages in that way.

IV. Efforts to reduce wage differentials

The wage differentials between regular employees and non-regular employees are questioned in Japan as in other countries, and efforts have been made to correct the situation. Such efforts are epitomized by a 2020 revision of labor laws enforced under the slogan for realizing a Japanese version of “equal pay for equal work”. Specifically, the Part-time and Fixed-Term Workers Act⁴ was enacted by combining Article 20 of the Labor Contracts Act and the Part-time Workers Act. The Worker Dispatching Act was also revised. With these revisions of laws, the expansion of the scope of equal treatment (prohibition of less favorable treatment) and balanced or proportional treatment of non-regular employees has been realized. Future trends must be watched to determine how this series of legal revisions changes the wages of regular employees and non-regular employees, which have different wage determination principles.

This is a series of three articles on the topic of wages in Japan. See “Part I: Why Does Japanese Wage Curve Have a Strong Seniority Element?” (May-June issue, vol. 4, no. 23) at <https://www.jil.go.jp/english/jli/documents/2020/023-04.pdf> and “Part II: Wages and Size of Company” (July issue, vol. 4, no. 24) at <https://www.jil.go.jp/english/jli/documents/2020/024-06.pdf>.

1. The differences in wage level presented here do not take into account differences in the jobs performed and other factors such as gender and educational background. It can be expected that the numerical values indicating wage differentials between full-time and part-time employees would fluctuate if such factors were considered.

2. Definition of “part-time employee,” surveyed subject, and method for calculating factors such as wage levels vary from country to country, to which attention should be paid when making comparisons.

3. For example, while not considered in this paper, differences may exist in the content of jobs performed by regular employees

and non-regular employees. If regular employees handle more difficult jobs and non-regular employees engage in simpler tasks, it follows that gaps in their wages would inevitably occur.

4. Act on Improvement, etc. of Employment Management for Part-Time and Fixed-Term Workers.

NISHIMURA Itaru

Vice Senior Researcher, The Japan Institute for Labour Policy and Training. Research interest: Industrial Relations, Human Resources Management.

<https://www.jil.go.jp/english/profile/i.nishimura.html>



Labor-Management Relations

What Is *Shunto*?

OGINO Noboru

I. A wage determination system unique to Japan

Shunto (spring wage offensive) is a united campaign by labor unions, led by industrial unions. It is launched every year between March and April, the main aim of negotiations being higher wages. Since it began in 1955, *Shunto* has served as a platform for setting wage increase across enterprises and industries. In Japanese labor-management relations, wherein enterprise unions are the basic unit of negotiation, *Shunto* established a schedule for strike action and unified demands in each industry. It provided a framework that transcended internal individual corporate negotiations and created a wage determination system unique to Japan whereby wage increases could be secured across industries.

It was in the 1960s when rapid economic growth was truly getting underway that the results of these negotiations not only began to affect individual industries, but also came to have a ripple effect on wage settlements for the year throughout the country as wage-increase levels (benchmark for wage increase called “*Shunto* rate”), including those of small and medium-sized enterprises and civil servants.

The administration of Prime Minister Hayato Ikeda, which came to power in 1961, announced the National Income Doubling Plan, and in response labor advocates in 1963 adopted a slogan “realization of wages on a par with Europe.”

II. The ripple effect of “*Shunto* rate”

In the 1960s, labor and management in the

iron and steel sector, one of Japan's leading manufacturing industries, came to act as “pattern setters” (pacesetters) for wage-increase levels among enterprises and industries throughout the country. After the Japan Council of Metalworkers' Unions (IMF-JC) was formed in 1964 by industries such as shipbuilding, heavy machinery, electrical appliances, and automobiles, which along with steel and iron had become forces driving economic growth, the four metal-related private-sector industries led negotiations and became “pattern setters” for wage-increase levels. In the same year, there was a high-level meeting between Prime Minister Ikeda and Kaoru Ota, chairperson of General Council of Trade Unions of Japan (Sohyo), and it was agreed that steps would be taken to correct wage differentials between public and private workers and respect public and private wage parity principles. This created a mechanism for wage increases in the private-sector heavy and chemical industry to spread to those for workers at public enterprises.



In the course of these events, *Shunto* came to be recognized by society and increasingly took on the character of a public-private undertaking. And the number of union members participating in *Shunto* grew from 6.35 million in 1965 to 8.01 million in 1970, accounting for two-thirds of organized workers.

In terms of tactics, a game plan was established in which increases in private-sector wages were first pursued, which would then spread to public

enterprises, in particular against the backdrop of the simultaneous nationwide traffic strikes unified and led by trade unions of private and national railway workers. From the late 1960s through 1973, just before the oil crisis, the Japanese economy was at the pinnacle of its rapid growth period, with a 10% in real growth rate. A tight labor supply market meant wages were likely to rise, and indeed they rose by 10% or more annually for twelve consecutive years from 1964 onward.

In particular, during the eight years starting in 1967, the ripple effect of “*Shunto* rate” was well produced and there was a consistently negligible difference in wage increase amounts depending on enterprise size, with annual wage increases acting to contribute to reduction of such scale-based disparities. It was a period when there was a marked shortage of younger workers, and management would not be able to secure human resources if they ignored the wage levels set through *Shunto* negotiations.

In 1970 the National Personnel Authority Recommendation, which balanced the salary levels of national civil servants with the salaries of private-sector employees, was fully implemented for the first time, and a pattern was entrenched in which “*Shunto* rate” applied not only to private enterprises (including small and medium-sized ones) but also to public employees. In this way, by contributing to reduce wage disparities across Japanese society, *Shunto* can be said to have played a part in forming a so-called “universal middle-class society,” in which the majority of people view their lifestyles as middle-class.

III. *Shunto* at a turning point as rapid economic growth halts

Shunto reached its first turning point when the period of rapid growth came to an end with the first oil crisis in 1973. Commodity prices jumped by 20%, bringing confusion to the market, and real GDP recorded negative figures for the first time in the post-war period. It was in 1975 that *Shunto* first incorporated the “theory of economic conformance,” which was essentially a self-imposed limit on wage

increase demands by labor unions with the aim of achieving price stability. Ever since, *Shunto* has been constrained by this concept to a great degree. As a result, *Shunto*’s initial objective of “large-scale wage increases” to realize wages equivalent to those of Europe was abandoned, and the era of double-digit annual wage increases ended.

After rapid economic growth ground to a halt, the theory of economic conformance espoused by IMF-JC, which took the lead in negotiations, made significant macro-economic contributions with the curbing of inflation and the achievement of moderate growth in the 4–5% range. After the second oil crisis, Japan quickly broke out of the stagflation (recession combined with inflation) that remained entrenched in Western countries. In the West, governments implemented an “income policy” of intervening in wage determination in order to cope with inflation, but in Japan, labor and management co-ordination overcame this difficult situation and underpinned Japan’s positive economic performance. In fact, Japanese labor-management relations began to attract attention around the world. The international reputation of Japanese-style management based on positive labor-management relations grew, and Ezra Frivel Vogel’s *Japan as Number One: Lessons for America* (1979) argued that the United States should also learn from Japan.

Shunto functioned as a kind of “social income distribution mechanism” built into the Japanese economy, and from 1977 to 1989 the wage-increase rate remained stable in the range of 3% to 8%. However, its demand strategy based on this theory of economic conformance could not stand up under the deflationary economy that emerged in the late 1990s after the burst of the economic bubble in the early 1990s, and *Shunto* faced a second major turning point.

IV. *Shunto* after the collapse of the economic bubble

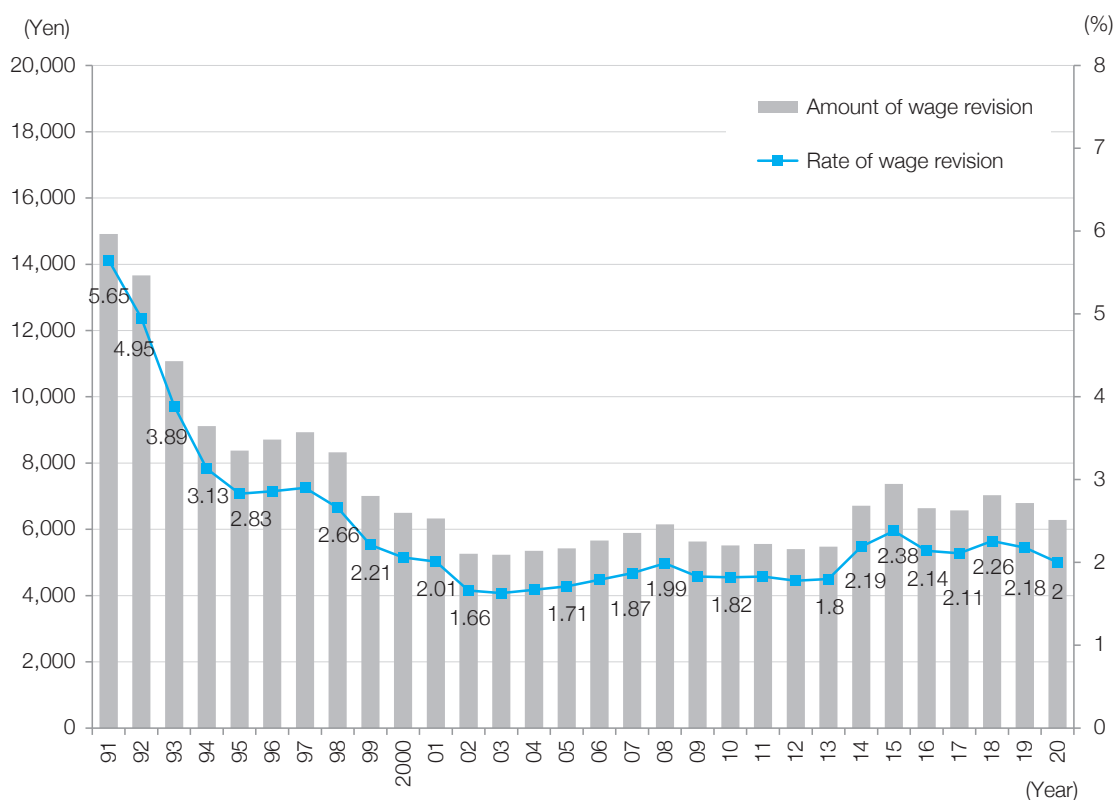
After the stock market average hit a record high of 38,915 yen at the end of 1989, Japan’s economic bubble rapidly declined, and stock prices dropped by half in just 10 months, plunging the economy in the

depths of a long-term recession. The Japanese Trade Union Confederation (JTUC-Rengo) established in 1989 described *Shunto* as an “initiative to improve overall standards of living,” with three main pillars (wage increases, shorter working hours, and policy and institutional demands), with shorter hours especially emphasized in the early 1990s.

In the late 1990s management began insisting on the structural reform of *Shunto*, and by thoroughly implementing (i) in-house wage determination, (ii) management of overall personnel costs, and (iii) ability and performance-based wages, aiming to undermine “across-the-board *Shunto*” in which ripple effects of wage-increase level spread across the economy. The advance of deflation added to management’s impetus, and the traditional labor-

side demand approach of “annual wage increases + commodity price increases in the past fiscal year + improvements in living standards,” premised on inflation, became ineffective. The diminishing of wage-increase rates continued unabated (Figure 1).

As the 21st century began, employment instability worsened, with significant negative impact from the bursting of the tech bubble and the unemployment rate topping 5% for the first time. *Shunto* found it difficult even to maintain increases equivalent to so-called annual wage increases (around 2%). From 2002 the IMF-JC ceased to make unified requests for basic wage increases, referred to in Japan as “base-up.” The Japan Business Federation (Keidanren), Japan’s largest economic organization, declared that “*Shunto* is dead,” in that industrywide settlements



Source: Ministry of Health, Labor and Welfare (MHLW), “Status of wage increase demands and settlements at major private-sector enterprises.”
 Note: As a rule, “major enterprises” up to 2003 are those listed on the First Section of the Tokyo Stock Exchange or the Osaka Securities Exchange which also have capital of two billion yen or more, 1,000 or more employees, and a labor union (simple average up to 1979, weighted average from 1980 onward). Since 2004, as a rule, enterprises tabulated as “major” are those with capital of one billion yen or more, 1,000 or more employees, and a labor union (weighted average).

Figure 1. Changes in the amount and rate of revised average wages per capita at major private-sector enterprises (weighted average)

for hikes in base pay through the ripple effects of wage-increase level had come to an end.

In response, however, labor began exploring a new role for *Shunto* as a means of correcting disparities. One new initiative for remedying disparities among enterprises is the determination of wages based on “occupational rates.” Starting with the 2007 *Shunto*, the Japanese Electrical, Electronic and Information Union shifted to an “occupation-based wage demand system” to seek wages commensurate with the value of work according to occupation. Based on the fact that there are pronounced wage gaps depending on company size (major vs. small/medium-sized) as well as form of employment (regular vs. non-regular), the JTUC-Rengo launched a “joint offensive for small and medium-sized enterprises” and a “joint offensive for part-time workers.”

V. Ending deflation becomes the key policy issue for government, labor, and management

With the percentage of non-regular employees rising, wage levels in Japan as a whole peaked in 1997, and have been trending downward ever since. To make matters worse, under the impact of the 2008 financial crisis, the following year saw the largest fall in wages since World War II. In light of this, beginning with the 2011 *Shunto*, labor embarked on a strategy of negotiation aimed at returning to wage levels at their peak. However, just before the negotiation reached at the critical point, the Great East Japan Earthquake struck, and its impact extended to the 2012 *Shunto*.

Then, at the end of 2012, the Democratic Party of Japan backed by Rengo-affiliated labor unions suffered a crushing defeat, marking the start of a second term of office began for Shinzo Abe, whose

administration viewed ending deflation as the most pressing policy issue, and the launch of the economic program called “Abenomics.” To foster consensus toward the realization of continuous wage increases, which would be key to the administration’s goals of “ending deflation” and “realization of a positive economic cycle,” the Government-Labor-Management Meeting for Realizing a Positive Cycle of the Economy was established in 2013 with labor and management representatives and policy experts as members. It compiled a written agreement that included the statement “it is necessary to link economic upturn to the expansion of enterprise profits and thereby to increase wages.”

Labor-management negotiations conducted in the context of agreements among government, labor and management and governmental policies to promote wage increases resulted in a 2.01% rise in 2001, and while increase rates stagnated between 1% and 2% over the ensuing years, the 2014 Ministry of Health, Labor and Welfare (MHLW) survey found that wage increases among major private-sector enterprises had topped the 2% level for the first time in 13 years. Since then, springtime labor-management negotiations have resulted in wages hikes by more than 2% for seven consecutive years since 2014 as shown in Figure 1.

In response to these wage increases, regional minimum wages have increased by more than 3% for four years in a row since FY2016. In 2020, *Shunto* negotiations took place amid uncertainty over the spread of COVID-19. While the average wage increase at major enterprises stayed barely above 2%, the outlook for labor and management negotiations in the near future is unpredictable and appears troubled due to sharp deterioration in enterprises’ performance.

OGINO Noboru

Research Fellow, The Japan Institute for Labour Policy and Training.
Research interest: Non-regular employment, Industrial relations.

Labor-management Relations in Japan

Part I: Characteristics of the Collective Labor Relations System

HAMAGUCHI Keiichiro

I. Organization and participation

The systems of labor-management relations around the world can be broadly categorized into three in terms of their different stances toward the collectivity of workers' interests—that is, the non-recognition, recognition, or facilitation of workers' collectives and collective activities. There are systems that are so intent on perceiving labor-management relations solely as individual relationships that they reject such collectives and collective activities, and systems that seek to solely perceive labor-management relations as collective relationships such that they recognize and/or facilitate such collectives and collective activities. At the same time, the orientation of the systems that do not recognize collectivity and the orientation of the systems that recognize and/or facilitate collectivity can also be broadly divided into two conceptual orientations.

1. Non-recognition of the collectivity

The orientation of those systems that do not recognize collectivity consist of the following two models: a market-oriented individual bargaining model and a state-oriented individual command model. In the market-oriented individual bargaining model, labor-management relations are reduced to the individual bargaining relationships between the sellers of labor and the purchasers of labor within the labor market. In such a model, workers' collectives and collective activities are seen as none other than cartels that seek to manipulate labor market transactions. This has been a typical stance

in the UK, the US, and other such Anglo-Saxon countries, and as a result, laws on collective labor relations in these countries have been developed amid the removal of legislation that prohibited organization in the sense of worker cartels. Even today, the main points of contention surrounding labor-management relations systems are disputes between the market model, which rejects organization, and the organization model. The clearest evidence of this has been recognized in Australia and New Zealand. The legal policy developed in New Zealand from 1990 onward and in Australia from 1996 onward sought to rectify the manipulation that can result from organization by reducing industrial relations to agreements made on an as far as possible individual basis. Both countries subsequently made a backward swing in such legislation and have settled on frameworks centered on collective labor relations at the enterprise level.



The second type of model, a state-oriented individual command model, that do not recognize collectivity reduces labor-management relations to the individual supervision and command relationships between those who manage and those who carry out the work within the state as a vast structure. In such a model, workers' collectives and collective activities that are formed and take place at certain locations within the state structure are deemed rebellious activity that seeks to distort the composition of labor within the state as a whole. This view was taken to the extreme in Stalin's regime, such that labor unions became state bodies. On the

other hand, in former Yugoslavia, there was a trend toward utilizing workers' collectives as a means of *participation* in business management in the workplace. In that sense, labor-management relations models in socialist countries have shifted between state models that do not recognize participation and participation-oriented models.

2. Recognition/facilitation of the collectivity

The orientation of the systems that recognize and/or facilitate collectivity also consists of two models: the "organization-oriented" collective labor relations model and the "participation-oriented" collective labor relations model. The organization-oriented collective labor relations model can be described as the "democratization of the market" model, as it seeks to conduct the relations between the sellers of labor and the purchasers of labor in the labor market as collective bargaining as opposed to individual negotiations. The UK and US labor unions are based entirely on this model. A report by the Clinton administration's Dunlop commission in 1994 (The Dunlop Commission on the Future of Worker-Management Relations: Final Report) readdressed the provision prohibiting employer domination or interference that had been in place since the enactment of the National Labor Relations Act, or Wagner Act, and recommended the introduction of programs for employee participation, but strong opposition from labor unions deterred the Democratic administration from pursuing such amendments, and the labor relations bill known as the Team Act was also consigned to oblivion by a presidential veto; this fact demonstrates the deeply-rooted nature of the pure organization-oriented model. In contrast, the participation-oriented collective labor relations model can be described as the "democratization of organizational structures" model, as it seeks to determine the composition of labor within the structured bodies that are enterprises in the context of collective consultation between those who manage and those who carry out the work.

While these two orientations have their contrasting elements, legal policy in mainland European countries has combined them as required.

These approaches can be broadly divided into three types of models, although there are more.

The first of these models that combine organization and participation is the German system. In Germany, workers form labor unions at the industry level that are organization-oriented worker collectives and engage in collective bargaining on terms and conditions of employment such as salary or working hours. On the other hand, at the enterprise level, workers form *Betriebsrat* (a works council) at their workplace that is a *participation*-oriented worker collective, which is involved in decision-making as well as coordinating various aspects in the enterprise. This system is unique in that there is a clear distinction between the levels on which the collectives responsible for organization and the collectives responsible for participation exist.

The second type of combined model is the French system. Although it coincides with the German system in that there are organization-oriented labor unions at the industry level and participation-oriented *comité social et économique* (works councils) and employee representatives (*délégués du personnel*) at the enterprise level, the French system is unique in that workers also form organization-oriented labor unions at the enterprise level and allow them to conduct collective bargaining at the enterprise level. While the model tentatively distinguishes between the collectives responsible for organization and the collectives responsible for participation, these two types may exist on the same level.

The third of the combined models is the Swedish system. In Sweden, only labor unions operate as worker collectives, on the industry level, the national level, and also the enterprise level. That is, labor unions pursue collective bargaining as *organization*-oriented collectives at the (state and) industrial level as well as the enterprise level, while also being involved in decision-making as *participation*-oriented collectives at the enterprise level. In this model, the participation of labor unions in policy decisions is also prominent even at the national and the industrial level, and in this sense, it is a form of what is referred to in the study of politics as corporatism.

It is also important to note the model adopted in Austria—a variant on the German system—which has, in addition to labor unions, a participation-oriented national *Arbeiterkammer* (Chamber of Labour). This is also a form of corporatism.

II. The nature of the Japanese collective labor relations system

Now let us consider how the Japanese collective labor relations system can be interpreted in terms of the system types described above. As Japan's laws on collective labor relations were established during the postwar American occupation, the American *organization*-oriented model had a highly significant influence on their development. Labor unions are, therefore, organizations of sellers of labor largely aimed at determining salary and other such terms and conditions of employment through collective bargaining. They exist outside of enterprises—in fact, the law does not assume the existence of enterprise unions in the first place. The Labor Union Act and other such laws on collective labor relations do not account for the possibility of labor unions participating in decision-making within enterprises.

However, nearly all of the existing Japanese labor unions are enterprise unions. What is more, their main tasks are not limited to collective bargaining regarding salary and other such terms and conditions of employment. Rather, they dedicate more of their energy to participating in decision-making within enterprises and coordinating various aspects of the workplaces. As the majority of researchers in Japanese labor relations would suggest, a significant portion of the activities of Japan's enterprise unions is similar to those of the *Betriebsrat* in Germany. In that sense, Japanese collective labor relations are really *participation*-oriented.

Let us take a brief look at the historical developments that brought this about. Laws on collective labor relations were nonexistent in Japan prior to the Second World War, and the government's proposed labor union legislation was repeatedly rejected by the Imperial Diet (1890–1947). In the major enterprise sector, intra-enterprise organizations known as *kōjō iinkai* (factory committees) were

established to prevent the development of labor unions. In wartime Japan, a system for worker mobilization called the *Sangyo Hokoku-kai* (Industrial Patriotic Labor Front) was established as part of national mobilization, but this consisted of government-controlled, enterprise-based bodies including not only workers but also management, and was subsequently placed under the control of the sole governing organization, the *Taisei Yokusankai* (Imperial Rule Assistance Association). After the war, when GHQ dissolved the *Sangyo Hokoku-kai* and promoted labor unions, the only equivalent to labor unions were organizations based on the *Sangyo Hokoku-kai* but excluding management. It was these organizations that formed the original model of the postwar enterprise unions. In the early postwar period, the labor unions' activities were all the more focused on the struggle for workers' control of production and seeking the establishment of management councils rather than raising wages, such that they were highly aggressively oriented toward *participation*. Even later, when the union movement largely shifted toward cooperative labor-management relations such as those of the productivity movement, it still retained its strong orientation toward *participation*. As a result, while the laws enacted during the occupation intended the unions to be purely *organization*-oriented, the actual labor unions did, in fact, place more emphasis on *participation*.

This system shares some similarity with the Swedish model, in that the same labor unions conduct collective bargaining as “organization-oriented” groups while also being involved in decision-making in the enterprises as “participation-oriented” groups. However, the Japanese model differs significantly in that both collective bargaining and involvement in decision-making are conducted entirely at the enterprise level, and in the levels beyond that, neither “organization” nor “participation” exists in real terms.

That is not to suggest that “organization” and “participation” always exist at the enterprise level. In the mainland European models where “organization” and “participation” are combined,

labor unions exist at the industry level, conducting collective bargaining and forming labor agreements. As they are applied to workers at the industry level, these agreements cover high proportions of workers even if the unionization rate is low. Moreover, in European countries, the law requires establishing an organization to represent employees separate from the labor union, and when combined, the employee representative system and labor unions cover a rather high proportion of workers.

In contrast, in Japan, an employee representation organization separate from the labor unions is not required by law. As the enterprise unions do not exist in many enterprises (particularly in micro-, small and medium-sized enterprises), it is typical for neither “organization” nor “participation” to exist. The nonexistence of both “organization” and “participation” means that ultimately the market-

oriented individual labor relations model holds true. Furthermore, as many labor unions, even among major enterprises, limit their membership to regular employees, non-regular workers—such as part-time, fixed-term contract, or temporary agency workers—are excluded from “organization” and “participation.” On the macro level, the Japanese collective labor relations system can therefore be seen as a structure consisting of two layers: the major enterprises, regular employee layer, where labor unions are responsible for both “organization” and “participation,” and the non-regular worker, small and medium-sized enterprise layer, where neither “organization” nor “participation” exists.

This is a series of three articles on the topic of labor-management relations in Japan.

Part II will be in the next issue focusing on trends in labor unions and dispute.

HAMAGUCHI Keiichiro

Research Director General, The Japan Institute for Labour Policy and Training. Research interest: Labor policy.

<https://www.jil.go.jp/english/profile/hamaguchi.html>

Labor-management Relations in Japan

Part II: Trends and Current State of Collective Labor Relations

HAMAGUCHI Keiichiro

I. Declining unionization rate

Let us start by looking at data related to “organization-oriented” collective labor relations,¹ one of the labor relations models introduced in Part I of this article series. The most important figure concerning this model is, obviously, the unionization rate.

In Japan, Labor Union Act was enacted in 1945, shortly after the end of the Second World War. At the time, the unionization rate was extremely high, reaching 55.8% in 1949. However, it subsequently went into a gradual decline, dropping to 30.8% in 1980, 21.5% in 2000, and, most recently, to 17.1% in 2020. While this was a slight increase from the 16.7% in 2019, it was merely a minimal rise resulting from the decrease in total number of workers during the COVID-19 pandemic. The unionization rate is essentially on the decline (Figure 1).

A more serious trend is the significant differences in unionization rate according to size of enterprise. While the unionization rate is gradually decreasing across all enterprise sizes, there are unmistakable differences between the rates for larger enterprises (1000 or more employees), medium-sized enterprises (100–999 employees), and smaller enterprises (less than 100 employees). At larger enterprises, it is still the case that just under half of employees are union members. The unionization rate at medium-sized enterprises, which was formerly around 30%, has now dropped to the 10% mark. At smaller enterprises, the unionization rate—which was already the 2% mark

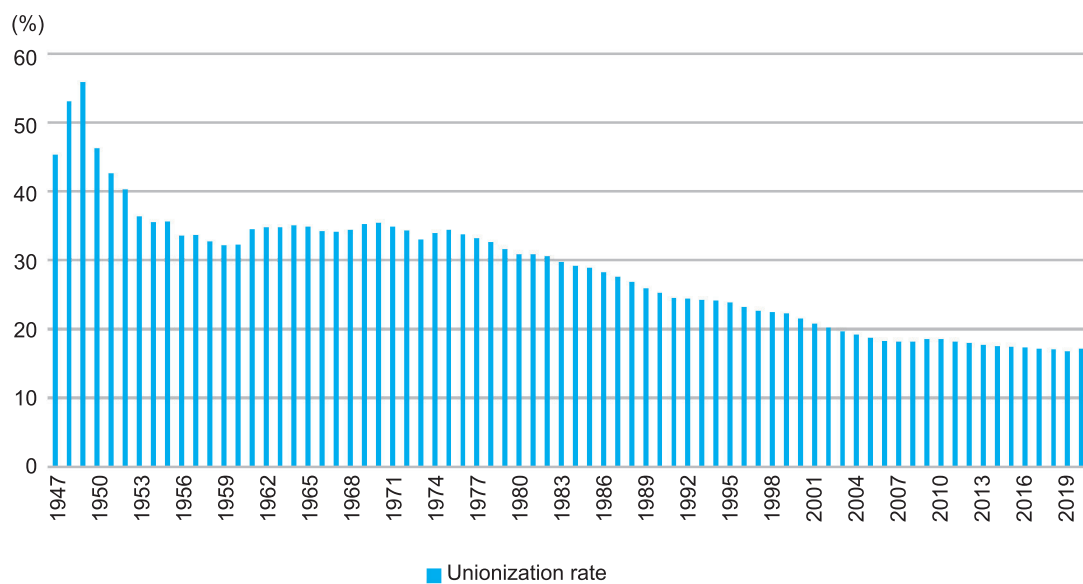
25 years ago—has currently fallen to the 1% mark. In other words, at smaller enterprises, only one worker in every 100 is a union member (Figure 2).



II. Collective labor disputes facing extinction

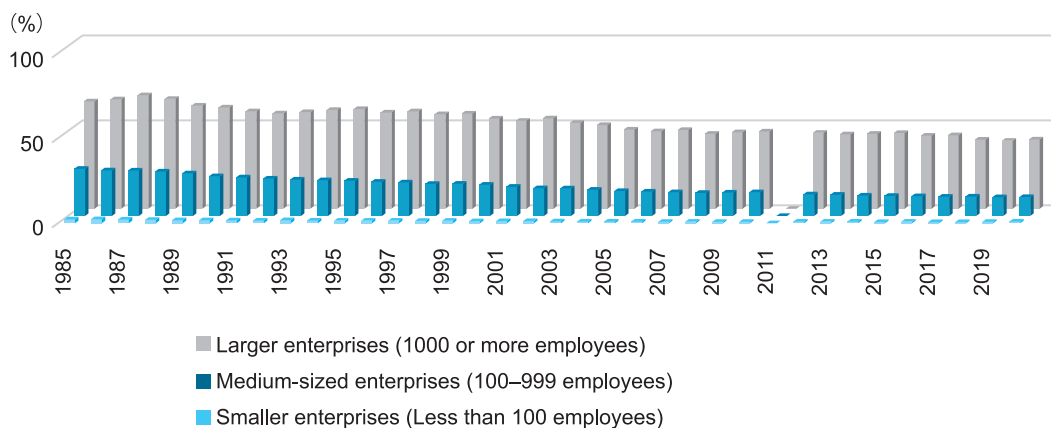
The greatest element distinguishing *organization-oriented* labor relations from *participation-oriented* labor relations is that they involve labor disputes. In Japan, Labor Dispute Mediation Act was enacted as early as 1926, prior to the Second World War. The postwar Labor Relations Adjustment Act of 1946 subsequently put in order the framework for conciliation, mediation, and arbitration and other such procedures of adjusting disputes, and a system for relief against unfair labor practices was also established in 1949.

While legal systems for disputes are fully developed, the unionization rate—the crucial element—is steadily declining, as just noted, and labor disputes also continue to decline. Moreover, a significant proportion of the infrequent labor disputes at present are labor disputes without acts of dispute—namely, disputes that are all talk and no strikes or other such practical actions. Most recent figures from 2019 show that, of the 268 disputes that year, only 49 were disputes with dispute acts, while the remaining 219 were merely all talk and no action. Furthermore, even of those 49 with dispute acts, only 27 involved a strike lasting half a day or more. At its peak in 1974, there was a total of 10,462 disputes, of which 9,581 were with dispute



Source: The author, based on Ministry of Health, Labour and Welfare, “Basic Survey on Labour Unions.”

Figure 1. Unionization rate



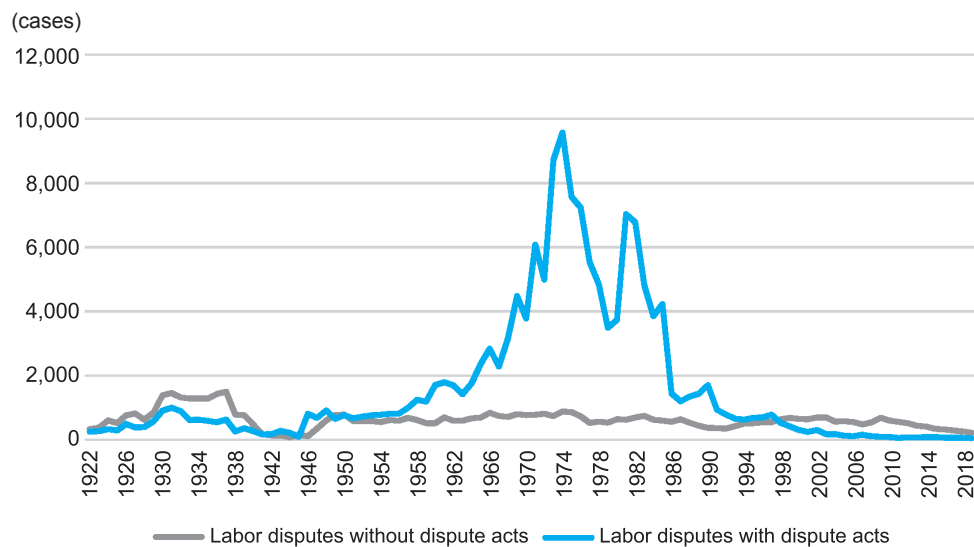
Source: Same as Figure 1.

Figure 2. Unionization rate by size of enterprise

acts, and 5,197 involved strikes lasting half a day or more. Given that even prior to the Second World War, when labor unions were yet to receive legal approval, the total number of disputes was 2,456 in 1931, of which 998 involved dispute acts, it is even possible to suggest that labor disputes are now on the brink of extinction (Figure 3).

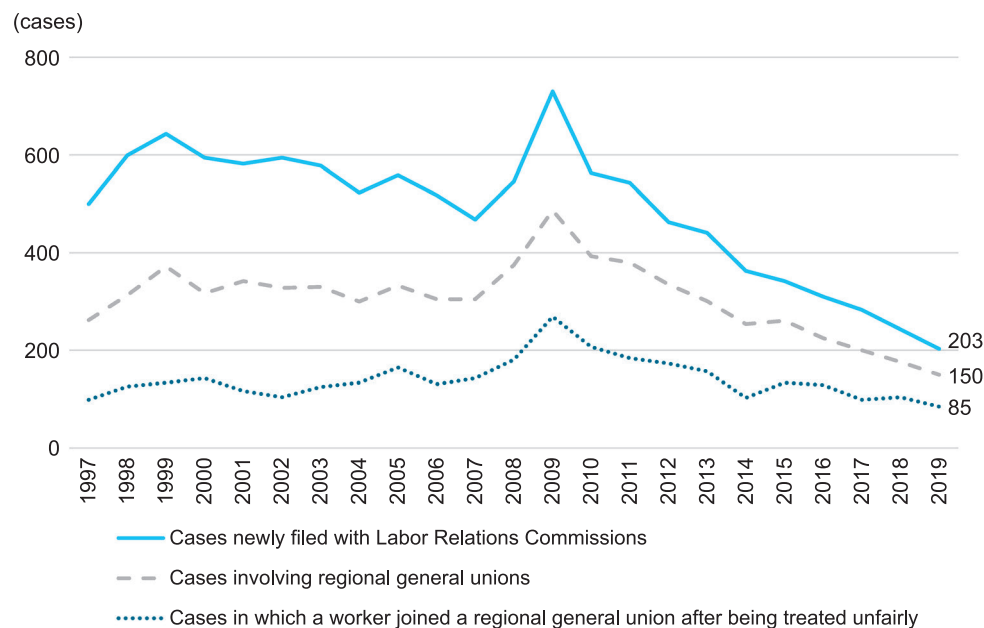
Moreover, the substance of these labor disputes demonstrates little of the typical characteristics of collective labor relations. In practice, the majority

of cases are ostensibly labor union activities but in fact merely individual labor disputes on issues such as dismissals, changes to the terms and conditions of employment which are disadvantageous to workers, or harassment. This reflects the tendency toward individual labor relations, which we will explore in the next article (Part III). The very number of disputes appealed to the Labor Relations Commissions is also on the path of decline. In 2019 there were 203 cases, of which 150 involved regional



Source: The author, based on Ministry of Health, Labour and Welfare, “Survey on Labour Disputes.”

Figure 3. Numbers of labor disputes



Source: The author, based on Central Labour Relations Commission, “Annual Report of Labour Relations Commission.”

Figure 4. Rise in cases involving regional general unions/ action with last-minute union membership

general unions (*gōdō rōso*; non-enterprise-based unions open to individual membership, also referred to as community unions), and, furthermore, 85 were cases in which a worker had joined a regional general union after being subject to dismissal, harassment, or other such treatment, and the dispute

was brought to a Labor Relations Commission by that union (cases known as *kakekomi uttae*, referred to below as “action with last-minute union membership”). In such cases, the labor union’s role is no more than that of a contractor tasked with resolving an individual dispute (Figure 4).

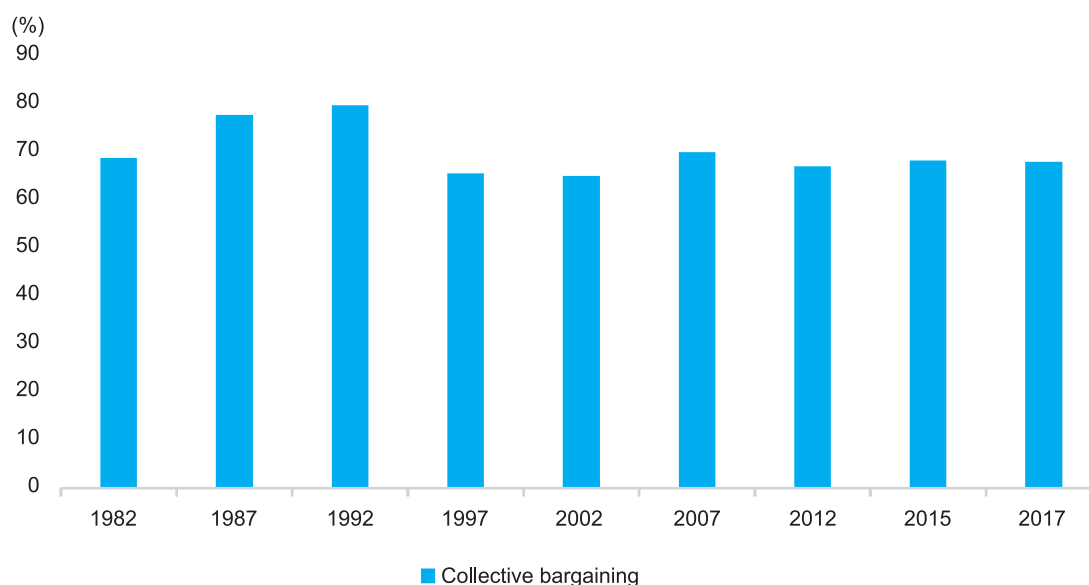
III. Collective bargaining and joint labor-management consultation

According to the European-style labor relations system, of which the German system is the typical example, *organization-oriented* collective labor relations entail labor unions—as organizations voluntarily formed by workers—conducting *collective bargaining* to conclude *collective agreements*, and *participation-oriented* collective labor relations entail works councils—as official organizations—pursuing *joint labor-management consultations* to conclude *works agreements*. It is a system in which work is divided between the organization-oriented and the participation-oriented approaches. In postwar Japan, however, there is not necessarily a clear distinction between collective bargaining and joint labor-management consultations, due to the fact that the enterprise unions—which are, at least according to the law, voluntarily-formed organizations—have in practice served as organizations representing the employees at their particular enterprise. Matters concerning terms and conditions of employment, such as salary or working hours, are typically addressed in

collective bargaining, while other issues related to enterprise management are covered with joint labor-management consultation. However, in practice, there are many cases in which even issues concerning terms and conditions of employment are initially addressed with joint labor-management consultations and switched to collective bargaining if no progress is made in consultations. It is therefore important to be aware that statistics on collective bargaining and joint labor-management consultation are also nothing more than the data for the cases that each enterprise chose to name as such.

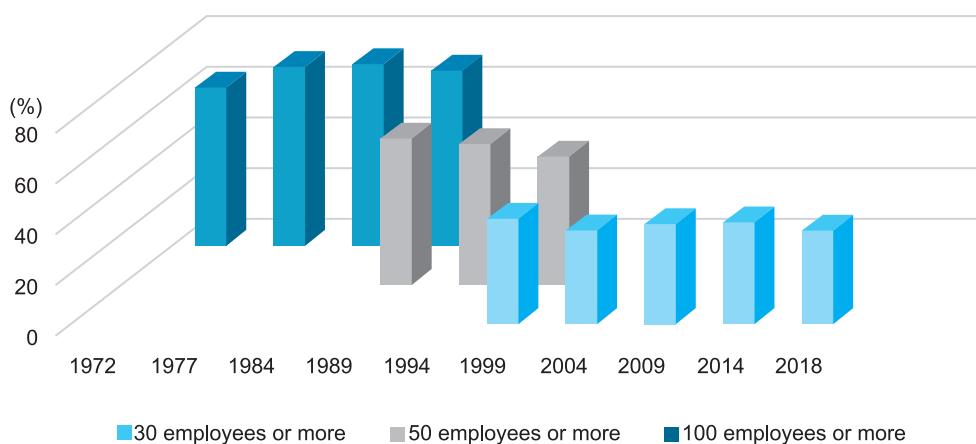
Let us first look at the trend in the implementation rate of collective bargaining in organization-oriented collective labor relations. The percentage of labor unions that have engaged in collective bargaining in the last three years has hovered at around almost two thirds in recent years (Figure 5). We must, however, remember that due to the decline in the unionization rate, the percentage of the total number of workers to which this collective bargaining applies is decreasing.

Participation-oriented collective labor relations have also been stagnant in recent years. In Japan, as should be noted, the labor unions themselves are



Source: The author, based on Ministry of Health, Labour and Welfare, “Survey on Bargaining between Labour and Management.”

Figure 5. Implementation rate of collective bargaining



Source: The author, based on Ministry of Health, Labour and Welfare, “Labour-Management Communication Survey.”

Figure 6. Enterprises with a joint labor-management consultation system

enterprise unions, and have therefore come to take the leading role in the joint labor-management consultation system. Shortly after the Second World War, labor-management councils (*keieikyōgikai*) were established at each enterprise, and these councils at times sought the approval of labor unions regarding personnel or management matters. The prerogatives of management were later established with the formation of the Japan Federation of Employers’ Associations (Nikkeiren), and the Japan Productivity Center advocated the joint labor-management consultation system as a means to further develop discussions between labor and management, an approach which was increasingly adopted by enterprises. Japan’s period of rapid economic growth then saw the establishment of enterprise-based collective labor relations which were focused on joint labor-management consultation rather than collective bargaining. This demonstrated its strengths in the oil crises of the 1970s. While Japan, the US and Europe all suffered significant economic impacts due to the oil crises, it was noted at the time that it was joint labor-management consultation that allowed Japan to successfully weather these crises.

However, this joint labor-management consultation system, which has been noted by the OECD and others as Japan’s strength, has been stagnant since the 1980s. Figure 6 shows the

percentages of enterprises that have established a joint labor-management consultation system, based on data from the Ministry of Health, Labour and Welfare’s “Labor-Management Communication Survey.” While the size of enterprises surveyed differs depending on the survey timing, it is possible to see a general trend by which these percentages were on the increase in the 1970s, but subsequently stagnated in the 1980s, 1990s, and 2000s. In 2018, just 37.1% of enterprises with over 30 employees had joint labor-management consultation bodies.

1. “The organization-oriented collective labor relations model can be described as the ‘democratization of the market’ model, as it seeks to conduct the relations between the sellers of labor and the purchasers of labor in the labor market as collective bargaining as opposed to individual negotiations. The UK and US labor unions are based entirely on this model.” See Hamachi (2021) for more detail.

Reference

Hamaguchi, Keiichiro. 2021. “Labor-management Relations in Japan Part I: Characteristics of the Collective Labor Relations System”. *Japan Labor Issues*, vol.5, no.30. <https://www.jil.go.jp/english/jli/documents/2021/030-02.pdf>.

This is a series of three articles on the topic of the labor-management relations in Japan. Part I (vol.5, no.30) looks at characteristics of the collective labor relations system. Part III will cover individual labor relations.

HAMAGUCHI Keiichiro

Research Director General, The Japan Institute for Labour Policy and Training. Research interest: Labor policy.

<https://www.jil.go.jp/english/profile/hamaguchi.html>

Labor-management Relations in Japan

Part III: Systems for Resolving Individual Labor Disputes

HAMAGUCHI Keiichiro

The numbers of collective labor disputes involving labor unions in recent years have significantly declined, almost to the point of extinction. In contrast, there are extremely high numbers of labor disputes between individual workers and management without the involvement of labor unions. In 2019, there were just 49 labor disputes with dispute acts, in comparison with around one million incidences of the authorities being consulted concerning individual labor disputes in the same year, of which around 10,000 incidences resulted in advice or guidance being issued by the Director of the relevant Prefectural Labor Bureau, and around 5,000 incidences entailed mediation by Dispute Adjustment Committees. Individual labor disputes—cases involving individual workers who have been subject to dismissal, bullying, or other such treatment—already account for almost the majority of Japan's labor disputes.

I. The development of systems for resolving individual labor disputes

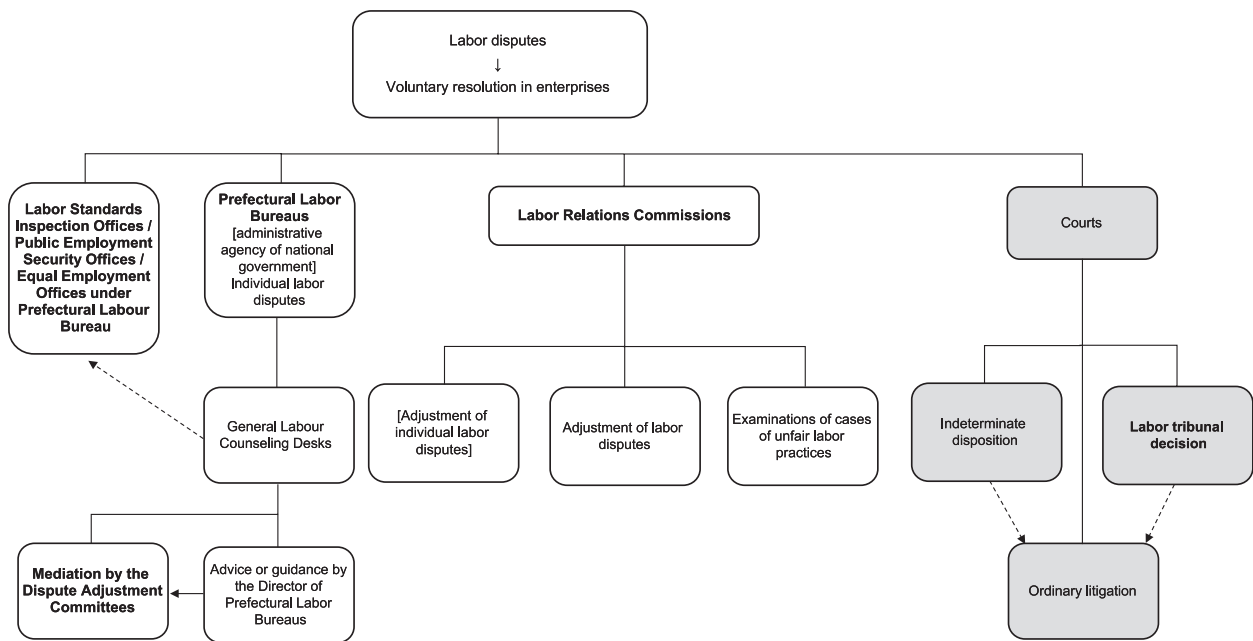
As seen in Part II of this article series, over the years there has been a rise in the numbers of individual workers who are unable to have their disputes resolved through collective labor relations, due to factors such as the declining unionization rate and the lack of labor unions in micro-, small-, and medium-sized enterprises, as well as the exclusion of non-regular employees from union membership by the majority of Japan's enterprise unions. Despite this, for many years, no steps were taken to develop systems for responding to such individual labor disputes. Modern Japan's labor dispute resolution

systems have been developed exclusively as adjustment procedures for resolving collective labor disputes involving labor unions. The Labor Union Act prohibits the unfair labor practices of less favorable treatment and refusal



to bargain collectively, and stipulates that in the event of violations, the relevant Labor Relations Commission will issue a remedial order. The Labor Relations Adjustment Act also establishes procedures for handling disputes between workers and their employers in the form of mediation, conciliation, and arbitration by a Labor Relations Commission.¹ However, both approaches assume that the party leading the dispute is a labor union, as opposed to an individual worker.

This is not to say that individual workers formerly had no procedures whatsoever to pursue the resolution of labor disputes. The Constitution of Japan guarantees all people the right of access to the courts. And yet, proceedings in Japanese courts are an unrealistic option for individual workers due to the long periods of time they require. While the cases known as *kakekomi uttae* (“action with last-minute union membership”) described in the previous article—namely, those in which a worker joins a non-enterprise-based labor union *after* being dismissed and requests that union to pursue collective bargaining—are in effect individual labor disputes, they are collective labor disputes in formal terms. Moreover, although the resolution of unpaid wages and other such legal violations can be sought by reporting the issue to a Labor Standards



Source: Takashi Araki, *Rodo ho* [Labor law], 4th ed. (Tokyo: Yuhikaku, 2020) 598. Translated by the author.

Figure 1. Framework of Labor Dispute Resolution System

Inspection Office, civil disputes such as unfair dismissal are not covered under that system.

There was therefore growing recognition of the necessity for the establishment of mechanisms specialized in resolving individual labor disputes. This resulted in the enactment of the Act on Promoting the Resolution of Individual Labor Disputes in 2001 (Figure 1). The Act prescribes that Prefectural Labor Bureaus receive consultations from workers, and among those cases the Director of the Prefectural Labor Bureau can, at the request of the worker, issue advice or guidance, and have a Dispute Adjustment Committee conduct mediation. Of these measures, we shall look at mediation process. The majority of cases begin with the individual worker applying for mediation. If the employer that is the other party to the dispute responds by declaring its intention *not* to participate, the mediation is immediately discontinued. If the other party participates, the mediation commences, and the relevant Dispute Adjustment Committee puts forward a mediation proposal. If both labor and management agree to the proposal, the dispute is resolved. If, on the other hand, one or both parties

refuse to accept, the mediation fails, and the process is discontinued.

Table 1 shows changes in the numbers of individual labor disputes—total number of labor consultations, and a breakdown of those consultations into individual civil labor disputes, requests for advice or guidance, and applications for mediation—received by Prefectural Labor Bureaus across Japan. In terms of approximate figures, this indicates that there are around one million consultations in total each year, of which 250,000 are civil labor disputes on dismissal and other such matters, around 10,000 are requests for advice or guidance, and around 5,000 are applications for mediation.

II. Development of the labor tribunal system

The previous section looked at the labor administration processes for handling individual labor disputes. With regard to the court system, there were likewise increasing calls for the establishment of a simpler system—that is, an alternative to lawsuits—exclusively for resolving individual labor disputes. These led to the

Table 1. Changes in Numbers of individual labor disputes (at Prefectural Labor Bureaus and courts)

Fiscal year	Prefectural Labor Bureaus				Courts	
	Total number of labor consultations	Number of individual civil labor disputes	Number of requests for advice or guidance	Number of applications for mediation received	Labor tribunals	Civil suits
2001 (second half)	251,545	41,284	714	764		
2002	625,572	103,194	2,332	3,036		2,309
2003	734,257	140,822	4,377	5,352		2,433
2004	823,864	160,166	5,287	6,014		2,519
2005	907,869	176,429	6,369	6,888		2,446
2006	946,012	187,387	5,761	6,924	877	2,035
2007	997,237	197,904	6,652	7,146	1,494	2,246
2008	1,075,021	236,993	7,592	8,457	2,052	2,441
2009	1,141,006	247,302	7,778	7,821	3,468	3,218
2010	1,130,234	246,907	7,692	6,390	3,375	3,127
2011	1,109,454	256,343	9,590	6,510	3,586	3,170
2012	1,067,210	254,719	10,363	6,047	3,719	3,358
2013	1,050,042	245,783	10,024	5,712	3,678	3,339
2014	1,033,047	238,806	9,471	5,010	3,416	3,257
2015	1,034,936	245,125	8,925	4,775	3,679	3,391
2016	1,130,741	255,460	8,976	5,123	3,414	3,391
2017	1,104,758	253,005	9,185	5,021	3,369	3,528
2018	1,117,983	266,535	9,835	5,201	3,630	3,500
2019	1,188,340	279,210	9,874	5,187	3,665	3,619
2020	1,290,782	278,778	9,130	4,255	3,907	3,960

Source: Ministry of Health, Labour and Welfare (MHLW), <https://www.mhlw.go.jp/content/11909000/000797476.pdf>. Ministry of Justice, "Civil Affairs Administration of the Ministry of Justice in the Year of 2005" and "Civil affairs administration of the Ministry of Justice in the year of 2019," *Hoso Jiho (Lawyers Association Journal)*.

establishment of the Labor Tribunal Act, which was enacted in 2004 and put into effect in 2006.

Labor tribunals are largely carried out in the district courts. A labor tribunal is conducted by a labor tribunal committee consisting of a labor tribunal judge and two labor tribunal members (selected from labor and management organizations). The dispute is generally resolved within three sessions. The labor tribunal starts by attempting conciliation. If conciliation is achieved, the dispute is thereby resolved, and if an agreement is not reached, the labor tribunal judge passes a labor tribunal decision (*shinpan*). A party that objects to the decision must file a challenge. In such cases, it is considered that an action was filed at the time of petition for labor tribunal proceedings, and from that point on, the case is handled through typical trial proceedings. As seen in Table 1, the annual numbers of labor tribunals have been between 3,000

and 4,000 in recent years.

In fact, the numbers of workers who file civil suits—that is, those who are prepared to do so regardless of the costs—are, as may be expected, also between 3,000 and 4,000 cases each year. Civil suits go through the three-tiered court system: district courts, high courts, and the Supreme Court. Firstly, the plaintiff submits a complaint. The defendant responds by submitting a written answer. The judge then conducts the trial by examining the documentary evidence and witnesses. Generally, the judge passes a judgment (*hanketsu*), but in many cases, disputes are resolved when a settlement (*wakai*) is reached between the plaintiff and defendant during the suit. If a party objects to the judgment, that party files an appeal (*kōso*) with the relevant high court, or subsequently a final appeal (*jōkoku*) with the Supreme Court. This, however, requires a long period of time.

III. Change in the content of individual labor disputes

The content of the individual labor disputes handled by the labor bureaus has also changed considerably over almost two decades since the system was established. While formerly, issues concerning the termination of employment, such as dismissal or non-renewal of repeatedly renewed fixed-term contract, accounted for an overwhelmingly large number of disputes, there has been a rising number of disputes involving bullying (harassment) in recent years. Figures 2, 3, and 4 show the changes in the numbers of individual labor disputes (civil labor disputes, requests for advice/guidance, and applications for mediation) in each category (dismissal or non-renewal of fixed-term contract, other forms of termination of employment, bullying/harassment, and others).

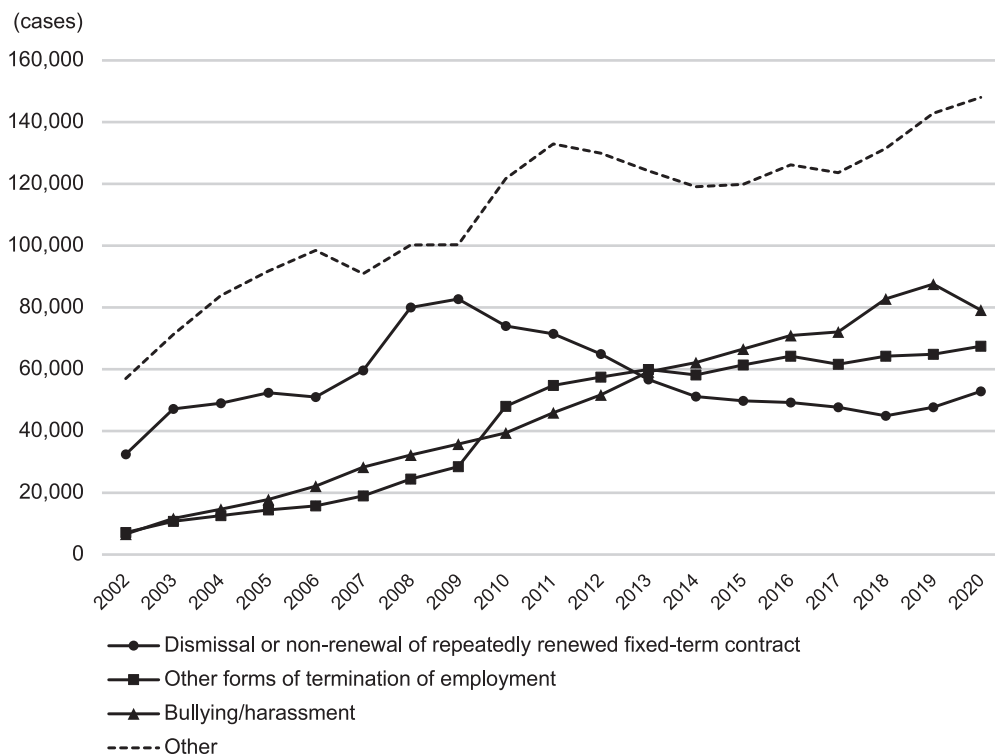
If we take the 2008–2009 global financial crisis as a turning point, the figures show that while prior

to the crisis there was a rising number of disputes regarding dismissal, non-renewal of repeatedly renewed fixed-term contract, and such other forms of termination of employment (such as inducement of resignation, (reluctant) voluntary resignation, or withdrawal of a tentative hiring decision), after the crisis such disputes have in fact been on the decline, while, in contrast, the numbers of harassment-related disputes are steadily rising.

IV. Increasing categories of disputes handled by conciliation

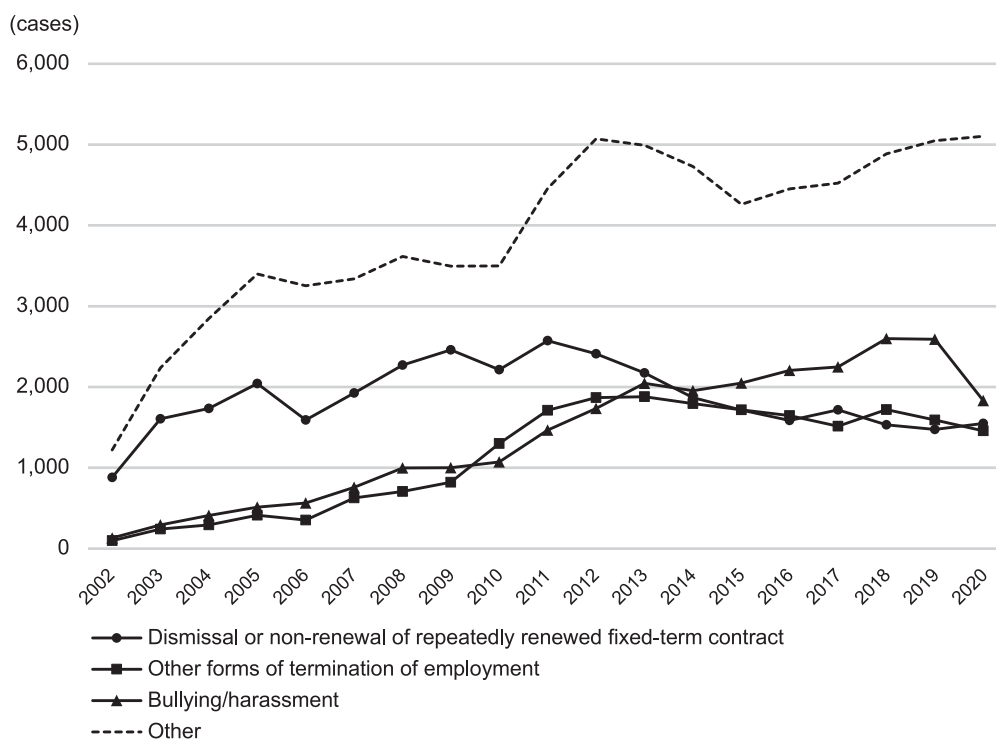
In the previous sections, we have looked at the systems for resolving typical individual labor disputes. The mechanisms for addressing individual labor disputes in specific fields have been established—some prior to those systems, and some as separate, independent approaches—and have been gradually expanding. This section provides a summary of those developments.

The first of those mechanisms to be established



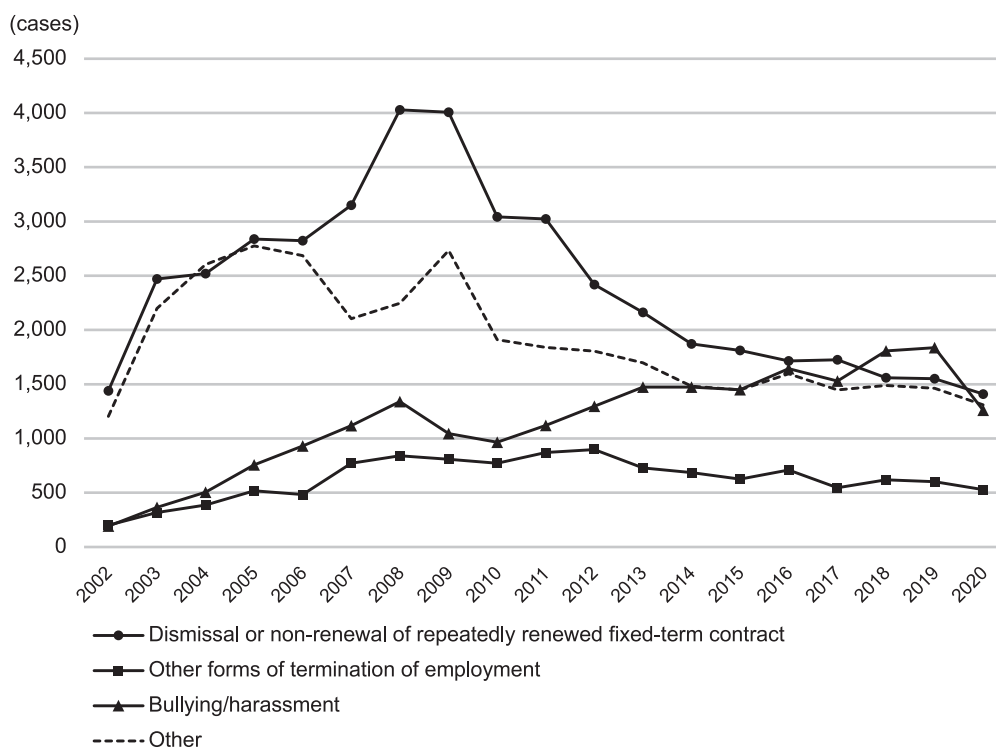
Source: MHLW, “The Enforcement Status of Individual Labor Dispute Resolution System.”

Figure 2. Change in number of individual civil labor disputes by category



Source: MHLW, "The Enforcement Status of Individual Labor Dispute Resolution System."

Figure 3. Change in number of requests for advice or guidance by category

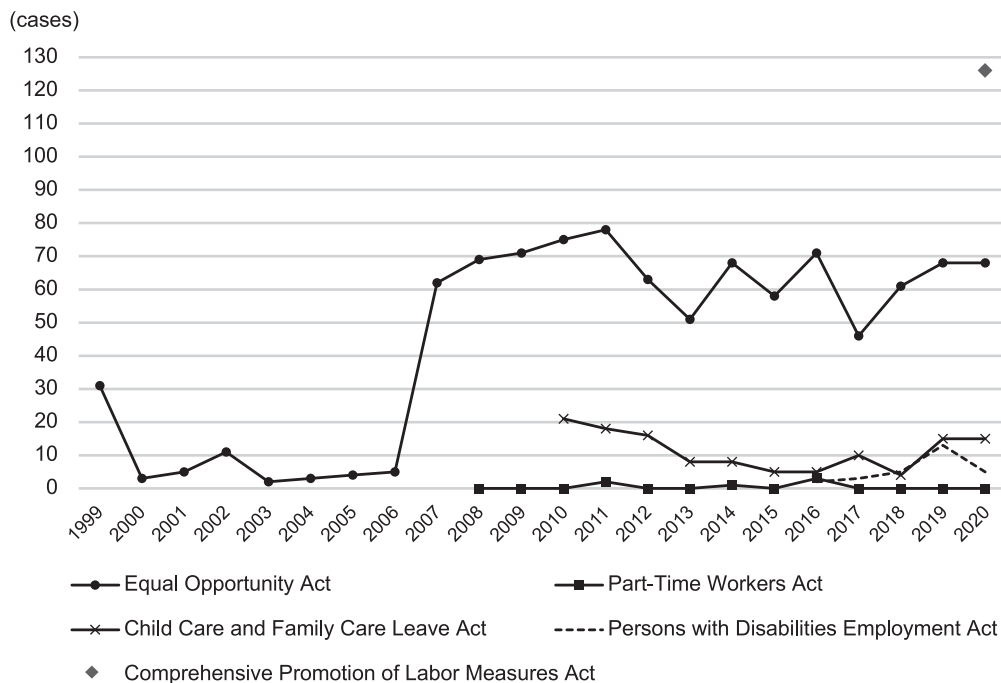


Source: MHLW, "The Enforcement Status of Individual Labor Dispute Resolution System."

Figure 4. Change in number of applications for mediation by category

was an Equal Opportunity Conciliation Commission based on the Equal Employment Opportunity Act² of 1985. The Act marked the first time that gender equality in employment was prescribed under Japanese law, and such commissions were therefore created to solve disputes concerning such matters. However, the 1985 version of the Act stipulated merely a “duty-to-endeavor,” and had no legal binding to prohibit discrimination. Moreover, the system of conciliation by an Equal Opportunity Conciliation Commission was such that even if one party applied for a dispute to be handled, conciliation could only commence when the other party also consented. This was on par with the International Court of Justice, which does not have jurisdiction if one of the countries’ parties to the matter does not consent to referral to trial. Subsequently, the 1997 amendment to the Act, which enforced the prohibition of discrimination, enabled conciliation based on the Act to be commenced upon an application from just one party.

At that stage, conciliation was only adopted as a means for addressing disputes involving gender discrimination. Therefore, disputes concerning sexual harassment, as were the cases for harassment in general, were handled through mediation when the Act on Promoting the Resolution of Individual Labor Disputes was enacted in 2001. Several years later, when the Equal Employment Opportunity Act was amended in 2006, the adjustment procedures for handling sexual harassment and maternity-related discrimination cases were changed from mediation to conciliation. Furthermore, the procedures for handling cases of discrimination concerning the working conditions of part-time workers were changed to conciliation with the amendment of the Part-Time Workers Act³ in 2007, and the procedures for handling cases of discrimination related to raising children or caring for family members were also changed to conciliation with the amendment of the Child Care and Family Care Leave Act⁴ in 2009. The 2013



Source: Data on enforcement of related laws issued each year by Equal Employment Offices of Prefectural Labor Bureau, MHLW.

Note: Comprehensive Promotion of Labor Measures Act was enforced on July 6, 2018.

Figure 5. Numbers of conciliation cases by category

amendment of Persons with Disabilities Employment Act⁵ saw the adjustment procedures for handling cases regarding discrimination toward (and reasonable accommodation of) persons with disabilities also changed to conciliation. Following the establishment of the Act on the Arrangement of Related Acts to Promote Work Style Reform (more commonly known as the Work Style Reform Act) in 2018, cases of discrimination concerning the working conditions of fixed-term contract employees and dispatched workers were also handled by conciliation, as had already been the cases for those regarding part-time workers. Figure 5 shows the changes in the numbers of individual labor disputes handled through conciliation in that period.

While such increases in the categories of disputes handled by conciliation have resulted in the gradual decline in the numbers of disputes categorized as “other” mediation cases, no particularly significant changes have been noted at this point. At the same time, the changes prompted by the 2019 amendment of the Comprehensive Promotion of Labor Measures Act⁶ (enforced in June 2020) are anticipated to prompt rather significant impacts in the years to come. This is due to the fact that the amendment has resulted in all cases of harassment in general—that is, cases of harassment other than sexual harassment—also being addressed through conciliation instead of mediation. As shown in Figure 4, mediation applications regarding harassment cases in general have risen sharply from 192 (6.3%) in 2002 to 1,261 (28.0%) in FY2020. With such cases now being handled by conciliation, it has become not only possible for the conciliation process to begin regardless of the intention of the other party, and to request the company (the employer) in question to appear to the commission, but also possible to

request not only the person involved but also their colleagues to appear to the commission to hear their opinions.

Furthermore, while an example of legislation that was not passed, a human rights bill submitted to the Diet in 2002 proposed to prohibit discrimination and harassment on the grounds of race, creed, sex, social status, family origin, disability, disease, or sexual orientation, and also went a step beyond dispute mediation and conciliation by proposing arbitration as a stronger system for tackling cases of discrimination or harassment. As arbitration is legally binding for the parties concerned, the realization of such a bill could have a considerable impact on Japanese society. However, the bill was ultimately scrapped, as at the time, in 2002, the opposition raised an objection based on concerns regarding the freedom of the press, and subsequently the objection grew among right-leaning diet members in the Liberal Democratic Party itself due to backlash toward the activities of foreigners.

1. *Assen* has been termed as “conciliation,” and *chotei*, as “mediation” in the labor law academia in Japan for a long time. However, *assen* and *chotei* are translated into “mediation” and “conciliation” respectively in this text in the view of general understanding.
2. Act on Securing, Etc. of Equal Opportunity and Treatment between Men and Women in Employment
3. Act on Improvement of Personnel Management and Conversion of Employment Status for Part-Time Workers and Fixed-Term Workers.
4. Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members
5. Act on Employment Promotion etc. of Persons with Disabilities
6. Act on Comprehensive Promotion of Labor Measures and Stabilization of Employment of Employees, and Enrichment of Their Working Lives

HAMAGUCHI Keiichiro

Research Director General, The Japan Institute for Labour Policy and Training. Research interest: Labor policy.

<https://www.jil.go.jp/english/profile/hamaguchi.html>

Labor Unions in Japan

OH, Hak-Soo

I. The structure of Japan's labor unions

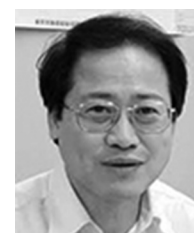
The principal elements of Japanese-style labor-management relations, or what is known as Japanese-style management, are lifetime employment, seniority-based wages, and enterprise unions. In Japan, enterprise unions have the monopoly on exercising the three primary rights of labor: the right to organize, the right to bargain, and the right to act collectively. There are also industrial unions and national centers, but these essentially lack the three labor rights and ultimately rely on enterprise unions for both human and financial resources required for their activities. Enterprise unions are the fundamental form of union organizations in Japan.

Almost all—that is, 93.4% of—enterprise unions have concluded a collective agreement with their enterprise in order to exercise the three primary rights of labor.¹ Of these, as many as 70.2% of unions have concluded agreements regarding matters related to the union organization. Looking at the content of these agreements regarding union organizations, 80.0% of unions have concluded union shop agreements. This means that workers who enter employment at an enterprise with an enterprise union automatically become union members in accordance with the union shop agreement. As a result, unions generally have no need to pursue activities to organize new employees.

44.9% of enterprise unions secure their right to bargain by concluding agreements with their enterprise recognizing them as the sole collective bargaining organization (*yuiitsu kōshō dantai*)—that is, ensuring that the enterprise negotiates only with

that union although it has no legal effect to exclude other unions' right to bargain. Enterprise unions also conclude agreements to ensure the smooth running of organization activities. More specifically, of those unions that have concluded agreements with their enterprise regarding matters related to organization activities, 82.9% of unions have concluded agreements regarding “union activities during working hours.” Moreover, as many as 68.6% have concluded agreements regarding “union use of the enterprise's facilities (excluding cases related to union offices),” 66.3% have signed agreements regarding “the provision of union offices,” 60.3% have made agreements on “the treatment of full-time union officers,” and 71.3% have concluded checkoff agreements. Checkoff is an arrangement by which the employer withholds dues of labor-union members from their wages and transfers them to the union. As many as 65.5% of unions have concluded collective agreements regarding collective bargaining, of which 91.4% prescribe “matters regarding collective bargaining,” 81.9% prescribe matters regarding “procedure for and operation of collective bargaining,” and 27.2% include provisions “prohibiting the delegation of bargaining.”

Enterprise unions maintain their monopoly on exercising the right to bargain. Of the 67.6% of enterprise unions that engaged in collective bargaining with their enterprise in the three years from July 2014 to June 2017, 84.1% “pursued bargaining alone” and 12.0% “pursued bargaining



alongside higher or lower entities within the enterprise union”—that is, a combined total of 96.1%. The percentages that engaged in bargaining “alongside an industrial union” or “alongside a regional union” were as low as 4.3% and 1.3%, respectively.²

Turning to another of the three principal rights of labor, the right to act, 54.5% of enterprise unions have concluded agreements with enterprises regarding matters related to labor disputes. Of these, 88.1% have concluded agreements regarding “advance notice of labor disputes,” 67.5% regarding “adjustment of disputes,” 58.6% regarding “non-participants in dispute acts,” and 57.7% regarding “matters to be complied with during dispute acts.”

Now that we have looked at the content of the collective agreements that enterprise unions have concluded with enterprises to exercise the three primary rights of labor, let us turn to union membership dues, which are essential for allowing unions to pursue their activities. As of 2018, the average monthly union dues per capita are 5,161 yen (USD 47.37), accounting for 1.65% of a worker’s wages.³ 40.2% of unions collect union dues from bonuses and other such lump sum payments, in which case the average annual union dues per capita are 6,845 yen. Looking at the breakdown of union expenditure, labor costs, at 35.1%, account for the highest percentage of expenditure, followed by activity costs at 23.4%, dues paid to the industrial union the union belongs to at 9.8%, and dues paid to the union federation for the corporate group the union’s enterprise belongs to at 3.3%, while grants account for 15.2% and others account for 11.9%. Furthermore, in Japan, the wages of full-time union officers are paid entirely from union dues. The average number of labor union members to each full-time union officer is 615.

It is also interesting to note that for industrial unions, the average monthly union dues per capita are 576 yen. In the breakdown of expenditure for such unions, labor costs, at 24.5%, account for the highest percentage of expenditure, followed by dues paid to RENGO (the Japanese Trade Union

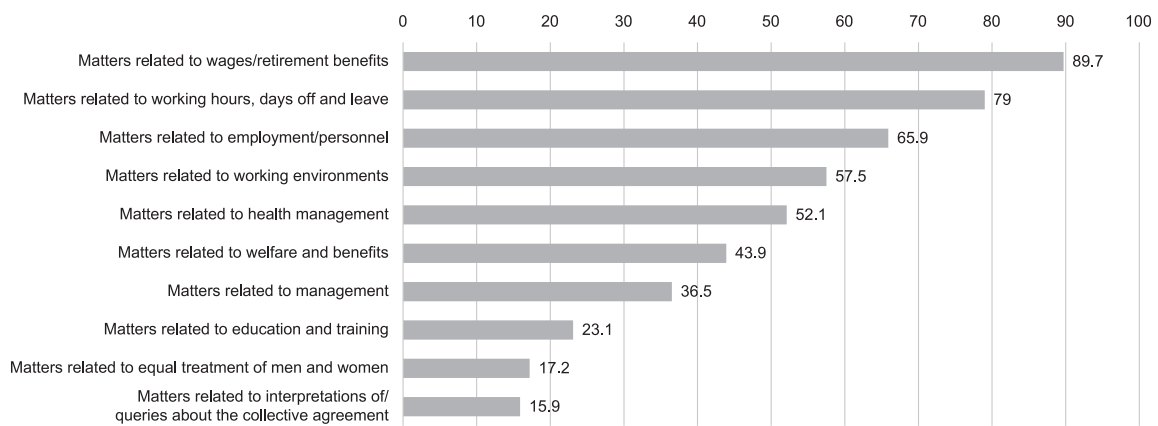
Confederation—Japan’s largest national center) headquarters at 20.7%, activity costs at 20.4%, and organization strategy costs at 6.9%, with others occupying 12.0%, dues paid to RENGO locals (RENGO’s regional organizations) occupying 3.6% and other related organization fees/grants accounting for 11.6%, etc.

The average monthly union dues per capita are 5,161 yen for enterprise unions, 576 yen for industrial unions, and 95 yen for RENGO. The union dues are collected from enterprise unions and paid to industrial unions, and then collected from industrial unions and paid to RENGO. Enterprise unions therefore form the main source of union dues.

While the percentage of those who believe that labor unions are necessary is extremely high at 92.3% among union members, it is low at 34.3% among non-union members (employees of enterprises without labor unions).⁴ Labor unions have ensured that there is significant confidence in their necessity among those workers who are already members. The major challenge is whether labor unions will be able to make their activities more visible, thereby prompting non-union members to develop a higher regard for the necessity of labor unions and in turn translating this into the organization of such workers.

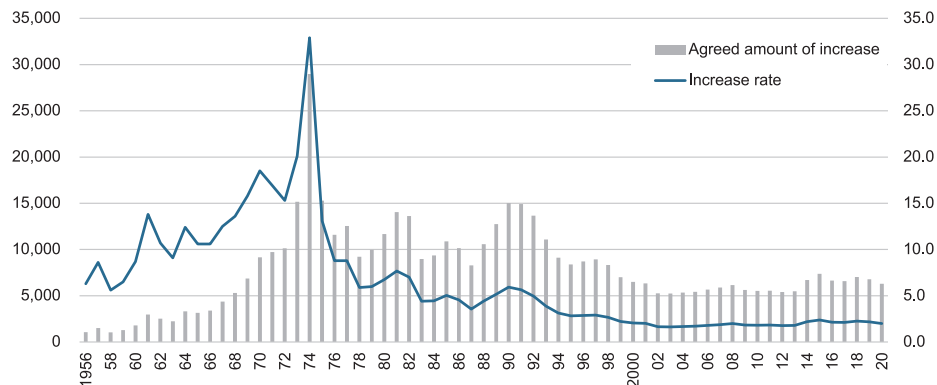
II. The functions of labor unions: With a focus on wage increases

Let us look at the functions of labor unions, primarily on the basis of the matters that unions pursued in bargaining with enterprises in the three years from July 2014 to June 2017. When unions were asked which matters they pursued in labor-management bargaining during that period (see Figure 1), the item selected by the highest percentage of unions was “matters related to wages/retirement benefits” at 89.7%, followed by, in descending order, “matters related to working hours, days off and leave” (79.0%), “matters related to employment/personnel” (65.9%), “matters related to working environments” (57.5%), “matters related to health management” (52.1%), “matters related to welfare



Source: MHLW (2018), “Overview of the Survey on Status of Collective Bargaining and Agreements in 2017.”

Figure 1. The percentages of matters regarding which some form of labor-management bargaining took place in the three years from July 2014 to June 2017 (Multiple answers; %)



Source: MHLW, “Spring wage increase demands/settlements at major private enterprises.”

Figure 2. Trends in the amount/rate of the spring wage increases of major private enterprises (Units: Yen, %)

and benefits” (43.9%), “matters related to management” (36.5%), “matters related to education and training” (23.1%), “matters related to equal treatment of men and women” (17.2%), and “matters related to interpretations of/queries about the collective agreement” (15.9%). While, as to be expected, wages and working hours were the most common matters for negotiation, it is observed that many unions are also bargaining with enterprises about a wide range of matters, such as employment and personnel or working environments.

Looking at wages, the most common topic of labor-management bargaining, Figure 2 shows the results of *shuntō*, the spring wage offensive, over

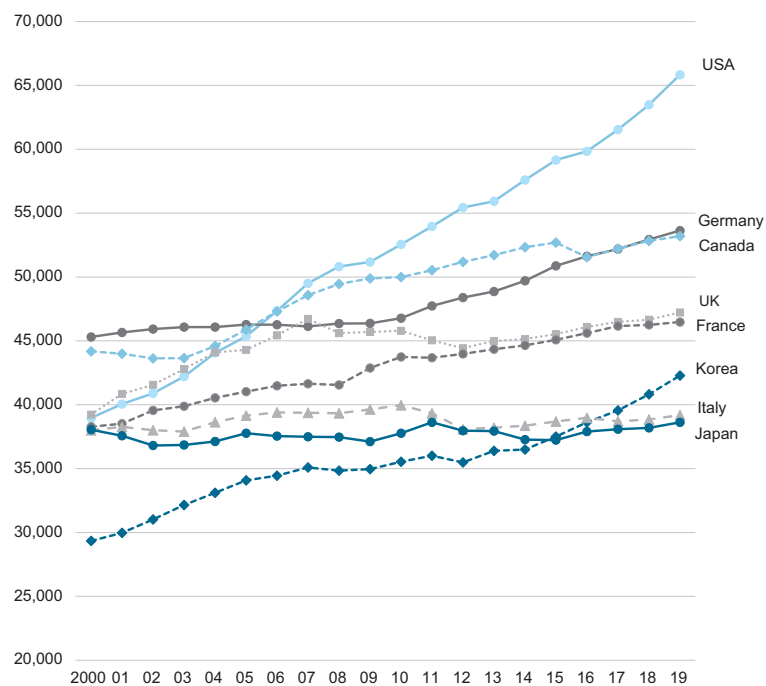
the years. According to a survey of enterprises that have a labor union, at least one billion yen in capital, and at least 1,000 employees, the average amount of wage increase in the past decade was 6,383 yen, with an increase rate of 2.7%. This amount and rate also include the annual wage increment. Excluding the annual wage increment, the wage increase rate is thought to be around 1%. Given that wages are the topic about which labor unions most commonly engage in bargaining with enterprises, it must be said that it is questionable to what extent labor unions are in fact effective.

As seen, the wage increase rates are low, and yet labor unions do not generally pursue labor disputes

seeking higher wage increases. In the three years from July 2014 to June 2017, the percentage of labor unions that responded that they “had no labor disputes” was as high as 98.1%. Looking at the reasons behind this lack of labor disputes⁵, the most selected reason was “there were no cases involving conflict” at 53.6%, while the second most selected reason was “there were cases that involved conflict, but these were solved through talks,” at 38.5%. While it is thought that the cases involving conflict also included those regarding wage increases, essentially no conflict arose between labor and management regarding said topic, or, even if conflict did arise, it was resolved through talks. The reasons selected also included “there was concern that labor-management relations would deteriorate as a result” and “it was determined that nothing could be achieved by escalating the issue into a labor dispute,” at 8.4% and 9.0% respectively. Although the percentages for these responses are low, they appear to indicate a tendency to regard pursuing wage increases as futile.

III. New possibilities for Japanese labor unions explored through an international comparison of wages

As noted above, even at Japan’s major enterprises that have labor unions, the rate of wage increase has been at around just 1–2% since 2000, and that wage increase is even lower when annual wage increment is excluded. Comparing wages in Japan to those in other major advanced nations and neighboring South Korea, it must be said that Japan alone is being left behind. According to the OECD, Japan’s average annual income for an individual worker (USD conversion) was, in 2019, the lowest among the G7 nations. It is, moreover, around 10% lower than that of neighboring South Korea (see Figure 3). Although in all other countries excluding Italy wages are generally on an ongoing rise, in Japan they are not increasing. While there are many factors that impact on wage increases or wage levels, the capacity of labor unions to negotiate is undeniably one of them. Why does Japan have the lowest wages among the G7 nations, and why has it



Source: Prepared by the author based on the data of OECD.

Figure 3. Trends in worker wages (annual income) in the G7 nations and South Korea (USD conversion)

also been overtaken by South Korea? What kinds of changes do Japanese labor unions need to make to their approaches to the spring wage offensive in order to increase their capacity to negotiate wage increases? To what extent are enterprise unions as an organizational form effective in raising the capacity to negotiate? Surely the time has come for labor unions themselves to explore new possibilities. It should also be noted that, in 2020, the unionization rate was 17.1%, such that the overwhelming proportion—over 80%—of workers were not union members. At enterprises that do not have labor unions, wages are unlikely to rise, as workers essentially lack the capacity to negotiate wage increases. As if held back by that trend, unions are also unable to exert their full potential to negotiate. It is surely time to actively explore alternative means of ensuring that workers in enterprises without unions are better equipped to negotiate by allowing them to bargain with management on an equal footing, such as developing legislation on employee (worker) representation systems similar to the works councils (*Betriebsrat*) in Germany, or the Korean labor-management councils. There is surely also value in considering increasing the application ratio of collective agreements (the percentage of workers to whom collective agreements apply).

International comparisons such as these can help labor unions in Japan to uncover new possibilities and ensure that they occupy a more meaningful role, which will in turn contribute to overcoming the longtime issue of deflation, promoting high economic growth through the expansion of domestic demand, and even achieving sound business management that aspires to higher added value.

1. Ministry of Health, Labour and Welfare (MHLW) (2016), “Overview of the Survey on Status of Collective Bargaining and Agreements in 2015.”
2. MHLW (2018), “Overview of the Survey on Status of Collective Bargaining and Agreements in 2017.”
3. Japan Trade Union Confederation (RENGO)/RENGO Research Institute for Advancement of Living Standards (RENGO-RIALS) (2020) “Report on the 19th Survey on Labor Union Dues.” According to a survey by the MHLW, the average monthly membership dues per capita are 3,707 yen (MHLW (2019) “Overview of the Survey on Status of Labor Union Activities, etc. in 2018”). It should be noted that the larger the enterprise, the higher the union membership dues, and the unions surveyed in the RENGO/RENGO RIALS survey are labor unions of relatively major enterprises.
4. MHLW (2020), “Overview of the Survey on Labor-Management Communication in 2019.”
5. This was a multiple answer question where respondents were asked to select “up to three main reasons.” MHLW (2018), “Overview of the Survey on Status of Collective Bargaining and Agreements in 2017.”

OH, Hak-Soo

Research Director, The Japan Institute for Labour Policy and Training. Research Interest: Industrial Sociology, Labor Relations.
<https://www.jil.go.jp/english/profile/oh.html>



Labor Market, and Labor Administration and Legislation

Overview of Employment Policy in Japan

HAMAGUCHI Keiichiro

1. Employment policy at the macro level

To understand Japan's macro-level employment policy which are distinguished by target group such as elderly people, young people, women, or non-Japanese workers, it is helpful to start by focusing on two perspectives: policy aimed at employment maintenance and policy encouraging mobility in the labor market.

First, employment maintenance policies are those which provide state subsidy measures aimed at steering employers toward retaining employment relationships with their employees even when there is no work available, in the event of an external crisis temporarily reducing enterprises' business activities and in turn prompting worker redundancy at those enterprises. In Japan, such support takes the form of the Employment Adjustment Subsidy (*koyō chōsei joseikin*; EAS), a subsidy covered by the employment insurance fund. Similar systems are also used in European countries such as Germany and France.

Such a system was first introduced in Japan under the Employment Insurance Act, which was enacted in 1974 in response to the first oil crisis in 1973. It was a system inspired by the short-time work allowance (*Kurzarbeitergeld*) scheme being employed in then West Germany. Under Japan's system at that time, the state specified target industries, and employers in those industries received a subsidy covering a certain percentage of allowances to those employees sent on leave. While in its initial stages the system was limited to being a response to short term changes in economic conditions, this was later expanded to include cases of mid- to long-term

issues such as change in industrial structure.

Second, policy aimed at generating employment mobility responds to structural change in industrial sector by shifting workers from enterprises facing decline in demand to enterprises anticipating to see an increase in demand. Its objective is to promote inter-industry or inter-enterprise labor mobility in the form of transfers of workers' employment status to another company (*tenseki*) or reemployment, in such a way that avoids workers becoming unemployed as far as possible. While such policy first emerged as benefits aimed at enabling and encouraging job change (Job-Change Benefits) introduced under the 1966 Employment Measures Act, it only began to be emphasized as key policy once the Labor Mobility Subsidy (*rōdō idō shien joseikin*) was established under the 2001 amendment to the Employment Measures Act. This fund consisted of subsidies for granting affected workers time off to search for jobs and for commissioning employment placement service providers to provide outplacement services to support the reemployment of affected workers.

The trends in macro-level employment policies in the 20 years that followed shifted back and forth between employment mobility and employment maintenance policy, with employment mobility as the main course adopted in economically prosperous periods and employment maintenance during economic downturns. That is, while the number of businesses receiving payment of the EAS remained at around 500 businesses annually in FY 2006 and



FY 2007, once the onset of the 2008 global financial crisis prompted rapid deterioration of business conditions, particularly in the manufacturing industry, the government relaxed the conditions for receiving payment of the EAS, and the number of payments to establishments rose to almost 800,000 annually in FY 2009 and FY 2010. Although this figure declined as the economy subsequently recovered, the effects of the COVID-19 pandemic from 2020 onward led to the number of businesses receiving payments of such subsidies skyrocketing once more. This was due to the slump in labor force demand in many industries—particularly the accommodation and food services industry—prompting the government to respond by once again significantly relaxing the conditions for receiving payment of the EAS, as well as creating a similar system aimed at workers not enrolled in the employment insurance scheme, known as the Emergency Employment Stabilization Subsidy (*kinkyū koyō antei joseikin*). Namely, the number of businesses receiving payment rose to just under 3 million in FY 2020 and just over 2.5 million in FY 2021. The employment insurance reserve funds, which were previously as high as several trillion yen, were therefore exhausted in just a short period, to the extent that they have to be covered with a transfer from the general account. In March 2022, Employment Insurance Act was amended to significantly raise the rates of employment insurance contributions.

On the other hand, since mid-2020, there have been calls for encouraging the new cross sectional labor mobility as responses to the COVID-19 pandemic other than focusing on employment maintenance. The government has also sought to lay out this approach in its budget proposal. In this approach, emphasis is placed on the Subsidy for Industrial Employment Stability (*sangyō koyō antei joseikin*) to ensure that in cases of labor mobility through employee transfers to another enterprise while maintaining affiliation to the transferring enterprise (*zaisekigata shukkō*), subsidies are provided to both the transferring enterprise and the receiving enterprise. However, with each wave of

COVID-19 infections it has been difficult to make progress toward an exit strategy for moving away from employment maintenance policy. While it is difficult to anticipate potential future developments, it looks likely that employment mobility policy will be prioritized once the pandemic has been brought under control.

2. Labor market safety nets

While employment maintenance policy seeks to maintain employment relationships, which secure workers' income by ensuring that it continues to be paid by their employers, unemployment benefit entails the government directly securing the income of workers who are no longer in employment relationships. This system was established in 1947 as the unemployment insurance system and was reorganized in 1974 as a comprehensive employment insurance system including schemes such as the aforementioned EAS. Unemployment benefit is part of the contributory social insurance system, such that insurance contributions are split fifty-fifty between the employer and the worker (in contrast, the funds for all subsidies related to employment relationships are covered entirely by employers). Workers become eligible to receive such unemployment benefits once they have worked six months for an employer. The periods for which unemployed workers can receive the unemployment benefit range from 3–11 months and depend on the length of time they were employed with the relevant employer, their age, and the grounds for leaving employment.

Given that the unemployment benefit system is designed in this way, some people may not qualify to receive the benefit despite becoming unemployed, and some people may find the period for which they are entitled to receive the benefit finishes while they are still unemployed and not yet to find new employment. While in Western European countries such people have long been catered for with non-contributory unemployment assistance systems, such systems did not exist in Japan for some time. When a significant number of non-regular workers lost their employment as a result of the 2008 global financial crisis, it came to light that the majority of those

workers were ineligible for the benefit, and the government hastily took a budgetary measure in order to provide a certain amount of benefit to workers who attended basic vocational training. This was made a permanent system under the 2011 Jobseekers Support Act. It is a system that has the nature of non-contributory unemployment assistance provided on the condition that the worker in question attends vocational training.

On the other hand, the premise of the EAS is that employers in business suspension firstly pay the allowances for absence from work to workers who have been sent on leave, and secondly apply to the government for subsidy payments. In reality, however, the EAS system did not work during the 2020 COVID-19 crisis because a number of employers did not pay the allowances to those workers, which resulted in the impoverishment of workers as reported. In response to this, it was even argued that unemployment benefit should be paid as a special exception (regardless of whether the worker in question is unemployed or not). Instead, in the same year the government founded a new financial support for business suspension due to COVID-19 (*kyūgyō shienkin*). This financial support enables the government to directly pay allowances for business suspension to workers who are not paid allowances despite having been sent on leave by an employer while still in an employment relationship with said employer. However, in the event that the employer is obliged to pay the leave allowance, the legal implications are complex.

3. Job creation initiatives

Policies that seek to address a lack of employment opportunities by utilizing public funds to pursue initiatives and seeking to absorb unemployed people into such projects have been adopted all around the world, such as the Tennessee Valley Authority project established as part of the New Deal policy in the US. Likewise, in Japan directly after the end of World War II the Emergency Unemployment Countermeasures Act was enacted with the aim of rebuilding the country following the extensive destruction of the war. The emergency unemployment

countermeasures initiatives were subsequently scaled back during the period of economic growth and eventually abolished in 1995.

However, around that same time, there was a rise in the numbers of unemployed people due to the economic downturn resulting from the bankruptcy of financial institutions and other such factors. The government therefore adopted a budgetary measure in 1999 to establish a grant-in-aid system to support local government bodies to pursue public projects utilizing unemployed people. And when the numbers of unemployed people rose once again during the 2008 global financial crisis, the Emergency Job Creation Program was implemented along the same approach of providing grants-in-aid to local governments. The model case of the use of such grants was following the Great East Japan Earthquake, in response to the devastating damage caused by the resulting tsunami in the coastal areas of the Tohoku region. This illustrates a Cash-for-Work program; local victims of the crisis were employed by the projects to recover and reconstruct the affected areas.

4. Public employment services

Japan also provides public employment services nationwide in accordance with the ILO Employment Service Convention of 1948 (No. 88). Such services started out as free-of-charge employment placement initiatives operated by municipal governments under the 1921 Employment Placement Act. These were nationalized in 1938 and following the World War II were, in accordance with the 1947 Employment Security Act, also operated as a nationwide network directly controlled by the national government.

While the main offices consist of 544 Public Employment Security Offices—commonly known as *Hello Work* centers—facilities to assist specific types of jobseekers in finding employment known as Talent Banks (*jinzai ginkō*) and Part-timers Banks (*pāto banku*) were established in 1967 and 1981, respectively. Although these have been abolished, the *Ladies' Hello Work* offices established in their place in 1991 have been relaunched in 1996 as *Hello Work for Supporting Work-Family Balance* and in 2006 as the *Hello Work for Mothers* program, which

is still in operation today. Facilities for younger jobseekers—*Hello Work for Youth* and *Hello Work for New Graduates*—have also been established. In regions without *Hello Work* offices, local municipal government buildings also house *Hometown Hello Work* offices.

Since 1999, the *Hello Work* centers have been equipped with computers with job searching functions that jobseekers can use themselves and job vacancy information has also been provided online. These internet services subsequently underwent gradual expansion. Under the influence of the COVID-19 pandemic, both employers with job vacancies and jobseekers have, since September 2021, been able to open their own account online and receive job placements online.

5. Private-sector labor market businesses

While the 1947 Employment Security Act applied strict regulations all but prohibiting paid employment placement services and labor supply services, from

the 1980s to the 1990s the provisions were increasingly relaxed, and at present both private employment agencies and worker dispatching service providers are able to operate considerably freely, generally under the license system. Of these two business types, worker dispatching service providers are connected with issues that dispatched workers—as non-regular workers, alongside part-time workers and fixed-term contract workers—face unstable employment conditions and low wages, and the process of amending the Worker Dispatching Act has been ongoing for over 20 years.

On the other hand, various forms of business, which may not fall under the category of conventional employment placement services, have been expanding in their services giving various online offers to provide recruitment information. In March 2022, Employment Security Act was amended to introduce a notification system to gently regulate these new business forms.

HAMAGUCHI Keiichiro

Research Director General, The Japan Institute for Labour Policy and Training. Research interest: Labor policy.

<https://www.jil.go.jp/english/profile/hamaguchi.html>

Why Does the Older Population in Japan Work So Much?

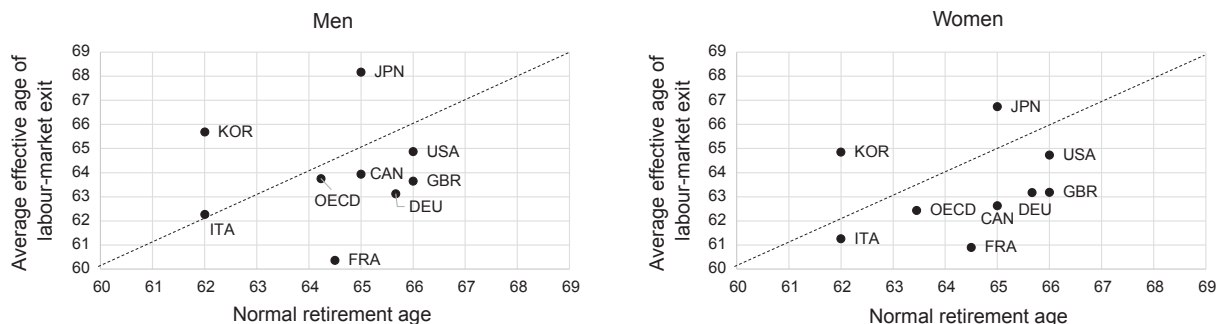
MORIYAMA Tomohiko

I. Introduction—Do the Japanese like to work?

Morale, or motivation to work, is high among older workers in Japan. The JILPT's 2019 "Survey on Employment and Living of Persons in Their Sixties" (JILPT 2020) asks men and women in their sixties about their ideal retirement age and their actual retirement age. "Want to work as long as possible, regardless of age" (32.1%) is the most common response, followed by those who want to work "until 70 or older" (23.6%) and those who indicate their ideal age between 65 and 69 (13.8% in total). Pensions at a Glance (OECD 2021) reports the high retirement age of workers in Japan compared to other industrial countries. Figure 1 shows the relationship between the normal (or official) retirement age and the average age when people actually exit the labor market (average effective retirement age) for Japan, Korea, the US, Canada, the

UK, Germany, France, Italy, and the OECD average, by gender. Only Japan and Korea find the average effective retirement age higher than the normal retirement ages for both men and women. This means that in these two countries, the average age at which people actually retire is higher than the age at which they can receive full pension benefits through the official retirement pension. In particular, Japan has the highest average effective retirement age among all countries, exceeding the OECD average of normal retirement age by 3.2 years for men and 1.7 years for women.

So, do Japanese people simply like to work? Indeed, not a few of them work voluntarily. However, having no choice but to work for a living is also a significant motivator. In the aforementioned JILPT survey, when asked their reasons for working in a multiple response format, 76.4% cited "economic reasons," 33.4% cited "purpose in life and social participation," and 22.6% cited "having time on their



Source: OECD, *Pensions at a Glance 2021*.
 Note: Effective retirement age shown is for five year period, 2013-18. The normal retirement age is shown for individuals retiring in 2018 and assuming labor market entry at age 22.

Figure 1. Normal retirement ages and average effective age of labor-market exit of major countries

hands.” Furthermore, over 80% of those who cited “economic reasons” worked not to improve their standards of living, but to maintain current standards of living for themselves and their families. The following sections outline structural and institutional factors that define the high employment rate and motivation for working among older adults in Japan.

II. The ageing of society and the rising employment rate of older workers

Population ageing in Japan has progressed more rapidly than in any other country. The ratio of older persons (those aged 65 or over as a percentage of the total population) rose from 9.1% in 1980 to 17.4% in 2000 and 28.7% in 2020. Meanwhile, the ratio of Japan’s working-age population (aged 15–64) to the older population (65 and over) was 7.4 persons of working age for every one older person in 1980, but this figure decreased to 2.1 by 2020.

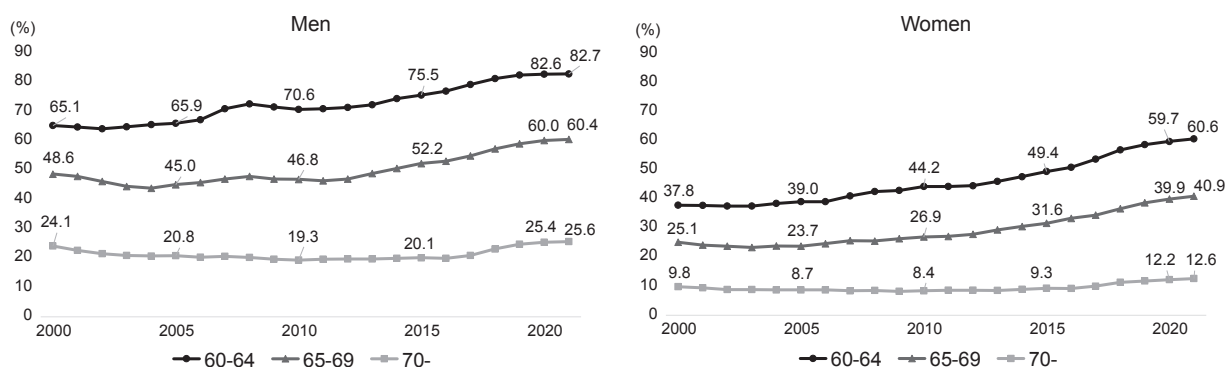
As the demographic structure has changed, the employment rate of older workers in Japan has increased. Not only are most men and women in their early 60s staying in labor force today, but so are 60% of men and 40% of women in their late 60s. Figure 2 shows the employment rate by gender for the age groups of 60–64, 65–69, and 70 and over since 2000. The male employment rate rose from 65.1% to 82.7% for those aged 60–64, and from 48.6% to 60.4% for those aged 65–69 between 2000 and 2021, while the employment rate for those aged 70 and over did not change much between 2000 (24.1%) and 2021

(25.6%). Meanwhile, the female employment rate also rose between 2000 and 2021, from 37.8% to 60.6% for those aged 60–64, from 25.1% to 40.9% for those aged 65–69, and from 9.8% to 12.6% for those aged 70 and over.

The ageing of society is expected to continue in the future. According to the Cabinet Office’s *Annual Report on the Ageing Society FY2021*, the ratio of older persons is projected to rise to 31.2% in 2030, 35.3% in 2040, and 37.7% in 2050. In particular, it is clear that social safety net expenses such as pensions and medical costs will further increase from the late 2030s onward, when the ageing of the second baby-boom generation (those in their mid- to late-40s in 2022) will bring a large segment of the population into old age. It is also projected that fertility rates would continue to fall, with the working-age population expected to decline from 74.49 million in 2020 to 68.75 million in 2030, and 59.78 million in 2040.

III. Changes in the mandatory retirement system and age of eligibility for pension benefits

Responses to the rapid ageing of society is an urgent and critical issue, and systems and policies related to employment and social security for the older population have frequently been reformed. The mandatory retirement age system greatly affects the employment of the older persons. Under Japan’s traditional employment practices, enterprises pay



Source: Statistics Bureau, Ministry of Internal Affairs and Communications, *Labour Force Survey*.

Figure 2. Employment rate of older workers, by gender (2000–2021)

wages less than productivity to those below a certain age, and wages higher than productivity to those older workers, in order to prevent high employee turnover and fraud (Lazear 1979). However, paying wages higher than productivity indefinitely could lead enterprises into a difficult financial situation; so in order for the concept to be valid, there should be a mandatory retirement age system, which generally defines the retirement rate around age 60.

Many Japanese enterprises introduced a mandatory retirement system in the late 1940s, generally setting the mandatory retirement age at 55, as the age of eligibility for pension benefits at that time was also 55. The mandatory retirement age system met the needs of management to terminate the employment of “older persons” in order to curb the over-expansion of employment; at the same time, it met the needs of workers to be guaranteed employment until they reached the mandatory retirement age. The system became widespread, based on consensus between labor and management.

Subsequently, between 1954 and 1974, the age of eligibility for pension benefits was progressively raised to 60. As a result, workers sought extension of the mandatory retirement age, and by the early 1970s, employment measures for older workers were viewed as the most crucial policy issue. Consequently, the retirement age was gradually extended during the 1970s through the early 1980s, and the Act on Stabilization of Employment of Elderly Persons enacted in 1986 stipulated that employers imposing a mandatory retirement age should endeavor to set that age at no lower than 60. The Act was revised in 1994 to make this stipulation mandatory, and since April 1998, no enterprise has been allowed to set a retirement age lower than 60. In 1999, 97.1% of enterprises had a uniform retirement age, which was age 60 at 91.2% of enterprises, and 65 or higher at 6.2% of enterprises according to the Ministry of Health, Labour and Welfare (MHLW) “Survey on Employment Management”¹.

Thus the gap between mandatory retirement age and the age of eligibility for pension payments was resolved by 1998, but by that time it had already been decided to gradually raise the age eligibility for

employee’s pension and mutual-aid pension benefits to 65 between 2001 and 2025.² So, the question arose once more of how to fill the gap between the end of employment and the start of pension payments for those in their early 60s.

IV. Legislative amendments to ensure employment for older adults

To fill the new gap, the government encouraged employers to ensure employment opportunities for older adults by amending the Act on Stabilization of Employment of Elderly Persons. The Act was amended in 1990 to impose the duty to endeavor to take measures for job security until the age of 65, amended again in 2004 to make these measures mandatory, and again in 2012 to make such measures, in principle, available to all of those who wish to utilize them.

The law covers employees who were born in April 1946 or later, and enterprises are required to take one of the following measures to ensure employment of workers up to the age specified by law:³ (i) raise the mandatory retirement age, (ii) introduce a continued-employment program, or (iii) abolish the mandatory retirement age system. In practice, many enterprises have opted for (ii) a continued-employment program, with 72.1% of enterprises having chosen this option as of June 2006 (MHLW’s tabulation results of 2006 Employment Status of Older Workers). The main reason for this is that there is no specific provision for employment conditions in the case of continued-employment: if the mandatory retirement age is raised, the contract under which a worker is hired as a regular employee must be extended until that later mandatory retirement age. On the other hand, with a continued-employment program it is easier to terminate the contracts of regular employees and re-hire them as non-regular employees, and to change wages and job duties, than it is if the retirement age is raised: thus, the cost to enterprises is considerably reduced. In fact, nearly half of all enterprises continue to employ workers after reducing their wages by 40% or more after the age of 60 (Yamada 2009).

Until April 2013, even if a continued-employment

program was introduced, it was possible for employers to discontinue the employment of older workers who did not meet criteria for the program determined in advance through labor-management negotiations. In fact, as of June 2006 only 39.1% of all enterprises offered continued-employment to all applicants, while the rest offered it only to those who met certain criteria.

These legislative amendments promoted employment of older adults. According to Kondo and Shigeoka (2017), who examined the effects of the 2004 amendments using individual data from the *Labour Force Survey* of the Statistics Bureau of the Ministry of Internal Affairs and Communications, the employment rate of 60- and 61-year-olds was 2.4 to 3.2% higher for the cohort born in 1946, which was affected by the amendment, than for the cohort born in 1945 which was unaffected. In particular, the amendment caused the number of employees continuing to work after age 60 to increase at large enterprises, where most employees retire at age 60 due to uniform retirement age systems. On the other hand, the rate of enterprises having chosen continued-employment programs did not rise at small and medium-sized enterprises, as a large percentage of these employees were already continuing to work after the age of 60.

Also, Yamada (2017) defines the impact of the 2012 legislative amendment mandating employment for all applicants up to age 65, using data from the MHLW “Longitudinal Survey of Middle-aged and Older Persons” from 2005 to 2014. The results showed that the employment rate for men born in FY1953 (between April 1953 and March 1954), who were subject to the 2012 legislative amendment, increased by 7% for men who were regularly employed at age 59, as compared to men born in FY1952 who were not affected.⁴

V. Occupational diversification and stratification of older workers

As the employment rate has risen due to the legislative amendment, the careers of workers in their early 60s have diversified: some remain full-time employees after the mandatory retirement age

of 60 at the same enterprise, or at an affiliated enterprise under the system of *shukko* (transfer of a worker to another company, while the employment relationship with the original company is maintained); some remain employed at the same enterprise by converting their employment status from regular to non-regular; and some changed employers after the mandatory retirement age of 60. Meanwhile, some continued to work as full-time employees of enterprises which did not have a mandatory retirement age, or which had a mandatory retirement age of 61 or over, while others already worked as non-regular employees before reaching at age 60. On the whole, careers among those in their early 60s can be divided into careers at the core of enterprises, and peripheral or external careers. This means that the diversification of careers in old age is accompanied by stratification.

Career changes triggered by mandatory retirement, and careers from age 60 onward, are defined by pre-retirement socioeconomic status. This situation reflects the idea (known as the cumulative advantage/disadvantage hypothesis) that old age is a life stage in which the economic and social advantages and disadvantages accumulated up to that point are revealed, and the disparities that already existed prior to old age tend to more pronounced. In the Japanese labor market, both the size of enterprise at which workers were employed prior to mandatory retirement and also the type of employment are the major determinants of career disparities in old age. Compared to small- and medium-sized enterprises, large enterprises have better programs for continuing employment as regular employees and more systemic networks, enabling *shukko* to affiliated companies and so forth. This means that many opportunities to work exist under relatively good conditions even after the age of 60. In addition, it is primarily regular employees who are able to enter old age in relatively good working conditions maintained at the same enterprises, while non-regular workers on the periphery of the labor market are in a socially excluded position to begin with.

This is reflected in the gender disparity seen in careers of older workers. Moriyama (2022) analyzed Japan’s leading stratified survey, the Social

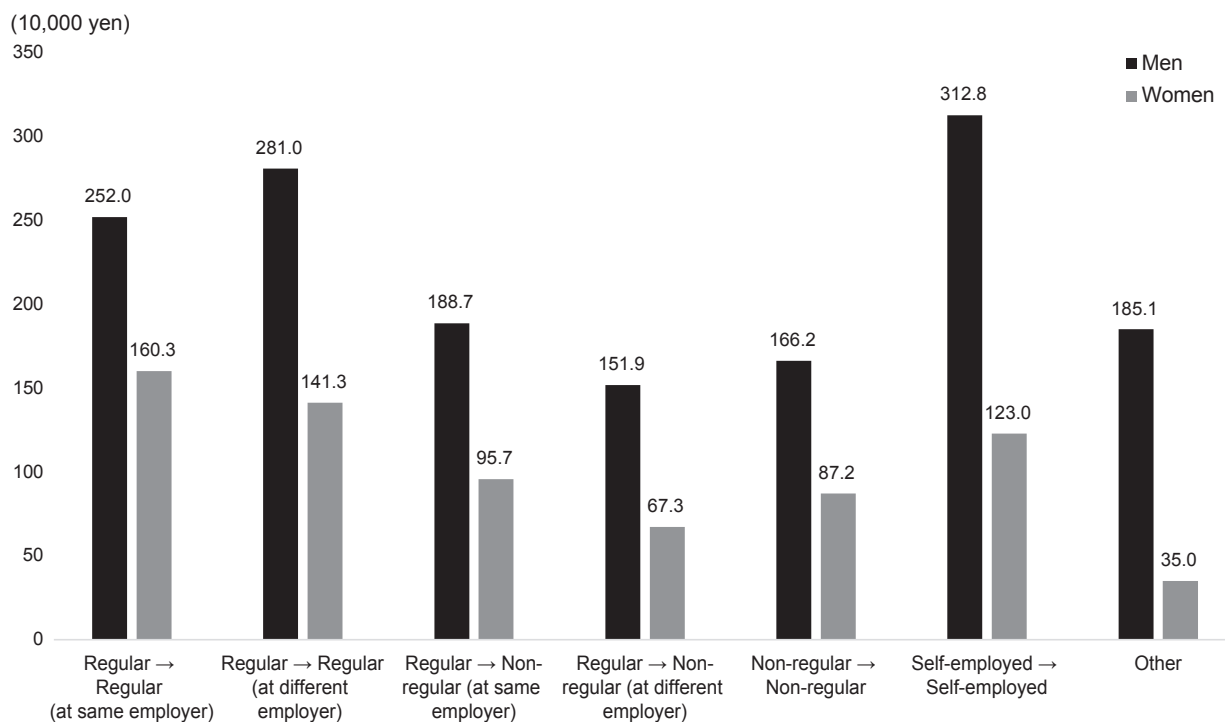
Stratification and Social Mobility of 2015, the employment rate at age 59, just before the old age, was 94.0% for men and 62.7% for women, with less than 30% of all women working as regular employees. Moreover, a comparison of estimates of earned income for men and women aged 61-80, disaggregated by employer and employment status around age 60, reveals gender disparities in the estimated value of earnings⁵ for all patterns of change (Figure 3). The estimated average annual income of the group that transitioned from regular employment (at age 59) to other enterprises where they worked as regular employees (at age 61) is about 1.4 million yen higher for men than for women. In the group of workers who continue to work as regular employees in the same enterprises, men's average annual income is about 900,000 yen higher than that of women. Furthermore, for the group that switched from regular to non-regular employment within the same enterprise, men's annual earned income was about 900,000 yen higher than that of women.

These results suggest that there is a large gender disparities in economic and social accumulation

before reaching the age of 60, and that the disparity is maintained or widened because it determines career transitions around the age of 60 and beyond. Moreover, the recent legislative amendments may increase this gender disparity by encouraging preferential treatment of older workers who remain employees in the core of the organization.

VI. Challenges ahead for employment of older adults

This article has explained the high employment rate and motivation for working at an older age in Japan from both structural and systemic perspectives. With the raising of the pensionable age and the amendment of the Act on Stabilization of Employment of Elderly Persons, employment and working until age 65 are now socially entrenched, and employment after age 65 is also advancing rapidly. In addition, the amended Act of 2020, which came into effect in April 2021,⁶ stipulates that employers have a duty to endeavor to provide expanded employment opportunities for older workers up to age 70. This change will also further increase the employment



Source: Moriyama (2022).

Figure 3. Estimated earned income by gender and change in employment status around age 60

rate of older adults in Japan and push up the age of exit from the labor market.

Finally, let us enumerate some of the challenges that Japanese society is likely to face in the future. First, there is the issue of enterprises' systems to maintain employment for older persons. Japan's employment policy is based on maintaining employment, especially of regular employees, in the internal labor market (i.e. within enterprises), and this is likely to be the main focus with regard to the employment of older workers in the future. However, maintaining employment is certain to entail problems related to wages and the allocation of human resources. In the past, when employment continued after mandatory retirement, many enterprises reduce wages by an average of 20–30% in line with reductions in job duties and responsibilities, but this can also lead to a decline in worker motivation. Thus, there will be increasing need to establish and implement seamless systems for worker evaluation and treatment instead of having different systems before and after retirement. In addition, it will be necessary to maintain employment and wages not only for older workers but also for young and middle-aged workers, and to provide jobs and roles with consideration for the safety and health of older adults. Therefore, enterprises are faced with the difficult task of maintaining the employment of older adults while considering the age structure of the organization as a whole, the performances of each department.

Another challenge is that of developing an external labor market so as to reduce unemployment and poverty among older workers and enable smooth labor mobility. Old age is a period when occupational mobility occurs with similar frequency as it does among younger people. It is also an age group with a relatively high risk of poverty. Until now, the problem of unemployment among the older persons has not received as much attention as that of unemployment among the young, because the hiatus between retirement and eligibility for pension benefits is short, and many people have sufficient pension funds, savings, and assets to live on. In the future, however, people who were forced to work in unstable employment forms during their youth and prime of

life, and thus were unable to accumulate sufficient savings by the time they reached old age, will enter old age, and the problem of unemployment of older persons will become more apparent. There is a need for social systems and policies that enable people who must continue to work for economic reasons to find work easily, regardless of their age.

1. MHLW's "Survey on Employment Management" is conducted nationwide on private-sector enterprises with 30 or more regular employees at their headquarters.
2. A system called "specially provided" employees' old-age pension (special old-age pension) was established to smoothly raise the starting age for receiving the employee's old-age pension benefits from 60 to 65 years old. With this phased measure, the increase in the starting age for the flat-rate component of the special old-age pension was completed by FY2013 for men and by FY2018 for women, and the increase for the earnings-related component will be completed by FY2025 for men and by FY2030 for women.
3. The "age specified by law" is 63 for those born in 1946, and rises in stages to 65 for those born in April 1949 and later.
4. This increase in the employment rate includes the effect of the 2012 amendment of the Act on Stabilization of Employment of Elderly Persons as well as that of the increase in the starting age for the special old-age pension (earnings-related component of the employee's old-age pension) for men from 60 to 61 in 2013. However, its impact is marginal compared to the effect of the 2012 amendment.
5. Estimates were calculated for annual income earned through employment, statistically controlling for age, pension amount, marital status, and whether or not the spouse was employed.
6. This legislative amendment obliges enterprises to endeavor to ensure employment opportunities for older adults up to age 70 by taking one of the following measures: (i) abolishing the mandatory retirement age, (ii) extending the mandatory retirement age to 70, (iii) introducing a continued-employment program (including continued-employment at subsidiaries and affiliates), (iv) enabling re-employment at other enterprises (other than subsidiaries and affiliates), (v) funding freelance contracts with individuals, (vi) supporting individual entrepreneurship, or (vii) funding for individuals participating activities committing social responsibility.

References

- Cabinet Office of Japan. 2021. "Annual Report on the Ageing Society FY 2021." <https://www8.cao.go.jp/kourei/english/annualreport/2021/pdf/2021.pdf>.
- JILPT (Japan Institute for Labour Policy and Training). 2020. *Rokuju dai no koyo seikatu chosa* [Survey on Employment and Living of Persons in Their Sixties]. JILPT Research Series no.199. Tokyo: The Japan Institute for Labour Policy and Training. <https://www.jil.go.jp/institute/research/2020/199.html> (in Japanese).
- Kondo, Ayako, and Hitoshi Shigeoka. 2017. "The Effectiveness

- of Demand-Side Government Intervention to Promote Elderly Employment: Evidence from Japan.” *Industrial and Labour Relations Review* 70 (4): 1008–1036.
- Lazear, Edward. 1979. “Why is There Mandatory Retirement?” *Journal of Political Economy* 87 (6): 1261–1284.
- Moriyama, Tomohiko. 2022. “Kounenrei-sha shugyo no sokushin wa kyaria no jenda kakusa ni donoyona eikyo o motarasu ka: 60 sai zengo no shugyo no henka ni okeru seibetsu no chigai ni chumoku shite” [How promoting employment of older workers affects gender disparities in careers: Focus on gender differences in employment changes around age 60]. In *70 sai shugyo jidai ni okeru kounenreisha koyo* [Employment of older adults in an era of working until age 70], 159–188. Tokyo: JILPT.
- OECD (Organization for Economic Co-operation and Development). 2021. *Pensions at a Glance 2021: OECD and G20 Indicators*. Paris: OECD Publishing. <https://doi.org/10.1787/ca401ebd-en>.
- Yamada, Atsuhiko. 2009. “Koureisha shugyoritsu no kitei yoin: Teinen seido, chingin purofairu, rodo kumiai no koka” [Determinants of older worker labor force participation rates in Japan: Impacts of retirement policy, steep age-wage profile, and trade union]. *Japanese Journal of Labour Studies* 51 (8): 4–19.
- _____. 2017. “Nenkin shikyu kaishi nenrei hikiage ni tomonau shugyoritsu jyosho to shotoku no kuhaku: Kosei rodo sho ‘Chukonen sha judan chosa 2014’ ni motozuku bunseki” [Rising employment rates and no-income periods accompanying increases in the age of eligibility for pension payments: An analysis based on the MHLW’s Longitudinal Survey of Middle-Aged and Older Persons]. In *Jinko gensho shakai ni okeru koreisha koyo* [Employment of older persons in a society of population decline]. Project Research Series no.2 on the JILPT 3rd Mid-term Project. 194–229. Tokyo: JILPT.

MORIYAMA Tomohiko

Researcher, The Japan Institute for Labour Policy and Training.
Research interest: Sociology of Work, Social Stratification, Social Mobility.

<https://www.jil.go.jp/english/profile/moriyama.html>

Youth Employment and Employment Policies in Japan

HORI Yukie

I. Overview of youth employment

In Japan, the youth unemployment rate remained consistently low from the 1960s, a period of rapid economic growth, through the early 1990s. During this period, young people were able to obtain stable and indefinite-term (as opposed to fixed-term) contract employment immediately after they graduated from school. However, since the bursting of the economic bubble in the early 1990s, it has become increasingly difficult for young people to achieve job security. Those who graduated between 1993 and 2004, when the school-to-work transition was particularly difficult, are described as the *shushoku hyogaki sedai* (employment ice-age generation: high school graduates born between 1975 and 1985 and university graduates born between 1970 and 1980). Subsequent economic recovery enabled young people to obtain stable jobs, but the global financial crisis originating in the US and Europe caused the employment situation to worsen once again. The economy began to expand under the easy money policy that formed part of the economic strategy spearheaded by Prime Minister Shinzo Abe, known as Abenomics, which was launched around 2015, and despite the temporary impact of the COVID-19 pandemic, youth employment remains strong as of autumn 2022. Under Japanese labor policy, “youth” is defined as the 15–34 age group, and that definition is used in this article.

Let us take a look at young people's educational circumstances, first. The high school enrollment rate exceeded 90% in 1997, and today 98% of junior high school graduates go on to high school, with about 3%

withdrawing from high school each year in Japan. Approximately 70% of high school students are enrolled in academic programs, and the percentage enrolled in vocational programs is low.

Among high school students graduating in the spring of 2022, about 17% were employed immediately, 56% went on to tertiary education (university or other higher education), 22% enrolled in vocational school, and 5% fit into none of these categories (all percentages approximate). The number of new university graduates entering employment first surpassed the number of new high school graduates entering employment in 1997, and they became the majority in the new-graduate labor market. Nonetheless, even as Japan's populace has become more highly educated, labor market demand for high school graduates remains high, and Japan has maintained a system that enables high school graduates to find secure employment immediately after graduating from high school.

II. Systems relating to the school-to-work transition

As in other countries, youth employment in Japan is directly affected by the economy, but one reason the impact tends to be particularly significant in Japan is the system of “simultaneous mass recruiting of new graduates.” This is an employment practice in which companies hire students with no work experience immediately after graduation, with the premise of indefinite-term employment, and young people are expected to develop their skills through in-house education and training, job rotation and so forth. Public vocational training is not very

widespread in Japan, and as a result, young people tend to lose opportunities to develop vocational skills if they are not hired as part of the new batch of graduates, regardless of whether they are university or high school graduates. For example, members of the generation that graduated during the “employment ice age” are already over 40 years old, but many have never been able to establish stable careers.

The details of employment practices for new graduates vary depending on level of educational attainment. In order to prevent recruiting of new university graduates earlier than the officially agreed date, (*aotagai* in Japanese which originally means “reaping rice before the harvest”) agreements have been in place since 1953 between universities and industry associations regarding outreach on the part of enterprises and the timing of the start of recruitment. However, these agreements have repeatedly been abrogated by business organizations at times when labor market demand for new university graduates is rising, and then reinstated when demand decreases. In 2021, Keidanren (Japan Business Federation), the country’s most influential business organization, withdrew from the agreement then in place, and rules for the start of the hiring process are now set by the government. Meanwhile, in Japan the use of internship programs for purposes of job selection and recruitment has been discouraged since the original purposes of internships are considered for education, where students complete the programs during long vacations and so forth. Recently, guidelines have been eased with some conditions for the extended purpose of using internships as a means of industry-academia collaboration. However, depending on how internships are used, internships could disrupt the conventional framework for new graduate recruitment. It is necessary to keep a close eye on this issue.

For new high school graduates who find jobs, there are regional practices regarding the timing of job hunting activities and submission of applications. New high school graduates in Japan often find jobs through the guidance departments of the schools they attend. In order to protect high school students, who

are still minors, and maintain order in the high school graduate labor market, each prefecture has made agreements regarding high school graduate employment practices. 2021 saw the revision of high school graduate employment practices, making it clearer that students have the right to seek employment through channels other than those offered by schools. As a general rule, applicants are required to apply to only one company at a time for a certain period of time, but in many prefectures that period has been shortened to about two weeks after the start of the application period.

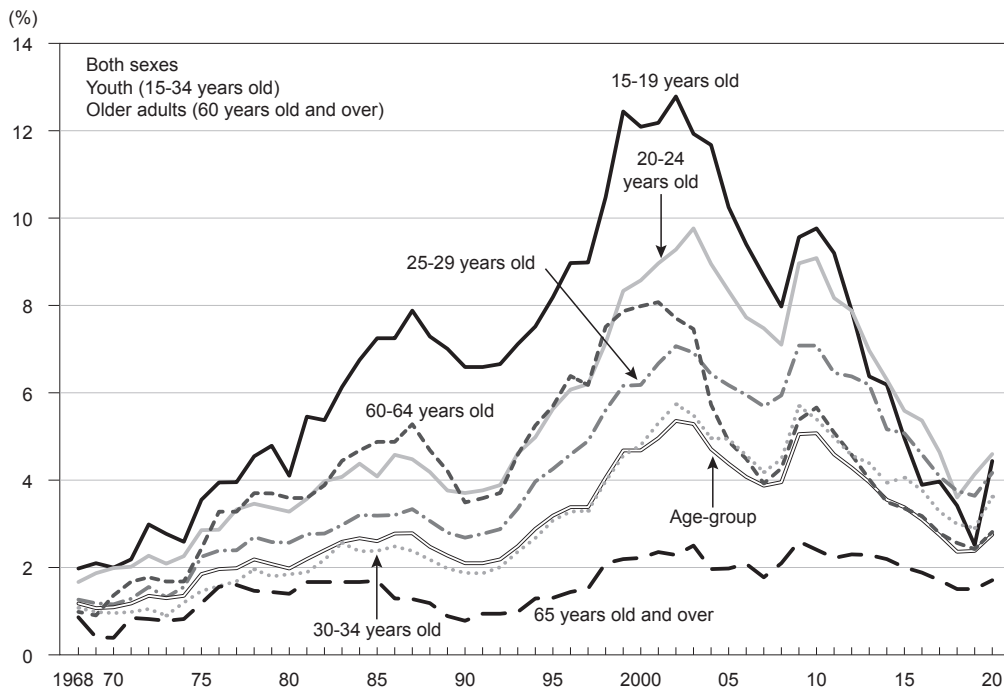
On the other hand, those who attempt to find jobs after withdrawing from high school or university have difficulty in obtaining permanent work as regular employees, and this challenge has persisted for many years.

III. Changes in youth employment

This section of the article outlines changes in recent years with regard to youth labor in Japan. First, there has been a sharp decline in the number of young workers, from 20.35 million in 1997 to 17.11 million in 2017, and assuming the same labor force participation rate as in 2017, the number is expected to drop to 13.64 million in 2040 (MHLW 2021).

Second, Japan’s youth unemployment rate has remained low compared to those of other developed countries. Although it worsened during the “employment ice-age” of the 1990s and the global financial crisis, recently it has stayed at a consistently low level. The impact of the pandemic on the youth unemployment rate has been relatively minor compared to older age groups (Figure 1).

Third, the number of “freeters” peaked at over two million in 2003, but by 2021 the number had declined considerably to 1.37 million. This is interpreted as a result of the decline in the number of young people in the labor force, and of a favorable labor market. Freeters refer to school graduates (and the unmarried in the case of female) who are currently employed and referred to as “parttime workers or *arbeit* (temporary workers)” at their workplace, or who are currently not engaged in work and neither



Source: https://www.jil.go.jp/kokunai/statistics/timeseries/html/g0303_03.html. Created by JILPT based on *Labour Force Survey* (Statistics Bureau, Ministry of Internal Affairs and Communications).

Figure 1. Change in unemployment rate in Japan (by age group)

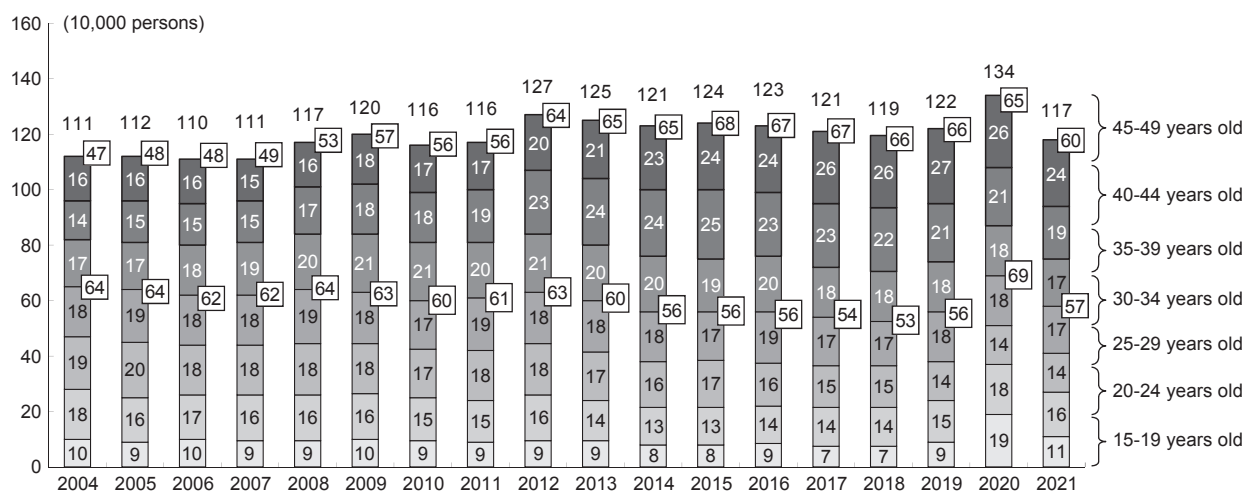
doing housework nor attending school but wish to be employed as part-time workers or *arbeit*.

The traditional image of *freeters*, perceived as having that employment format due to a lack of full-time jobs, is diversifying. According to the Japan Institute for Labour Policy and Training (JILPT 2022), among Tokyo residents aged 25-34 who had experienced being *freeters*, the percentage who did so because they were unable to find work as regular employees is the lowest in the past twenty years. On the other hand, compared to those who have never experienced being *freeters*, a certain percentage of those who have experienced it reported that they have felt difficulty working due to depression or disability, and a certain number of them have temporarily earned wages as *freeters* so as to advance their careers. During the pandemic, when many

enterprises reduced or suspended activities, the presence of *freeters* who are not eligible for allowances for absence from work became increasingly evident.

A fourth trend is that while the number of young people has declined, the number of those who are not in employment, education or training (NEETs) remains high (Figure 2). The number of young people unable to go to school or work increased temporarily in 2020 due to the state of emergency during the pandemic, but returned to its previous level in 2021.

While the number of *freeters* grows and shrinks along with ups and downs in the economy, the number of NEETs is less affected by economic factors. The reasons for becoming NEETs are complex and composite, but prolonged NEET status tends to make participation in society difficult.



Source: Labour Force Survey (Statistics Bureau, Ministry of Internal Affairs and Communications).

Note: Unemployed persons refer to those in the non-working population who are neither engaged in housework nor attending school.

Figure 2. Change in number of unemployed persons (15-49 years old)

IV. Youth employment policies

As mentioned above, when youth unemployment and the number of freeters began to increase, these phenomena were perceived as young people's own responsibility, since systems enabling young people to obtain stable employment were in place. However, since the "employment ice age," understanding of the plight of youth has gradually become more widespread. In 2003, the government formulated the Plan to Encourage Youth's Independence and Challenges, acknowledging for the first time that young people's lack of job security was not a personal responsibility but a structural problem. Subsequently, career education was expanded, and based on a German model, a Japanese "dual system" that integrates vocational training at schools with corporate internships was developed, along with live-in vocational training facilities that promote young people's independence (not currently existent). In 2006, Regional Youth Support Stations (RYSS) were opened to provide assistance to NEETs, and *Hello Work for the youth* and *Hello Work for new graduates* were also established as specialist branches of *Hello Work*, the public employment security

offices located in all prefectures.

However, these were temporary policies and there was always concern that they would be terminated. Thus, a permanent policy to support youth (the Youth Employment Promotion Act) was formulated in 2015. In addition to providing for the establishment of youth support organizations such as RYSS, the following three measures were added based on the Youth Employment Promotion Act.

1. Active provision of information about workplaces

In order to alleviate employees' early job turnover due to mismatches at the new graduate stage and to help young people lead fulfilling professional lives, a system was established to provide accurate information on terms and conditions of employment, as well as workplace information such as average length of service, availability and content of training programs and so on.

2. Non-acceptance of job offers by certain business establishments at *Hello Work*

In order to ensure that *Hello Work* does not introduce new graduates to business establishments

that have violated certain labor-related laws and regulations, a system was put in place under which new graduate job offers by such establishments are not accepted for a certain period of time.

3. Youth Yell Certification System

The Minister of Health, Labour and Welfare has established a system to certify small and medium-sized enterprises that proactively recruit and train young people, and have excellent employment management conditions, as *Youth Yell* certified enterprises. (In Japan, the English word “yell” is used to mean “give encouragement.”)

The Youth Employment Promotion Act has already been in effect for five years. Despite the impact of the COVID-19 pandemic, the overall youth employment situation during this period has been positive, and youth unemployment and job insecurity have not become major issues.

The current key challenge is the increasingly composite nature of youth employment issues. During the “employment ice age,” employment support was provided exclusively to young people who could not find jobs, but today reasons for needing support are becoming more diverse, including housing insecurity, health concerns, disabilities, and young carers’ need to provide nursing care to relatives and so forth. Thus far Regional Youth Support Stations have endeavored to respond to these diverse needs, but in the future,

cooperation within communities will become even more essential. However, as the population shrinks, both the number of young people to be supported and the number of support providers will decline. As a result, there is a concern that RYSS will be called on to support wider target regions, and that the original concept of support within communities will fade.

In the future, Japan’s population will continue to age and youth will become a minority in numerical terms. In order to maintain Japanese society and pass it on to the next generation, it is more important than ever to provide employment support to increasingly rare young people. At the same time, it is also essential to provide support to the “ice age” generation, the youth of the past who still have unstable careers today, as part of our responsibility to future generations.

References

- JILPT (Japan Institute for Labour Policy and Training). 2022. *Daitoshi no wakamono no shugyo kodo to ishiki no henyō: “Dai-gokai wakamono no waku sutairu chosa” kara* [Changes in work and consciousness of youth in major urban areas: From the 5th “Survey on the Working Style of Young People”]. JILPT Research Report no. 213. Tokyo: JILPT.
- MHLW (Ministry of Health, Labour and Welfare). 2021. “Kongo no jyakunensha koyo ni kansuru kenkyukai hokokusho: Korona-ka o ukete shakai/sangyo kozo ga henka suru naka deno jyakunensha koyo no tomen no arikata ni tsuite” [Report of Study Group on Future Employment of Young People: The immediate state of employment of young people amidst changes in social and industrial structure in the wake of the COVID-19]. Press release. October 23, 2020. https://www.mhlw.go.jp/stf/newpage_14309.html.

HORI Yukie

Assistant Research Director, The Japan Institute for Labour Policy and Training. Research interest: Sociology of Education.

<https://www.jil.go.jp/english/profile/yukihori.html>

What Causes the Gender Wage Gap in Japan?

TAGAMI Kota

I. Introduction

Japan has one of the highest levels of gender inequality among advanced countries. The Global Gender Gap Index published annually by the World Economic Forum ranks Japan at 116 of 146 countries and as the lowest of the G7 nations for the level of gender equality in 2022 (World Economic Forum 2022). Such delay in achieving gender equality in Japan is shown in the index to be most striking in the political sphere, followed by the economic sphere. In recent years achieving gender equality has also become a key issue worldwide as one of the UN's Sustainable Development Goals. In Japan, initiatives to facilitate the labor market participation and career advancement of women (*josei katsuyaku*; hereafter, "women's participation and advancement") have been pursued by the government as part of economic growth strategy since around 2013, and at present the demand for reducing gender inequality in the labor market has only grown stronger. In the labor administration field, efforts are concentrated on the policy that aims to reduce gender inequality by promoting the participation and advancement of women, who have typically been at the peripheries of the labor market.

The gender wage gap is the most extreme indicator of gender inequality in the labor market. While participation and advancement in the labor market are not solely limited to work that earns a high income, the fundamental principle of modern capitalist society, which emphasizes individual achievement as opposed to ascription, assumes that those who participate in the labor market and advance

their careers will receive high wages. That is, with greater women's participation and advancement in the labor market, the gender wage gap would decline of its own accord. In that sense, the gender wage gap can be seen as the final outcome for gauging gender inequality in the labor market. This article adopts such a perspective to address Japan's gender wage gap, introducing the current developments and the latest policy interventions.



II. Gender gaps in wage curves

The gender wage gap is often based on the average wages of men and women. However, thanks in part to the progress in statistical analysis techniques in recent years, there has been increasing research efforts around the world that focus on the gaps in the distribution overall, as opposed to simply the differences in the average figures for wages between men and women. Prior research also highlights that in Japan, as in other countries, the magnitude of the gaps differs between the top and the bottom of the wage distribution (Hara 2018).

When investigating the gender wage gap by using this approach of focusing on wage distribution, two phenomena related to gender inequality in Japan's labor market must be considered. The first is the glass ceiling hampering the progress of women into higher job positions, which typically manifests as a low proportion of women in senior management positions. This means that men are more likely to secure senior job positions with high incomes,

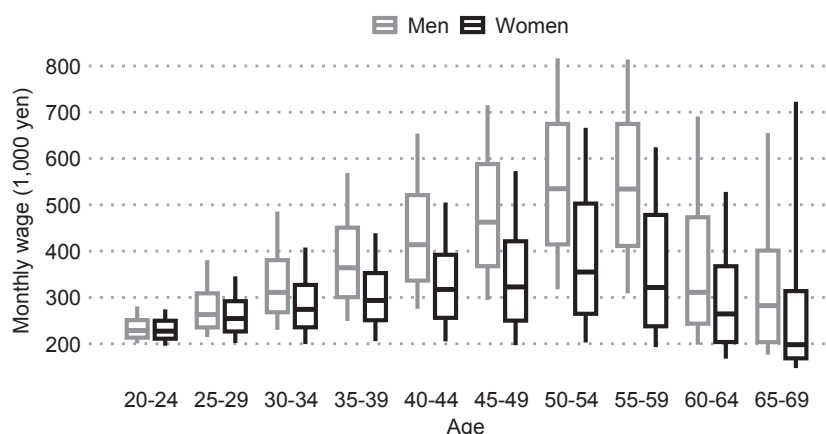
leading to a larger gender gap at the top of the wage distribution. The second is the sticky floor hindering women from making progress beyond the lower job positions in the early stages of their careers. This generally entails situations such as those in which women are only entrusted with entry-level tasks indefinitely and those in which women are promoted at a slower pace. These situations tend to lead to women remaining in lower job positions, and in turn prompt larger gender wage gaps at the bottom of the wage distribution.

It is significant to focus analysis on the wage curve, given the distinctive characteristics of the wage system in Japanese enterprises. These characteristics, as covered in detail by Nishimura (2020a; 2020b; 2020c), can be summarized as follows: Wage systems in typical Japanese enterprises are designed to pay wages according to a person's ability. As said ability is developed through long-term on-the-job training, it increases the longer the person works for an employer. This rise in wages along with increased ability (annual wage increment) leads to a seniority-based wage curve. Increased ability and thereby receiving a higher position also means an increase in wages in the form of the managerial allowance that accompanies such

promotion. If, as described above, women tend to remain in lower job positions or face difficulty progressing to higher job positions compared with men, women would have a lower slope in their wage curve. Namely, as women tend not to receive the advantages of the seniority-based wage system compared with men, comparing the forms of the wage curves presents the gender wage gap more clearly.

Building on such a perspective, Figure 1 shows a comparison of the wage distributions of men and women for each age group. It draws on tabulated data from the 2021 *Basic Survey on Wage Structure*. For simplified analysis, subjects are limited to full-time workers who are university graduates, between 20 to 69 years of age and working at a large private-sector enterprise with 1,000 or more employees.¹ The wage values used for comparison are monthly scheduled cash earnings.² The wage distribution is shown by a pseudo box plot³ using the quartiles and the 10th and 90th percentiles.

Figure 1 shows an apparent increase in the gender wage gap with age, and that the rate of wage increase with age is lower for women than men. While wage distribution is highest in the 50–54 age group for both men and women, men significantly exceed



Source: Created by the author using tabulated data (available on the e-Stat portal site) from the MHLW's 2021 *Basic Survey on Wage Structure*.

Note: Subjects used in this figure are full-time workers who are university graduates, between 20 to 69 years of age and working at a large private enterprise with 1,000 or more employees.

Figure 1. Gender gaps in Japan's wage curves (by age group)

women across all levels—the top, middle, and bottom—of the wage distribution. Looking in particular at the increase in wages between the 20–24 age group, in which there is no gender gap at all, to the 50–54 age group, which has the largest gender gap, women are unable to receive the advantages of seniority-based wages at either the top or bottom of the wage distribution.⁴ As, in terms of wage increase, this means that men are in a more beneficial position at the top of the wage distribution, the glass ceiling is the more prominent of the two aforementioned phenomena. It should be noted, however, that given the almost complete lack of change in wages with age at the bottom of the wage distribution for women, there are also clear indications of the sticky floor phenomenon.

There is also a rise in the dispersion of the wage distributions along with the increase in age, for both men and women. This is due to the distinctive nature of the typical structure dictating the promotion of workers in Japan, by which the pace at which workers receive promotions is slow and definitive differences only arise in the later stages of careers (Imada and Hirata 1995; Koike 1991). For men, the dispersion in wage distribution is greater in a younger age group, indicating that men rise to higher job positions earlier than women—another factor in the gender wage gap.

III. The mechanisms behind the gender wage gap: Managerial positions and years of service

A correct interpretation of the gender wage gap requires an understanding of what mechanisms are prompting such differences in wages. If wages differ directly because of gender, such gaps are naturally considered groundless (discrimination, in other words). On the other hand, if gender wage gaps are due to differences in ways of working between men and women and differences in the jobs pursued by men and women, such disparities may be considered rational. Gender inequality in ways of working and jobs can be described as gender inequality in opportunities, in the sense that the opportunities to earn higher wages differ between men and women.

Under typical Japanese employment practices,

enterprises provide education and training on the assumption that workers would remain employed long-term; emphasis is placed upon the development of a career within a certain enterprise, high wages are received by those who have continued to work for an employer for a considerable number of years and thereby have high managerial positions. Previous research over the years has highlighted that gender gaps in managerial positions and years of service are particularly significant factors of inequality of opportunity that prompt the gender wage gap (Yamaguchi 2019; JILPT 2010). In a white paper entitled *Hataraku josei no jitsujō* (Facts about working women) published annually since 2010, the Employment Environment and Equal Employment Bureau of the Ministry of Health, Labour and Welfare (MHLW) has built on the insights of such research to analyze factors that affect the gender wage gap. The most recent edition, 2021, estimates that while the average wage of women is around 75% of that of men, this would rise to around 85% if women were to hold the same managerial positions as men, and around 79% if women were to have the same duration of service years as men (MHLW 2021). As this indicates, the gender gaps in the distribution of managerial positions and duration of service years constitute a significant portion of gender inequality in Japan's labor market.

IV. Reducing gender inequality of opportunity in the labor market

Japan's labor policy has, over the years, implemented measures to reduce gender inequality of opportunity in the labor market. The most essential of these is the Equal Employment Opportunity Act (EEOA; Act on Securing, Etc. of Equal Opportunity and Treatment between Men and Women in Employment), enacted in 1985. The current EEOA prohibits employers from discrimination on the grounds of gender in all phases of employment management—from recruitment and hiring to assignment, promotion, education and training, and terminating an employment relationship such as retirement. Even those cases that involve discrimination on grounds other than gender but may

in effect constitute gender discrimination are prohibited as indirect discrimination. This refers to cases such as those in which being able to relocate for work is specified as a prerequisite for recruitment, hiring, promotion and change of jobs without reasonable grounds for such a condition. In Japanese society, with its still strongly rooted gender divisions of work, it is difficult for women, who are expected to look after their families, to accept job transfers that involve changing one's place of residence (relocation for work). This therefore means, for instance, that if having experience of relocating for work is made a prerequisite for promotion without reasonable grounds, many women will ultimately be at a disadvantage.

Such measures aimed at reducing inequality of opportunity also involve policies to support combining work with family life, the primary example of which is the Childcare and Family Care Leave Act (CCFCLA)⁵ enacted in the 1990s. Ikeda (2019a; 2019b) describes Japan's policies for combining work with family life. In Japanese society, where gender division of work is still firmly entrenched, many women leave their employment at the timing of life events such as having and raising children. This type of women's unique employment pattern is known as the M-shaped curve. The EEOA alone, as legislation prohibiting employers from gender discrimination, is not enough to curb such a trend of women leaving employment. This is where policy like the CCFCLA becomes essential, as it develops ways of working that allow women to combine having and raising children with work. The CCFCLA provides various forms of support for combining having and raising children with work—for example, allowing workers to take childcare leave until their child turns one year of age. In other words, the main aim of the CCFCLA is to support women to remain in employment to ensure an increase in the average years of service among women. The CCFCLA also seeks to achieve work-life balance in broader terms, as it supports workers with childcare commitments and those providing long-term care to family members.

Following the introduction of comprehensive

equality of opportunity policy in the form of the EEOA, and the support for combining work and family life provided in the CCFCLA, the year 2015 saw the establishment of the Act on Promotion of Women's Active Engagement in Professional Life (hereinafter WAPA :Women's Advancement Promotion Act). While the WAPA is often seen as a policy aimed at increasing the proportion of women in managerial positions, it is, strictly speaking, a policy to encourage affirmative action, usually called "positive-action" in Japan to facilitate the participation and advancement of women in the labor market. The current WAPA obliges private enterprises with 101 or more employees, national government ministries and agencies, and local government bodies to

- (i) ascertain the state of women's participation and advancement in their company or organization and analyze the challenges.
- (ii) formulate an action plan to solve those challenges and facilitate women's participation and advancement, and disseminate the plan within the company or organization and publicly announce it to those outside of the company or organization, and
- (iii) notify the relevant prefectural labor bureau of the action plan.

Item (i) above, in particular, requires employers to ascertain the current data for the following four categories:

- 1) the percentage accounted for by women among the workers to be employed (new hires),
- 2) the gender gap in average years of service,
- 3) the state of working hours, and
- 4) the percentage of managerial positions occupied by women.

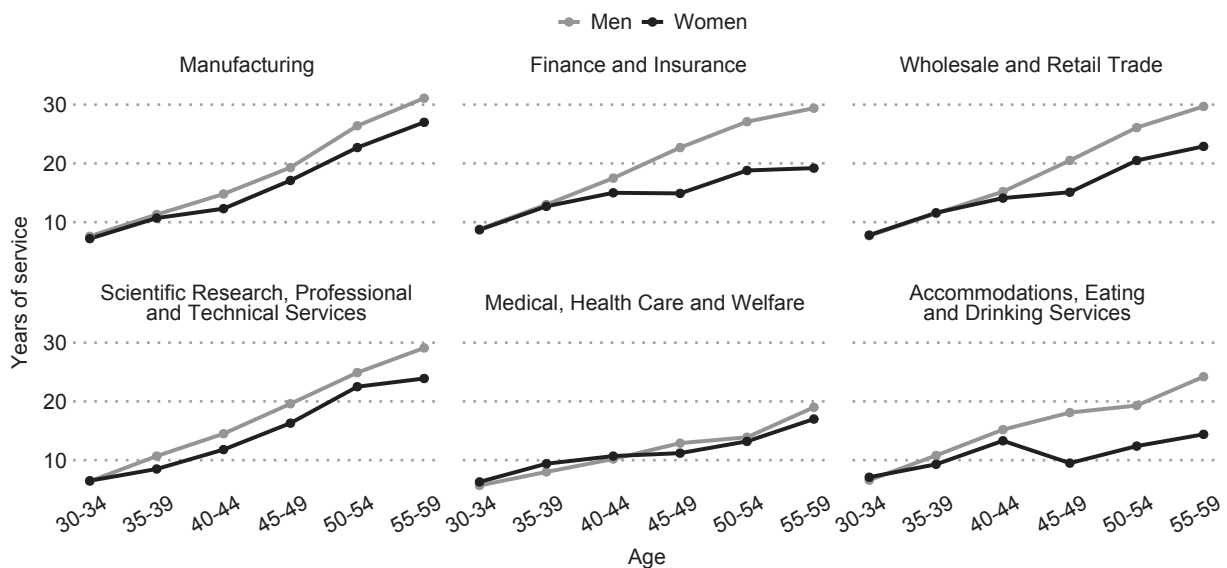
The WAPA therefore obliges enterprises to ascertain the developments in increase in years of service and eliminating the gender gap in managerial positions—the key factors behind the gender wage gap—and on that basis encourages said enterprises to take affirmative action toward women's participation and advancement.

Through such approaches, efforts are being made

across Japanese society, or labor policy if specified, to reduce the gender inequality of opportunity in the labor market. Measures are taken to support female workers to develop their long-term careers within enterprises at all stages—in the same way as their male counterparts—from improving the recruitment of women, supporting continuous employment, opportunities for education and training, and to later providing promotions to managerial positions.⁶ While such initiatives have seen some success, the present progress, in 2022, as noted at the beginning of this article, is hardly grounds for unreserved celebration. It should also be noted that the extent to which women’s participation and advancement have been achieved differs from industry to industry and it would therefore be incorrect to evaluate such progress solely based on figures for the gender wage gap for the labor market as a whole. For instance, many advanced countries have observed progress in the rise in the employment rate of women along with the development of post-industrial society—the increased dominance of the service industry—from the 1970s onward (Esping-Andersen 1999). High levels of women’s participation and advancement in

service industries related to social welfare—such as the medical, health care and welfare, and education and learning support industries—are common in Japan, as in other countries. The Japan Institute for Labour Policy and Training (2020) suggests that the current policies for women’s labor, which seek to secure in-house career development of women, may not apply well in social welfare-related service industries such as the medical, health care and welfare, and education and learning support industries, which have relatively high proportions of women workers and women in managerial positions, and in turn notes that it is important to develop frameworks for facilitating women’s participation and advancement that are suited to the circumstances of each particular industry.

It is therefore important to ascertain figures by industry for gender gaps in the years of service and percentages in managerial positions. While the data and subjects are the same as those utilized in Figure 1, for the purpose of conciseness, the focus of analysis is limited to the 30–59 age group, the principal age group of workers currently pursuing careers. The industries covered are also limited to a



Source: Created by the author using tabulated data (e-Stat data) from the MHLW’s 2021 *Basic Survey on Wage Structure*. Note: Subjects used in this figure are full-time workers who are university graduates, between 30 to 59 years of age and working at a large private enterprise with 1,000 or more employees.

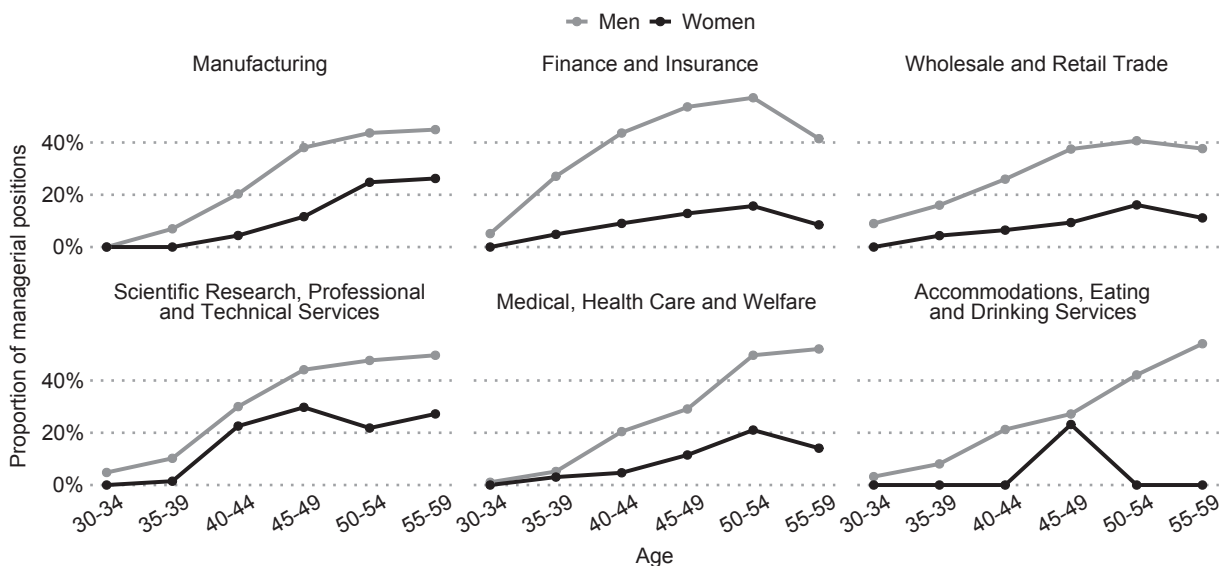
Figure 2. Gender gap in years of service by age group for each industry

total of six industries: manufacturing; finance and insurance; wholesale and retail trade; scientific research, professional and technical services; medical, health care and welfare, and accommodations, eating and drinking services.

Figure 2 shows the gender gap in average years of service by age for each industry. As years of service simply increase with age, provided low numbers of persons are leaving their employment; a gender gap in years of service indicates a difference in the percentages of those continuing in their initial employment and percentages of those leaving employment. While displaying almost no gender gap in years of service across all age groups, the medical, health care and welfare industry shows shorter years of service on the whole for both men and women compared with other industries. The manufacturing and scientific research, professional and technical services industries exhibit a similar trend, and while there is nearly no gender gap in years of service at age 30–34, the growth of years of service for women aged 35 and above is somewhat short. The other three industries show a particularly significant gender gap in years of service from age 45 onward. The

notable trend regarding years of service in the finance and insurance, wholesale and retail trade, and also accommodations, eating and drinking services industries is a considerable gender gap in years of service in the mid- to older age groups.

Figure 3 shows the gender gap in the proportions of managerial positions by age group for each industry.⁷ In all industries, the proportions of managerial positions are clearly higher for men than for women. Even in the medical, health care and welfare industry, where the gender gap in number of years of service was almost nonexistent, the gender gap in proportion of managerial positions is significant in the mid- to older age groups.⁸ While the manufacturing and scientific research and professional and technical services industries were industries with relatively small gender gaps in years of service, when it comes to proportions of managerial positions, there are significant gender gaps for the former in the 45–49 age group and for the latter in the 50–54 age group. The finance and insurance industry, which had a relatively high gender gap in years of service, has the largest gender gap for the proportion of managerial positions.



Source: Created by the author using tabulated data (e-Stat data) from the MHLW's 2021 *Basic Survey on Wage Structure*. Note: Subjects used in this figure are full-time workers who are university graduates, between 30 to 59 years of age and working at a large private enterprise with 1,000 or more employees.

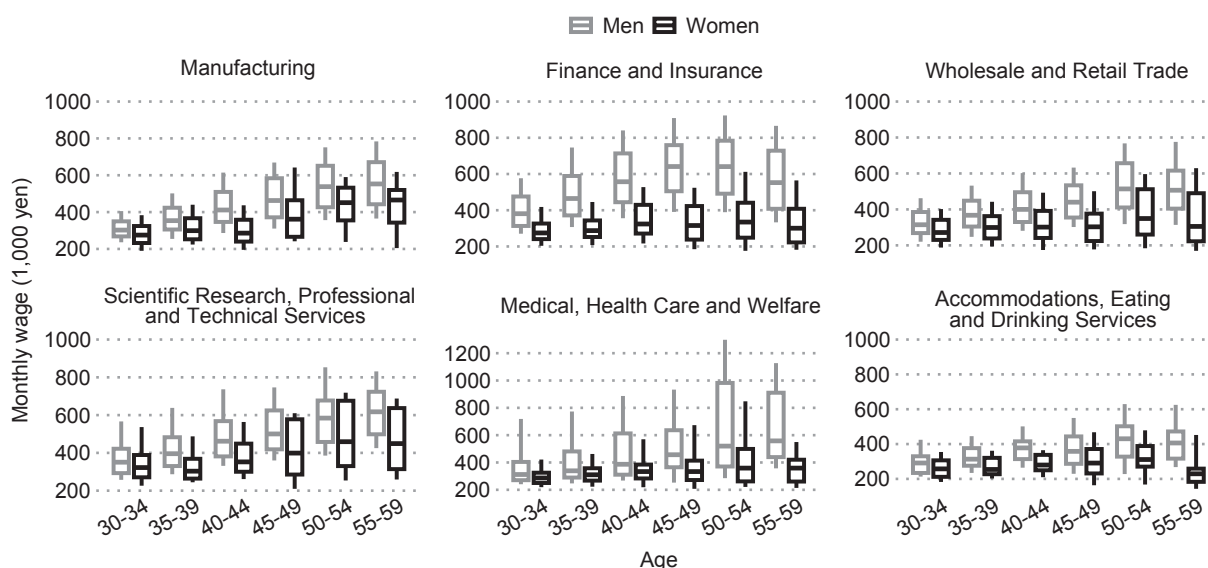
Figure 3. Gender gaps in proportion of managerial positions by age group for each industry

How does such inequality of opportunity in each industry manifest itself in the gender wage gaps in each industry? Let us address this by again drawing on tabulated data from the 2021 *Basic Survey on Wage Structure* to look at the wage curve for full-time workers who are university graduates, between 30 to 59 years of age and working at a large private enterprise with 1,000 or more employees.

As shown in Figure 4, there are significant differences in gender wage gap by industry. The most striking of these trends is in the finance and insurance industry, which has the largest gender gap in years of service and managerial positions, and where the gender wage gap is also the largest. In this industry, across almost all age groups, even the top of the wage distribution among women is lower than the bottom of the wage distribution for men, showing a significant split in wage distribution between men and women. The medical, health care and welfare industry likewise shows a distinctive gender wage gap as the top of the wage distribution for men shows an extreme increase along with age. Such a rise in the professional status of only a certain portion of men is an extreme example of the glass ceiling phenomenon.

In the scientific research, professional and technical services industry, while the top of the wage distribution shows a declining gender wage gap among the mid- to older age group, the bottom of the wage distribution for women shows little change along with age, indicating the sticky floor phenomena. The sticky floor phenomenon is also observed in the wholesale and retail trade industry. In contrast, the manufacturing industry show an increase in wages across the top, middle, and bottom of wage distribution, indicating that women receive the benefits of seniority-based wages; still, the gender wage gap is notable. Although in the accommodations, eating and drinking services industry the gender wage gap is relatively small, this is little cause for celebration given the low overall wage levels for both men and women.

As shown above, other than the finance and insurance industry—which presents the typical form of gender inequality, that is, a gender wage gap arising due to shorter years of continuous employment and lower proportions of managerial positions for women—the industries covered differ considerably in terms of the state of gender inequality. Gender



Source: Created by the author using tabulated data (e-Stat data) from the MHLW's 2021 *Basic Survey on Wage Structure*. Note: Subjects used in this figure are full-time workers who are university graduates, between 30 to 59 years of age and working at a large private enterprise with 1,000 or more employees.

Figure 4. Gender gap in the wage curve for each industry

wage gaps, and the gender inequalities of opportunity in the labor market as the mechanisms that prompt them, vary from industry to industry. Appropriate policies need to be considered in the future, taking into account the diversity of these challenges for women's participation advancement in different industries.

V. Toward further women's participation and advancement in the labor market

The provisions of Ministerial Ordinance of the WAPA was amended in July 2022: Enterprises with 301 or more employees have now also become obliged to ascertain the state of the differences in wages between men and women in their enterprises and to publicly announce such current figures. More specifically, the enterprises in question must ascertain and publish figures showing women's average wages as a percentage of men's average wages, for all workers, regularly employed workers and non-regularly employed workers respectively. These figures are, also published with a notes column for enterprises to provide supplementary explanations on the state of the gender wage gap in their enterprises. Employers are advised to use said column to provide an explanation of why such gaps arise—an employer could, for instance, provide a note indicating that their active efforts to recruit female new graduates led to a rise in the number of young women workers with low levels of wages, in turn increasing the gender wage gap.

Gender wage gaps signify a number of different issues. Rather than focusing on gender wage gaps in terms of how high or low the figures may be, it is important to understand the mechanisms that give rise to them. The government has also already called for care to be taken when publishing data on the wage differences between men and women. As seen in this article, particularly at present the stages of women's participation and advancement differ from industry to industry. Therefore, as shown by the gender gaps in years of service and managerial positions, there are various forms of gender inequality of opportunity in the labor market. The implications derived also differ depending on whether the focus is

on average wages or the top or bottom of the wage distribution. The Labor Policy Council's Committee on Employment Environments and Equal Employment, which deliberated the publication of information on the wage disparities between men and women prior to the amendment of the Ministerial Ordinance of WAPA, noted its concerns about using average wages as a basis upon which to consider such differences.⁹ The gender wage gap as an indicator should be treated as merely one of the gauges for assessing the process of reducing this inequality of opportunity.

Will the new practice of publishing data on the differences in wages between men and women further help to facilitate the participation of women in Japanese society? The first of this data on wage differences between men and women will be based on results of the first business year to end on or after July 8, 2022, and published within around three months of the start of the following business year. The impacts of this new practice of publishing data are therefore expected to start to manifest themselves in 2023 or thereafter. While taking the aforementioned concerns into account, it is crucial to closely follow these developments in enterprises in the future.

1. In this article, "full-time workers" refers to those workers described in the 2021 *Basic Survey on Wage Structure* as *ippan rōdōsha* (ordinary workers). For the survey, "ordinary workers" are defined as those workers who are not part-time workers, where "part-time worker" refers to workers who have fewer scheduled working hours per day, or who have the same scheduled working hours per day but fewer scheduled working days per week than full-time employees at the same place of business.
2. Scheduled cash earnings are the sum of the base pay and allowances (such as job-based allowance and family allowance) determined in the work rules and other such regulations. Allowances for overtime, late night work, or work on days off are excluded.
3. A box plot is a graph presenting the overall dispersion of the data using the four quartiles and the lowest and highest values. This box plot here is referred to as a "pseudo" box plot because of the fact that the 10th and 90th percentiles are used instead of the lowest and highest values. The quartiles are the positions at which the entire distribution is divided into four equal parts when the data points are arranged from lowest to highest. The first quartile represents 1/4 from the lowest figure, the second quartile (median) is 2/4 from the lowest, and the third quartile is 3/4 from the lowest. The data portrayed as a "box" is that which falls within the range from the first to the third quartile. In other words, half

of the cases from all data take values that fall within the range of this box. The dividing line in each box represents the median (the second quartile). The lines (whiskers) on either side of each box represent the range from the first quartile to the 10th percentile and from the third quartile to the 90th percentile respectively.

4. In the first quartile, this is around 200,000 yen for men, but less than 100,000 yen for women, and in the third quartile, this is around at least 400,000 yen for men, but around 250,000 yen for women.

5. Following the enactment of the Childcare Leave Act in 1991, the Childcare and Family Care Leave Act (officially entitled the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members) was enacted in 1995 to additionally include leave for providing long-term care for family members.

6. Japan's recent labor policies on women are closely connected with the policies for women spearheaded by the Cabinet Office's Gender Equality Bureau. The Gender Equality Bureau was in fact involved in the formulation of the WAPA.

7. "Proportions of managerial positions by age group" are calculated by dividing the number of people in positions at *kachō* (section heads) or equivalent and above by the total number of full-time workers for each age group respectively. Therefore, strictly speaking, this indicator differs from the percentage of women in managerial positions (calculated by dividing the number of women in positions at section heads or equivalent and above by the number of men in positions at section heads or equivalent and above) which enterprises are obliged to ascertain under the provisions of the WAPA. However, if there is an equal ratio of men to women, these two indicators mean the same. Given that the current framework for women's participation and advancement also naturally presumes the increase in the rate of employment of women, focusing on the "proportions of managerial positions by age group" would be relevant.

8. This slightly differs from the aforementioned insights of JILPT (2020). This is because the analysis in this article is limited to "university graduates working at a large private enterprise with 1,000 or more employees," and that, as noted in note 6 above, the indices adopted differ slightly.

9. The 50th *koyo kankyo kinto bunkakai* (Committee on Employment Environment and Equal Employment) of Labor Policy Council, held on June 24, 2022.

References

Employment Environment and Equal Employment Bureau of MHLW. 2021. "Reiwa 2 nen do ban hataraku josei no jitsujo" [Facts about working women, 2021 edition]. December 19,

2022. <https://www.mhlw.go.jp/bunya/koyoukintou/josei-jitsujo/21.html>.

Esping-Andersen, Gøsta. 1999. *Social Foundations of Postindustrial Economies*. Oxford: Oxford University Press.

Hara, Hiromi. 2018. "The Gender Wage Gap across the Wage Distribution in Japan: Within- and between-Establishment Effects." *Labour Economics* 53:213–229.

Ikeda, Shingo. 2019a. "Combining Work and Family Care in Japan (Part I): Why Do Women Leave Jobs at the Stage of Childbirth?" *Japan Labor Issues* 3, no.14: 17–21. <https://www.jil.go.jp/english/jli/documents/2019/014-04.pdf>.

Ikeda, Shingo. 2019b. "Combining Work and Family Care in Japan (Part II): What Is the Challenge after Reforming the Long-Term Care Leave System?" *Japan Labor Issues* 3, no.15: 18–23. <https://www.jil.go.jp/english/jli/documents/2019/015-04.pdf>.

Imada, Sachiko, and Shuichi Hirata. 1995. *Howaito kara no shoshin kozo* [Promotion structure of white-collar employees]. *Advances in Japanese Business and Economics* 22. Tokyo: JILPT.

JILPT (Japan Institute for Labour Policy and Training). 2010. *Danjo kan chingin kakusa no keizai bunseki* [Economic analysis of the gender wage gap]. JILPT research material series no.75. Tokyo: JILPT.

———. 2020. *Josei katsuyaku to ryoritsu shien ni kansuru chosa* [The survey on promotion of women's participation and advancement in the workplace and support for balancing work and family]. JILPT research series no.196. Tokyo: JILPT.

Koike, Kazuo. 1991. *Shigoto no keizaigaku* [The economics of work]. Tokyo: Toyo Keizai Shinposha.

Nishimura, Itaru. 2020a. "Wages in Japan (Part I): Why Does Japanese Wage Curve Have a Strong Seniority Element?" *Japan Labor Issues* 4, no.23: 17–21. <https://www.jil.go.jp/english/jli/documents/2020/023-04.pdf>.

———. 2020b. "Wages in Japan (Part II): Wages and Size of Company?" *Japan Labor Issues* 4, no.24: 35–39. <https://www.jil.go.jp/english/jli/documents/2020/024-06.pdf>.

———. 2020c. "Wages in Japan (Part III): Wages and Forms of Employment?" *Japan Labor Issues* 4, no.25: 22–25. <https://www.jil.go.jp/english/jli/documents/2020/025-04.pdf>.

World Economic Forum. 2022. *Global Gender Gap Report 2022*. <https://www.weforum.org/reports/global-gender-gap-report-2022/>.

Yamaguchi, Kazuo. 2019. *Gender Inequality in Japanese Workplace and Employment: Theories and Empirical Evidence*. Singapore: Springer.

TAGAMI Kota

Researcher, The Japan Institute for Labour Policy and Training.
Research interest: Industrial Sociology, Social Stratification.

<https://www.jil.go.jp/english/profile/tagami.html>

Non-Regular Employment Measures in Japan

TAKAHASHI Koji

I. Definition of non-regular employment and its presence in the Japanese-style employment system

Under Japan's labor and employment policy, *hi-seiki koyō rōdōsha* (non-regular workers) are defined as workers who fall under the category of *pāto taimu rōdōsha* (part-time workers), *yūki keiyaku rōdōsha* (fixed-term contract workers), or *haken rōdōsha* (temporary agency workers, also referred to as “dispatched workers” in laws). The Ministry of Health, Labour and Welfare (MHLW) provides estimates of the numbers (percentages) of workers in each category in the related surveys as follows. Part-time workers account for 27.3% of all employees (“General Survey on Part-time Workers,” 2016), fixed-term contract workers for 22.4% (“Survey on Fixed-Term Labor Contracts,” 2020), and temporary agency workers for 3.2% (“General Survey on Dispatched Workers,” 2017). It should be noted that we cannot make a simple sum of these percentages because there is overlap between the three categories.

Non-regular workers account for 36.7% of all employees (excluding executives) in average for January-March, 2022, according to the Ministry of Internal Affairs and Communication (MIC)'s *Labour Force Survey*. In contrast to the labor policy definition, MIC's household surveys such as the *Labour Force Survey* and *Employment Status Survey* distinguish between “regular” and “non-regular” employment based on the workplace designation, that is, how the worker's employment type is referred to at each workplace. Specifically, while regular workers are defined as those who are referred to as

seiki shokuin/jūgyōin (regular staff/employees) or fall under a similarly named employment type at their workplace, non-regular workers are defined as those referred to as *pāto* (part-time workers), *arubaito* (side-job workers)¹, *haken jigyōsho no haken shain* (temporary agency workers employed by temporary work agencies), *keiyaku shain* (contract workers), *shokutaku* (entrusted workers)², or those in “other” employment types.

While non-regular workers under labor policy and “non-regular workers” under the designation given at their workplace generally coincide, there are exceptions. Some are referred to as non-regular workers at their workplaces but treated as regular workers in labor policy. Specifically, (i) workers employed with permanent labor contracts who are referred to as part-time workers at their workplaces but in practice working full time, and (ii) full-time workers with permanent labor contracts who have switched from a fixed-term labor contracts under the legal provision called “conversion rule” (explained further below).

Regardless of how non-regular workers are defined, it is essential to remember that the presence of non-regular workers is inseparably linked with Japan's employment system. Namely, under the Japanese-style employment system—often characterized by regular workers whose employment arrangements are long term allowing them to receive training by being gradually entrusted with more advanced tasks over time, non-regular workers have been used for jobs that involve supplementary tasks with less stability compared to regular workers. In academic contexts, the difference is expressed as

regular workers being members of their workplace while non-regular workers being non-members.

II. Trends in the numbers and typical industries of non-regular workers

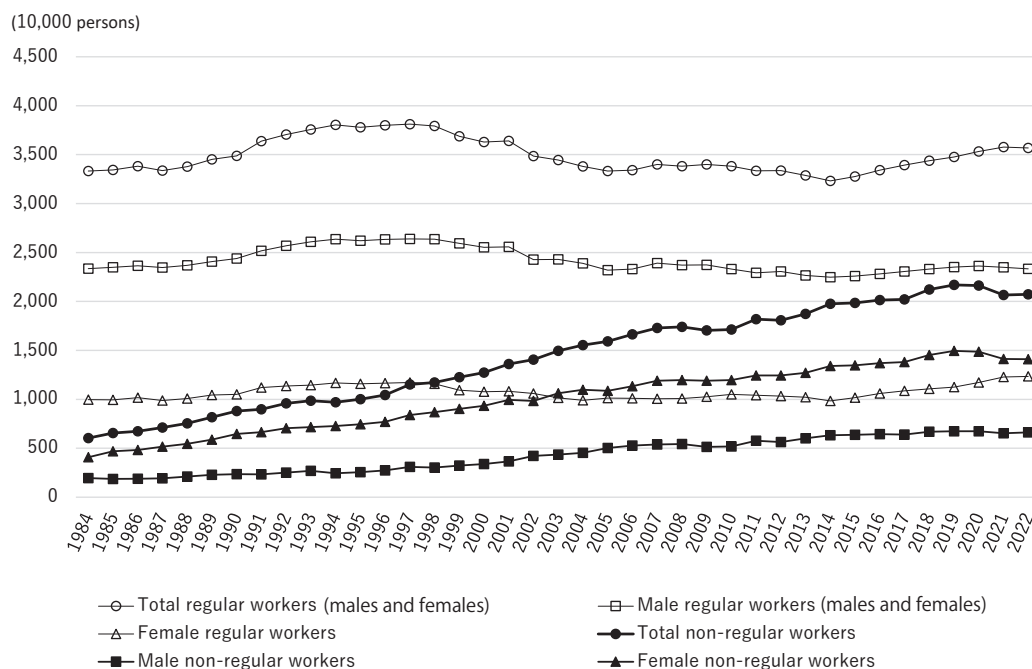
Figure 1 presents the trends in the numbers of regular and non-regular workers. It shows that regular workers in number peaked in the late 1990s, declined over a long period in the 2000s, and have subsequently been on the increase since 2015. The number of non-regular workers, on the other hand, has been rising almost consistently for 40 years. Closer examination reveals that there were two periods in which the number of non-regular workers were on the decline: firstly, in 2009 during the recession prompted by the global financial crisis, and secondly, during the recession that accompanied the COVID-19 pandemic in 2020–2021. It is typical for

non-regular employment to decline during periods of recession.

Let us look at the numbers by industry along with the percentages of non-regular workers among all employees. The absolute number of non-regular workers is high in the “wholesale and retail trade,” “medical, healthcare and welfare,” and “manufacturing,” while the percentage of non-regular workers is high in the “accommodations, eating and drinking services” (hereinafter, “accommodation and food services”) and “living-related and personal services and amusement service” (Figure 2).

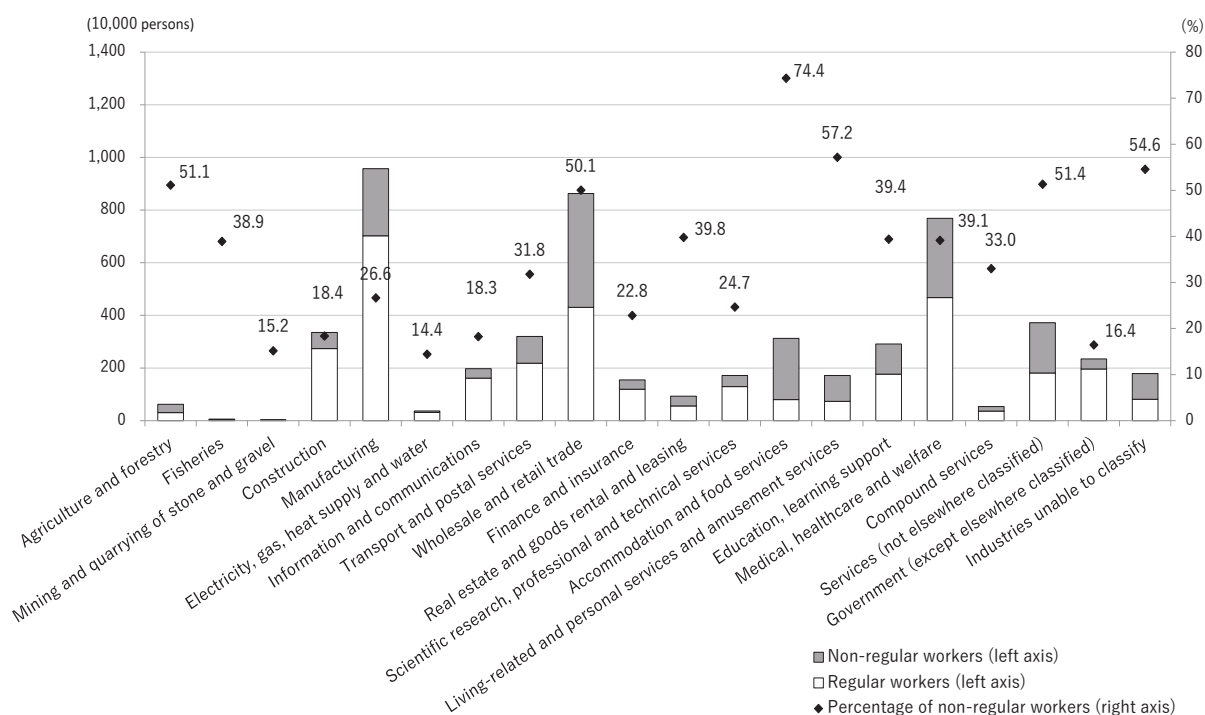
III. Utilization of non-regular workers

Table 1 shows the trends in the reasons for which enterprises use non-regular workers. Though caution is required when interpreting the data due to the



Sources: Data for 2002 onward are from the *Labour Force Survey* (Detailed Tabulation), and data for 2001 and earlier are from the *Special Survey of the Labour Force Survey* (both MIC).
Notes: 1. Figures for 2002 onward are averages for January–March.
2. Figures for 2001 and earlier are figures for February.

Figure 1. Trends in the numbers of regular and non-regular workers



Source: 2017 Employment Status Survey (MIC).

Note: The denominator used for calculating the percentages of non-regular workers is the sum of regular workers and non-regular workers.

Figure 2. Numbers of regular and non-regular workers by industry and percentages of non-regular workers

Table 1. Trends in the reasons for utilizing non-regular workers

	(%)						
	1994	1999	2003	2007	2010	2014	2019
	MA	MA	Up to three	Up to three	MA	MA	MA
Unable to recruit regular workers	21.5	11.6	20.1	22.0	17.8	27.2	38.1
To allow regular workers to specialize in important work	-	15.8	15.4	16.8	17.3	22.6	24.7
To handle specialized tasks	22.5	23.8	23.1	24.3	23.9	28.4	29.3
To hire industry-ready talent with experience and expertise	13.2	23.7	26.3	25.9	24.4	30.7	30.9
To adjust workforce in response to economic fluctuation	21.5	30.7	26.5	21.1	22.9	19.9	15.1
To meet extended business hours	17.0	20.6	18.1	18.9	20.2	20.2	20.3
To accommodate fluctuations in the amount of work on a daily or weekly basis	29.1	29.6	28.0	31.8	33.9	32.9	31.7
To meet temporary or seasonal changes in demand	20.1	23.0	17.6	16.6	19.1	20.7	20.6
To reduce personnel costs	46.1	61.0	-	-	-	-	-
To reduce wage costs	-	-	51.7	40.8	43.8	38.6	31.1
To reduce labor costs other than wages	-	-	22.5	21.1	27.4	22.4	17.2
As a means of reemploying older workers after retirement	10.2	10.3	14.2	18.9	22.9	26.8	29.0
As a substitute for regular workers on childcare or family care leave	-	6.2	3.0	2.6	6.7	10.3	11.2
Others	12.5	9.9	3.8	14.1	8.1	9.0	12.5

Source: MHLW, "General Survey on Diversified Types of Employment."

Note: Figures in bold are the three highest figures for each year. MA stands for multiple answers.

multiple answer question styles that differ depending on the survey year, several insights can be drawn from the table. First, the percentage of enterprises that utilize non-regular workers in order to reduce personnel and wage costs was formerly extremely high and is gradually declining. Second, the percentage of “to adjust their workforce in response to economic fluctuations” was high around the year 2000 but has also been decreasing since then. Third, the percentage of “to accommodate fluctuations in the amount of work according to the time of the day or day of the week” has been always at around 30%. Fourth, in recent years a prominently high percentage of enterprises have been utilizing non-regular workers due to being “unable to recruit regular workers.”

While not included in the table, a close look at data on enterprises’ reasons for utilizing non-regular workers around the year 2000 shows that the utilization of part-time workers, in particular, was often aimed at reducing personnel and wage costs, while that of temporary agency workers was commonly a means of adjusting workforce in response to economic fluctuations.

IV. Issues to discuss

The situations or reasons for enterprises to utilize non-regular workers are changing over time as shown by the data above. Particularly around the year 2000, enterprises often utilized them to reduce personnel costs and adjust workforces. It was also around this time that the number of regular workers declined and that of non-regular workers rapidly increased. In fact, non-regular workers utilization in said period had a serious impact on such workers’ professional and private lives and in turn for society as a whole. Specifically, the following situations and impact are the issues to discuss.

Firstly, following the collapse of Japan’s bubble economy, particularly since the late 1990s, there was an increase in the number of “involuntary non-regular workers,” who have failed to find regular employment and entered non-regular employment involuntarily. It is widely known that there are a large

number of such workers among male and young workers. Although the number of involuntary non-regular workers has been on the decline since the *Labour Force Survey* began tracking them in 2013, their existence remains the most fundamental issue that should not be overlooked among those surrounding non-regular employment.

Secondly, many non-regular workers have been struggling with a lack of job security. In the recession prompted by the 2008–2009 global financial crisis, vast numbers of non-regular workers in the manufacturing workplaces had their contracts terminated. There were those for whom this meant simultaneously losing their jobs and the company-subsidized housing at the same time, rendering them homeless. This quickly led to greater public awareness of non-regular employment as social issues. The COVID-19 pandemic also saw significant numbers of non-regular workers lose their employment due to termination or non-renewal of their contracts.

Thirdly, as non-regular workers were typically engaged in supplementary tasks, they struggled to make progress along their career paths even if they remained in a job long term. Even those engaged in the same tasks as regular workers often faced disparities in treatment for various reasons. Among non-regular workers, female part-time workers had a particular tendency to be working for low wages.

Fourthly, until recently, many non-regular workers have been ineligible for employment insurance and social insurance (workers’ pension insurance and health insurance), such that they lacked a sufficient safety net in case of job loss, illness, or old age.

V. Countermeasures

1. Overview

As established above, it was around the year 2000 that enterprises were utilizing non-regular workers to reduce personnel costs or to adjust their workforces, and also that the labor market as a whole was experiencing a decline in regular workers and a rapid increase in non-regular workers. As a matter of

fact, this was a period in which the regulations on non-regular workers utilization were relaxed. This included steps such as raising the upper limit on the fixed-term labor contract periods and broadening the types of work for which temporary agency workers could be used. See the attached chronological table for laws, policies, and trends in labor market related to non-regular employment in Japan (Table 2).

However, the growing public discontent toward the striking *kakusa shakai* (social disparity), as represented by the gap between regular and non-regular employment, prompted the Liberal Democratic Party (LDP) administration to begin to lay out policies for the protection of non-regular workers from around 2005 onward. Particularly, this entailed the 2007 revision of the Minimum Wage Act, which accelerated the raising of the minimum wage, and, likewise in the same year, the introduction of the principles of “equal treatment” (prohibition of less favorable treatment) and “balanced or proportional treatment” between regular workers and part-time workers under the revision of the Part-Time Workers Act (formally, the Act on Improvement, etc. of Employment Management for Part-Time Workers).

Democratic Party of Japan (DPJ) administration from 2009 to 2012 further tightened regulations regarding part-time work, fixed-term labor contracts, and temporary agency work. Upon returning to government at the end of 2012, the LDP administration focused even greater efforts toward stabilizing the employment and improving the treatment of non-regular workers, in light of the growing serious labor shortages. The overall culmination of these efforts was the enactment of the 2018 Work Style Reform Act (formally, the Act on the Arrangement of Related Acts to Promote Work Style Reform), a comprehensive legal package with proposed amendments to a total of eight laws. It prescribed the revision of the Part-Time Workers Act under the new title of the Part-Time and Fixed-Term Workers Act (formally, the Act on Improvement of Personnel Management and Conversion of Employment Status for Part-Time Workers and Fixed-Term Workers), and revision of the Worker Dispatching Act (formally, the Act on Securing the Proper Operation of Worker

Dispatching Businesses and Protecting Dispatched Workers, hereinafter WDA).

While the period around the year 2000 saw efforts to push forward with the deregulation of non-regular employment utilization, the policies began to be introduced toward tightening regulations generally from around 2005. Although the principles behind the policies have changed slightly amid the shifting political circumstances by the changes of government, the protection of non-regular workers (tightening regulations) has remained the fundamental direction of policy since then.

2. Specific policy measures

Let us now examine the specific policy measures and their impacts along with the aforementioned four issues (see IV above) for non-regular workers utilization.

Firstly, the involuntary non-regular workers, whether part-time workers, fixed-term contract workers, or temporary agency workers, increased largely among men and young people. To respond to the rise in the number of such workers, many measures were adopted to facilitate conversions from non-regular employment to regular employment. These included promoting the use of schemes such as the subsidy for career advancement³, the job-card system⁴, and the trial employment subsidy program⁵ as well as the formulation of MHLW’s “Plan for Promoting Conversions to Regular Employment and the Improvement of Conditions for Non-Regular Workers” in 2016. Efforts were also made to promote the establishment of an employment category called *tayō na seishain* (diverse regular workers) and to try to utilize this new category as a destination for non-regular workers to be converted, which is a form of regular employment with restrictions on terms and conditions of employment such as place of work (preventing the possibility of personnel transfers requiring relocation) or the types of work that they engage in. While it is unclear to what extent such policies were effective, the number of regular workers has been on the increase since 2015.

Secondly, the aforementioned conversion rule was introduced under the 2012 revision of the Labor

Table 2. Chronological table for non-regular employment in Japan

Year	Developments in labor law and labor policy	Labor market conditions	Political, economic and social situations
1985	Worker Dispatching Act enacted		
1986			
1987			
1988			
1989			
1990		The share of non-regular workers exceeded 20% of all employees.	
1991			Burst of the economic bubble
1992			
1993	Part-Time Workers Act enacted		Nikkeiren "Employment Portfolio" report released
1994			
1995			
1996	Expansion of the types of work performed by temporary agency workers was carried out (from 16 types to 26 types of work).		
1997			Collapse of major financial institutions, Asian currency crisis
1998	Labor Standards Act amended (extension of the maximum period of fixed-term labor contract to three years (as a special measure))	The number of regular workers took a downward turn.	
1999	Worker Dispatching Act amended (liberalization, in principle, of the types of work for temporary agency workers was carried out)		
2000			
2001			Burst of the information-technology bubble
2002		The share of non-regular workers exceeded 30% of all employees.	
2003	Labor Standards Act amended (extension of the maximum period of fixed-term labor contract to three years in principle and five years as a special measure) Worker Dispatching Act amended (lifting the ban on sending temporary agency workers to manufacturing operations; extension of the period for which temporary agency workers work)		
2004			
2005			
2006			
2007	Labor Contract Act enacted Minimum Wage Act amended Part-Time Workers Act amended (introduction of the principles of equal treatment and balanced or proportional treatment)		
2008		A large number of temporary agency workers lost jobs. The number of non-regular workers declined from 2008.	Global financial crisis
2009			
2010	Employment Insurance Act amended (expansion of coverage)		
2011			
2012	Labor Contract Act amended (introduction of the rule of converting a fixed-term contract to a permanent contract; prohibition of unreasonable difference in treatment between workers under fixed-term contract and workers under permanent contract) Worker Dispatching Act amended (prohibition of dispatching day workers; obligation to give due consideration to balanced or proportional treatment between temporary agency workers and client's regular workers) Expansion of social insurance coverage (relaxing of the requirement of working hours from 30 hours or more to 20 hours or more)	Baby boomers reached the age of 65 and started to retire.	Great East Japan Earthquake
2013			
2014	Part-Time Workers Act amended		
2015	Worker Dispatching Act amended (measures for ensuring employment security, measures for promoting career development)	The number of regular workers took an upward turn.	
2016	"Plan for Promoting Conversions to Regular Employment and the Improvement of Conditions for Non-Regular Workers" compiled		
2017			
2018	Work Style Reform Act enacted (Part-Time Workers Act amended and renamed; Worker Dispatching Act amended)		
2019			
2020		The number of non-regular workers declined from 2019.	Emergence of COVID-19 pandemic
2021		The number of non-regular workers declined from 2020.	
2022			

Age of deregulation

Labor shortage becoming serious

Employment ice age

Dissatisfaction with social disparity

Business upturn

Economic disturbance

DP-led government

Source: Prepared by the author.

Contracts Act, to ensure job stability for fixed-term contract workers. Under this rule, fixed-term contract workers whose contracts had been repeatedly renewed for a total of at least five years became entitled to have their contract converted to a permanent contract upon their request. The conversion rule has been criticized because many fixed-term contract workers are unaware that it even exists. However, the MIC's *Labour Force Survey* confirms some policy effects (decline in the number of fixed-term contract workers and increase in that of permanent contract workers).

Thirdly, the revisions of laws were implemented to rectify disparities in treatment between regular and non-regular workers. For part-time workers, the 2007 revision to the Part-Time Workers Act (originally enacted in 1993) allowed for the introduction of the principles of equal treatment and balanced or proportional treatment with regular workers. These principles were further strengthened with the subsequent revision and renaming of said act, which led to the enactment of the Part-Time and Fixed-Term Workers Act in 2018. For fixed-term contract workers, the 2012 revision to the Labor Contracts Act saw the introduction of the balanced or proportional treatment principle with permanent contract workers. Building upon this, the 2018 Part-Time and Fixed-Term Workers Act determined the strengthened principles of equal treatment and balanced or proportional treatment with regular workers. For temporary agency workers, the 2018 revision to the WDA also prohibited unreasonable disparities in treatment with regular workers (using two methods, touched on 3 below). As the impacts of such revisions of laws are anticipated to gradually reveal themselves in the form of individual enterprises' initiatives to revise wage scale and wage structure, immediate elimination of disparities in treatment between regular workers and non-regular workers are less expected. However, statistical analysis by the MHLW has ascertained some impacts of this policy such as the reduction in the gap in hourly wages between regular and non-regular workers (MHLW 2023). In addition to the above revisions of laws, the raising of the minimum wage

from 2007 onward under the 2007 revision to the Minimum Wage Act is also thought to have affected the treatment (wages) of non-regular workers.

Fourthly, while the safety nets for non-regular workers were formerly insufficient, the number of non-regular workers covered by safety nets increased with the relaxation of eligibility criterion for employment insurance and social insurance (workers' pension insurance and health insurance) in the 2010s. In 2010, the eligibility criteria for employment insurance were changed, reducing *koyo mikomi kikan* (the expected period of employment) required from six months to at least 31 days. Subsequently, in 2012, the social insurance system saw change in eligibility criteria of the prescribed weekly working hours from at least 30 hours to at least 20 hours. Though such safety nets may not yet extend to all non-regular workers, there are ongoing discussions to explore their extension.

3. Temporary agency work

In Japan, temporary agency work has several noteworthy developments in policy measures particularly given that it is a category covered in its own specific legislation. It was legalized with the enactment of the WDA in 1985. The number of temporary agency workers rose rapidly thereafter, with relaxations in regulations in 1999 and 2003 revision, which expanded the types of work and the period for which they could be dispatched. However, as a result of the global financial crisis, vast numbers of these workers lost their jobs in around 2008–2009, and public pressure led to a series of revision of laws aimed at protecting them by tightening regulations. The 2012 revision introduced the obligation for the temporary work agency to give due consideration to the balanced or proportional treatment with the regular workers of client enterprises, in addition to the prohibition against, in principle, sending a temporary agency worker under a daily employment contract. The 2015 revision tightened measures for their job security and introduced career development measures.

In 2018, the revision to the WDA prohibited unreasonable disparities in treatment between

temporary agency workers and regular workers at client enterprises. The revised law has presented two approaches for enterprises, stipulating the principle of (1) method of equal treatment and balanced or proportional treatment with the client's regular workers while also allowing the option of (2) method of "appropriate" treatment based on the labor-management agreement at the temporary work agencies.

VI. Will labor shortages and tighter regulations resolve the issues?

The labor shortages and trend toward tightening of regulations in recent years have served as a tailwind accelerating the improvement of working conditions for non-regular workers. Will riding on this trend allow the issues concerning non-regular workers to be resolved?

Firstly, the *Labour Force Survey* shows that the number of involuntary non-regular workers has declined, from 3.41 million persons in 2013, to 2.10 million in 2022. With the increasing sense of a shortage of regular workers, those involuntary non-regular workers with the desire and ability may have been gradually converting their form of employment to regular employment. This does not mean, however, that those workers receive sufficient treatment. As we established above, the existence of involuntary non-regular workers is the most fundamental issue of non-regular employment. Those workers receive lower wages in comparison with those who become regular workers upon being hired as new graduates (Lee 2012). In addition, women who convert to regular employment have a high turnover rate, which may to some extent be due to the fact that they are employed in low-level jobs after conversion (Takahashi 2017). It is necessary for the government and researchers to cooperate to closely observe whether such conversion actually leads to a real improvement in working conditions.

Secondly, the enactment of the Work Style Reform Act in 2018 reinforced the principle that part-time workers or fixed-term contract workers should receive equal and balanced or proportional

treatment to that received by regular workers. The treatment of temporary agency workers was also addressed by prohibiting unreasonable disparities in treatment with that of regular workers. These legal reforms may possibly have somewhat reduced the disparity in treatment between regular and non-regular workers.

However, the large majority of non-regular workers are engaged in work duties that are at lower level in comparison with regular workers. As the legal regulations prescribe that wages be determined on the basis of the level of work duties, the wages of non-regular workers are unlikely to rise significantly as long as the level of work duties does not increase. Thus, the next challenge to eliminate the disparity in treatment is ensuring that non-regular workers are able to progress along their career paths.

Thirdly, the series of steps to tighten regulations—such as the conversion rule introduced in 2012 and the Work Style Reform Act enacted in 2018—have raised the bar for enterprises using non-regular workers. This may prompt enterprises to decrease their non-regular workforce and expand their regular workforce. The number of regular workers has in fact been on the increase since 2015.

At the same time, enterprises may seek to draw on new forms of employment that are even beyond the bounds of employment. That is, using workers such as freelancers or platform workers, whose work is often not covered by the regulations of labor laws. We must continue to closely follow how work is conducted in practice outside the bounds of employment.

1. *Arubaito* (side-job workers) typically means students or homemakers working temporarily.
2. *Shokutaku* (entrusted workers) typically refers to workers who have been reemployed after reaching mandatory retirement.
3. The Career Advancement Subsidy provides subsidies to companies that improve the treatment of non-regular workers such as fixed-term workers, part-time workers, and temporary agency workers, by converting them to regular workers or establishing new wage rules and benefits.
4. The Job-Card framework summarizes (i) an individual's academic background and personal information, (ii) work experience, and (iii) qualifications and certificates, including training, learning records (with training outcome evaluations, if available), and job performance evaluations, in three types of

guided sheets. The MHLW has been promoting the use of this system providing a website (<https://www.job-card.mhlw.go.jp/>) to help individuals fill out their Cards.

5. Trial employment is a system that helps people who have difficulty finding a job because of lack of work experience or who wish to work in a profession but have no previous experience, for their transition to regular employment after three months of trial employment. During the trial period, the employer would receive a certain amount of money as a trial employment subsidy. At the end of the trial under a temporary contract, if both the company and the person (probationer) agree, the company hires the person as a regular worker. According to data from the MHLW, approximately 70% of those who completed the trial have been transitioned to regular employment.

References

MHLW (Ministry of Health, Labour and Welfare). 2023. “Doitsu rodo doitsu chingin no koka kensho” [Verifying the effects of equal pay for equal work]. Accessed January 31, 2023. <https://www.mhlw.go.jp/content/001036329.pdf>.

Lee, Qingya. 2012. “Seishain tenkan to sono go no kadai” [Conversion from non-regular to regular employment and the subsequent challenges]. In *Hiseiki shugyo no jittai to sono seisaku kadai: Hiseiki koyo to kyaria keisei, kinko, kinto taigu o chushin ni* [The realities of non-regular employment and its related policy challenges: With a focus on career development and equal treatment and balanced or proportional treatment in non-regular employment], Project Research Series no.3 on the JILPT 2nd-term Project, edited by JILPT, 245–267. Tokyo: JILPT (Japan Institute for Labour Policy and Training).

Takahashi, Koji. 2017. “Tenshoku ni yoru seishain tenkan to koyo no ante” [Conversion from non-regular to regular employment by changing jobs and its impact on employment stability]. In *Hiseiki koyo no taigusa kaisho ni mukete* [Eliminating the disparity in treatment between regular and non-regular workers]. Project Research Series no.1 on the JILPT 3-rd-term Project, edited by JILPT, 164–190. Tokyo: JILPT.

TAKAHASHI Koji

Senior Researcher, The Japan Institute for Labour Policy and Training. Research interest: Non-regular employment.

<https://www.jil.go.jp/english/profile/takahashi.html>



Changes in Japanese Policies for Accepting Foreign Workers for the Purpose of Compensating for Labor Shortage

YAMAGUCHI Rui

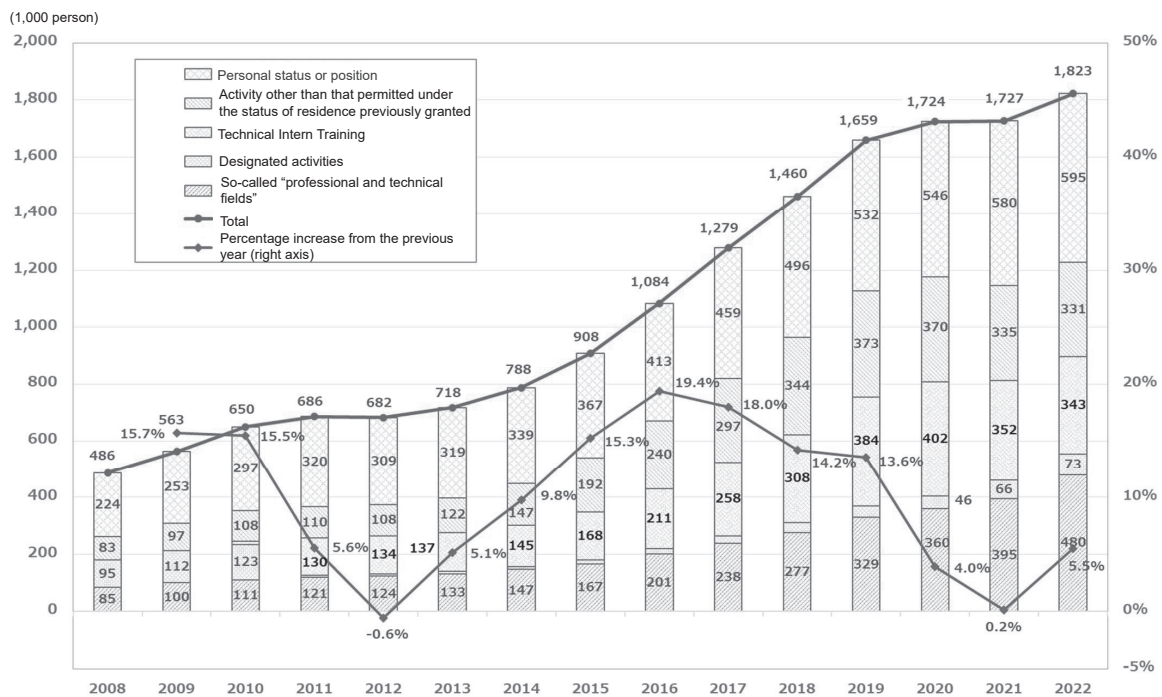
In April 2019, the Specified Skilled Worker System was launched with the aim of accepting foreign workers in order to compensate for serious labor shortage. The mechanism and the developments leading to the launch of this system are detailed in Hamaguchi (2019). One of the issues regarding the policies for accepting foreign workers that have still been under discussion is the positioning of the Technical Intern Training Program and whether or not to maintain this. The program, which originally aims to make international contributions through human resource development, substantially functions as a contact point for accepting foreign workers temporarily. It was not until April 2023 that a future vision became visible with regard to national policies for accepting foreign workers for compensating for labor shortage, from discussions at the Advisory Panel of Experts on Ideal Form of Technical Intern Training Program and Specified Skilled Worker established by the government. This article first overviews the current status of acceptance of foreign workers based on official statistics, then introduces the recommendations made by the Advisory Panel, explaining the meaning thereof and further making reference to the remaining problems.

1. Changes in the number of foreign workers

In Japan, all employers are required with file a notification to *Hello Work* (public employment security offices) on each occasion they hire a foreign national and a foreign employee resigns. Figure 1 shows changes in the number of foreign workers by

major status of residence based on the statistical data, “Situation of Notifications on ‘the Employment Status of Foreign Nationals,’” that the Ministry of Health, Labour and Welfare publishes every year. The number of foreign workers, which was approximately 486,000 in 2008, has increased rapidly since the mid-2010s. In recent years, the increase slowed due to the spread of COVID-19, but the number of foreign workers reached 1,823,000 in 2022, hitting a record high. The number doubled from that in 2015.

Looking at the recent trend in the number of foreign workers by status of residence, a decrease is observed in those with the status for “Technical Intern Training” and those who have obtained permission to engage in an “activity other than that permitted under the status of residence previously granted,” which includes part-time jobs that many foreign students engage in. The decrease in the number of those with these statuses of residence is considered to have been caused by strict restrictions on entry into Japan due to COVID-19. On the other hand, an increase has been observed in recent years as well in those permitted based on “personal status or position,” those permitted for so-called “professional and technical fields,” and those permitted for “designated activities.” Until 2010, the “designated activity” cases had included foreign nationals, corresponding to those in their second or third year of technical intern training as defined based on the current definition. Now, former students who are currently seeking jobs or other various foreign nationals are included, as are some Technical Intern Trainees who could not return home amid the



Source: Ministry of Health, Labour and Welfare, *Notification of the Situation of Employment Status of Foreign Workers* (2022).

Figure 1. Changes in the number of foreign workers by status of residence

pandemic but continued to stay in Japan by obtaining this status of residence. “Specified Skilled Workers,” which are detailed in the following section, are also included in the category of “professional and technical fields.” According to the aforementioned statistical data, the number of Specified Skilled Workers was 79,000 in 2022.

2. Current status of acceptance of specified skilled workers

The newly established status of residence “Specified Skilled Workers” has two categories. Specified Skilled Workers Type 1 are permitted to engage in work that requires a considerable level of knowledge or experience, and Specified Skilled Workers Type 2 are permitted to engage in work that requires expert skills. Specified Skilled Workers Type 1 are accepted in 12 specified industry fields,¹ while Specified Skilled Workers Type 2 are accepted in only two industry fields: construction and

shipbuilding and ship machinery.

According to the statistical data (preliminary figures) published by the Immigration Services Agency, which is an extra-ministerial bureau of the Ministry of Justice, as of the end of December 2022, 130,915 foreign nationals were registered as Specified Skilled Worker Type 1, and eight as Type 2 (Table 1). The total of 345,150 Specified Skilled Workers to be accepted (the maximum number in the coming five years) were projected upon the launch of the Specified Skilled Worker System. The number of Specified Skilled Workers at present is far below the projected number but has reached around one-third of that of Technical Intern Trainees.

The number of Specified Skilled Workers Type 1 is the largest in the field of manufacture of food and beverages, which accounts for one-third of the total, followed by the integrated field of machine parts and tooling, industrial machinery, and electric/electronics and information, then agriculture, nursing care, and construction.

Table 1. Number of Specified Skilled Workers Type 1 by specified industry field and by route of acceptance; as of the end of December 2022

	Total	Through Specified Skilled Worker Tests	Through satisfactory completion of Technical Intern Training	Through National Trade Skill Tests	Through completion of training at a training institution for Certified Care Workers	Through becoming an EPA Certified Care Worker Candidate
Total	130,915 100.0	34,078 26.0	96,356 73.6	207 0.2	1 0.0	273 0.2
Nursing care	16,081 100.0	12,999 80.8	2,808 17.5	—	1 0.0	273 1.7
Building cleaning management	1,867 100.0	507 27.2	1,360 72.8	—	—	—
Machine parts and tooling; industrial machinery, and electric/electronics and information	27,725 100.0	601 2.2	27,124 97.8	—	—	—
Construction	12,768 100.0	275 2.2	12,301 96.3	192 1.5	—	—
Shipbuilding and ship machinery	4,602 100.0	30 0.7	4,572 99.3	0 0.0	—	—
Automobile repair and maintenance	1,738 100.0	239 13.8	1,484 85.4	15 0.9	—	—
Aviation	167 100.0	167 100.0	0 0.0	—	—	—
Accommodation	206 100.0	199 96.6	7 3.4	—	—	—
Agriculture	16,459 100.0	4,491 27.3	11,968 72.7	—	—	—
Fishery and aquaculture	1,638 100.0	97 5.9	1,541 94.1	—	—	—
Manufacture of food and beverages	42,505 100.0	9,463 22.3	33,042 77.7	—	—	—
Food service	5,159 100.0	5,010 97.1	149 2.9	—	—	—

Source: Ministry of Justice, “Report on the Number of Specified Skilled Workers (Preliminary Figures).” https://www.moj.go.jp/isa/policies/ssw/nyuukokukanri07_00215.html [in Japanese]

By route of acceptance, those accepted through “satisfactory completion of Technical Intern Training” accounted for 73.6%, and those accepted through “Specified Skilled Worker Tests” (referred to as “SSW Tests” hereafter) accounted for 26.0%. Technical Intern Trainees receive training for three years: the first year for the acquisition of skills and the second and third years for the enhancement of skills. The route through Technical Intern Training in Table 1 refers to cases where foreign nationals completed Technical Intern Training Type 2 or Type 3 and found jobs as a Specified Skilled Worker Type 1 in specified industry fields linked to individual job

categories for which they received technical intern training. The route through “SSW Tests” refers to cases where foreign nationals find jobs through passing tests conducted in individual specified industry fields. Those taking SSW Tests include foreign nationals who completed technical intern training but seek jobs in fields other than those for which they received training; foreign students who would like to find jobs in Japan after graduation; and foreign nationals who came to Japan for the first time as a Specified Skilled Worker Type 1 to find jobs.

Foreign nationals accepted through these two routes are roughly divided into three groups by

specific industry fields: (1) a group of foreign nationals, over 90% of whom were accepted through Technical Intern Training in the following fields: machine parts and tooling, industrial machinery, and electric/electronics and information; construction; shipbuilding and ship machinery, and fishery and aquaculture; (2) a group of foreign nationals, 70% to 80% of whom were accepted through Technical Intern Training in the following fields: building cleaning management; automobile repair and maintenance; agriculture, and manufacture of food and beverages, and (3) a group in which the percentage of those who were accepted through SSW Tests is higher in the following fields: nursing care; aviation; accommodation, and food service.

3. Renovating the Technical Intern Training Program? —Direction of future changes presented by the experts

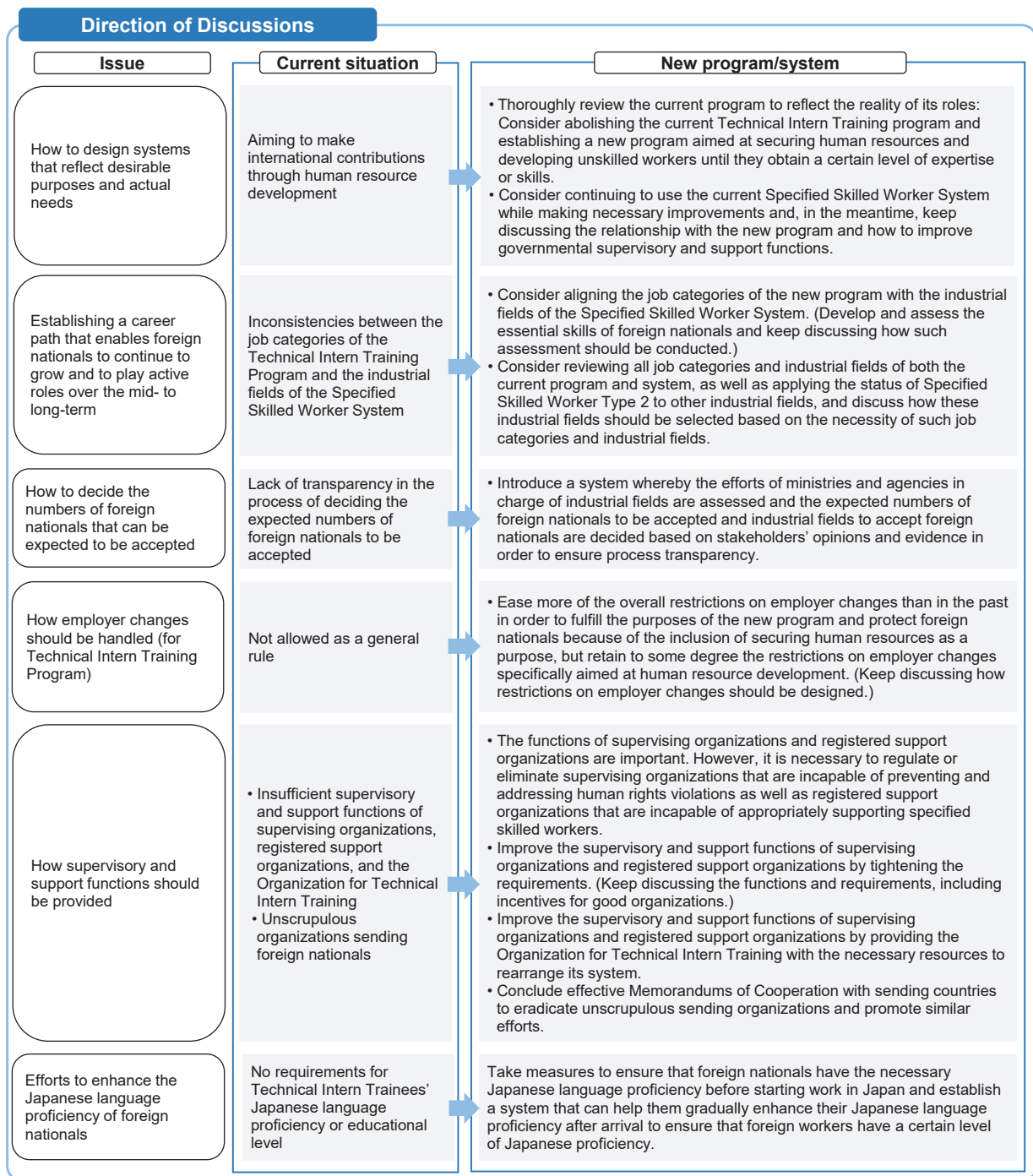
Pursuant to the supplementary provisions of the amended Immigration Control and Refugee Recognition Act of 2018, which provide for the Technical Intern Training Program and the Specified Skilled Worker System, the Advisory Panel of Experts has held meetings on ideal forms of the program and system since November 2022. At the panel, relevant data, trends in other countries, and the opinions of diverse stakeholders were introduced. This article introduces the content of the draft interim report published in April 2023, which was the latest material at the point of writing this article, and examines its meaning. As relevant ministries and agencies are to have further discussions based on the advisors' report, it should be noted that the following are not the government's final decisions.

Figure 2 shows the summary of the published draft interim report. The most important point here is that the Advisory Panel recommended abolishing the current Technical Intern Training Program and establishing a new program. This would change the Technical Intern Training Program on the one hand but still keep it the same on the other. The original nature of the Technical Intern Training Program was to develop human resources for the benefit of sending

countries, with the aim of increasing Japan's international contributions. In contrast, the new program aims to develop and secure human resources. Although the objective of developing human resources will be shared between the current program and the new program, the current program's objective of international contributions will be replaced with securing human resources by the new program. Particular attention should be paid to the fact that this substitution would officially place the new program under the Specified Skilled Worker System. Therefore, the Specified Skilled Worker System should be redesigned so that foreign workers trained under the new program can smoothly shift to the system. Additionally, encouraging foreign nationals to improve their Japanese language proficiency will be more important, as it will help them enhance their vocational skills and fit the needs of the Japanese labor market.

The government of Japan has taken a cautious stance on the acceptance of foreign nationals who engage in so-called "menial jobs." However, in reality, Japanese-Brazilians and other long-term residents have engaged in jobs that do not require specific skills or experience, and the Technical Intern Training Program has substantially served as a contact point for accepting those foreign nationals. The program has thus, for the last 30 years, provided labor to small- and medium-sized enterprises or some industries facing difficulties in hiring Japanese workers, or has been utilized as a special category of policy for securing non-regular employment where foreign workers' temporary retention at workplaces can be expected.

In contrast, the new program to be established is positioned as a contact point for accepting foreign workers for compensating for labor shortage. Under this program, many of the foreign workers coming to Japan for the first time will engage in jobs that they can do without specific skills. A certain number of employers will welcome this. At the same time, the new program, which also has the objective of developing human resources, is placed under the Specified Skilled Worker System and will encourage foreign workers to experience higher-level jobs



Source: Immigration Services Agency, "The draft interim report (summary)" of the Advisory Panel of Experts on Ideal Form of Technical Intern Training Program and Specified Skilled Worker System (materials for 7th meeting, April 28, 2023). <https://www.moj.go.jp/isa/content/001395223.pdf> [in Japanese].

Figure 2. Direction of discussions (draft)

instead of continuously engaging in jobs that do not require specific skills or experience. In short, so-called “menial jobs” are not everything but the first stepping stones for foreign workers’ future careers to come in Japan. Accordingly, the policy recommended by the experts is not completely in conflict with the stance that the government of Japan has taken so far.

In recent years, the Technical Intern Training Program has been under criticism and societal expectations that Japan “squarely” accepts foreign workers have increased. However, in one aspect, such expectations can serve as grounds for procuring foreign workers from overseas on a “just-in-time” basis. The fact that the recommended new program places importance on developing human resources in addition to securing human resources can possibly imply that the experts proposed that Japan should not adopt such a “procurement” method on a full scale.

The new program for accepting foreign workers is claimed to succeed the Technical Intern Training Program’s objective of developing human resources, but there is a concern that problems with the conventional program that have long been pointed out might be left unaddressed. Technical Intern Trainees cannot change workplaces while staying in Japan and are placed in a weaker position than employers, which has caused problems involving human rights infringement. The experts’ draft report permits foreign workers’ changes of employers to a certain degree under the new program and mentions the need for stricter regulations on intermediary organizations that supervise or offer support for Technical Intern Trainees and Specified Skilled Workers Type 1.

4. Remaining problems

If the experts’ recommendations are fulfilled, the gateway will be developed for the framework for accepting foreign workers for the purpose of compensating for labor shortage. As a policy problem to be further discussed, this article picks up control of the “exit” for Specified Skilled Workers Type 1, or their shift to Specified Skilled Workers Type 2.

The period of stay for Specified Skilled Workers

Type 1 is up to 5 years in total. Therefore, as far as this status of residence is concerned, the Specified Skilled Worker System merely accepts foreign workers temporarily. However, the status of residence as a Specified Skilled Worker Type 2, which can be renewed, is established as a superordinate category. At present, the government considers accepting Specified Skilled Workers Type 2 in 11 fields, excluding the nursing care field, which has the higher status of residence of “nursing care.”² In order for Specified Skilled Workers Type 1 to shift to Specified Skilled Workers Type 2, it will be necessary to pass a SSW Test conducted respectively for each specified industry field. Making this requirement too strict or too loose will both undermine motivation for work of Specified Skilled Workers Type 1 and employers’ efforts for developing human resources.

Additionally, Specified Skilled Workers Type 2 are permitted to accompany their family members, unlike Technical Intern Trainees and Specified Skilled Workers Type 1. Therefore, another point in question is whether those workers and their spouses will be able to obtain income sufficient for forming and maintaining family lives in Japan. How to utilize and treat Specified Skilled Workers Type 1 varies by specified industry field and by company. The method of utilizing Specified Skilled Workers Type 2 will also vary in the same manner. This may depend on policies to be presented by ministries and agencies having jurisdiction over individual industry fields and independent efforts by companies accepting the workers.

When considering the conventional Technical Intern Training Program as a contact point for accepting foreign workers, its main feature is that it has functioned as a system to accept foreign workers in rotation. Many employers had considered Technical Intern Trainees as temporary labor, and Technical Intern Trainees had come to Japan for their future lives in their home country while expecting to earn money therefor, on the premise of returning home after completion of training. If Japanese policies for accepting foreign workers change, accompanying changes in behavior and awareness of Japanese employers and foreign workers are also

worth noting.

1. The number of specified industry fields was 14 when the system was launched but has decreased to 12 since the three fields of machine parts and tooling, industrial machinery, and electric/electronics and information, which are under the jurisdiction of the Ministry of Economy, Trade and Industry, were integrated and are treated as one field at present.
2. By Cabinet decision on June 9, 2023, after this article was

written, it became possible to accept foreign nationals of the Specified Skilled Workers Type 2 in 11 specified industrial fields, excluding the nursing care field.

Reference

- Hamaguchi, Keiichiro. 2019. "How Have Japanese Policies Changed in Accepting Foreign Workers?" *Japan Labor Issues* 3, no. 14: 2–7. <https://www.jil.go.jp/english/jli/documents/2019/014-01.pdf>.

YAMAGUCHI Rui

Researcher, The Japan Institute for Labour Policy and Training.

Research interests: Sociology of Work, Migration Studies, and Human Resource Management.

<https://www.jil.go.jp/english/profile/yamaguchi.html>

