

# *Japan* **Labor Review**

**Volume 3, Number 3, Summer 2006**

## Special Edition

### **Current Situations of Work Hours and Vacations in Japan**

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NEXT ISSUE (Autumn 2006)

The Autumn 2006 issue of the Review will be a special edition devoted to **Trends in Disparities**

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## INTRODUCTION

This volume of the Japan Labor Review features the “Current Situations of Work Hours and Vacations in Japan”. As I believe and as the readers are already aware, working hours in Japan are extremely long and that quite a few workers do not take all the paid holidays they are granted. The first article, by Kazuya Ogura, entitled “Contemporary Working Time in Japan – Legal System and Reality” classifies the current issues pertaining to working hours in Japan into two aspects, and clarifies legal problems and the actual facts in each case. Here, the first problem concerns overtime itself. In Japan, the proportion of workers doing overtime is considerably higher than in any other advanced country; in this sense, Japan shows the characteristics of a “non-advanced” country. While the Japanese legal system sets weekly working hours at 40 hours, workers are subject to unlimited overtime once labor and management in their firm have reached an agreement allowing overtime. Although the government in an administrative guideline officially places the upper limit at 360 hours per year, this involves no penalties, allowing long overtime with no limit in practice. At the same time, the overtime premium rate commonly adopted in Japan is extraordinarily low by international standards, having no mechanism to curb prolonged overtime. Ogura carries out a questionnaire survey aimed at approximately 2,500 employed workers across the country, and the results show that the monthly average overtime is 43.2 hours for males, and 30.2 for females. The term “overtime” here includes unpaid overtime.

The article by Takashi Fujimoto, as a member of the survey team headed by Ogura, focuses on fact-finding, with particular reference to the correlation between long working hours and stress-related problems. It is well known that the proportion of those who feel under stress or tired tends to increase sharply when their overtime exceeds 50 hours per month. In this regard, Fujimoto has found that different outcomes can be observed among firms which take measures against long working hours. It has been found that workers in companies which provide measures against long working hours do less overtime than those working for companies without any such measures. It has also been shown that workers in the former type are less under stress. The

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article gives a clear account of the fairly strong correlation between long working hours and stress.

As referred to in the article by Ogura, overtime in Japan includes quite a large amount of unpaid overtime, which means, literally, overtime for which workers are not paid overtime premiums. The practice of unpaid overtime seems to arise from various factors, primarily due to the fact that the performance-based pay system has become common and has resulted in excess workloads, while the prevailing long working hours have led to an increase in workers who are not paid premiums even if they have done overtime. Many workers vulnerable to unpaid overtime are white-collar workers engaged in, for example, sales, planning, and research and development.

Then, does unpaid overtime done by white-collar workers have no meaning at all and result, for them, in a mere wasted effort? Yoko Takahashi has tackled this question head-on, showing that workers doing unpaid overtime tend to eventually receive, “*ceteris paribus*”, a higher total amount of remuneration. As a result, her article suggests, unpaid overtime by white-collar workers is likely to be rewarded in bonus payments or other ways. In this sense, unpaid overtime by white-collar workers neither has no meaning nor is a mere wasted effort.

Another serious problem pertaining to working hours in today’s Japan is related to paid holidays. Related laws in Japan stipulate that 10 paid holidays are granted per year for new employees, and the number of holidays increases as they serve the company longer, up to a maximum of 20 days per year. Even so, the legal system is not equipped with the requirement that workers should take a successive long holiday, so that it is common for Japanese workers to take a single day off at a time, the idea of a “vacance” as in France being unknown. For many Japanese workers, a summer holiday is just a one-week vacation, while for quite a few busy businessmen, it is just a three-day vacation including a Saturday and Sunday. The article by Susumu Noda explores the background behind the establishment of the Japanese legal system concerning paid holidays allowing workers to take one day off at a time. In the article, Noda pointing out that the current system attaches emphasis to the right of workers to take one day off at a time, (rather than taking consecutive days-off),

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suggests that Japanese workers will never take paid holidays more readily unless the system is redesigned and posited, as in other countries, on long, holidays that consist of consecutive days off. I believe this to be correct.

The article by Eiichi Ohki is unique, reflecting his speciality, ability development. He propounds that the time created in the form of long holidays should be effectively made use of so as to foster a “viewpoint,” something which has been absent in the field of ability development. According to his article, the type of ability development which many Japanese firms have traditionally considered to be important is to “seek the reasons.” However, what should be emphasized more from now on, it is quoted, is to “seek the purposes.”

As referred to above, this volume of the Japan Labor Review features various articles shedding light from various angles on the issues concerning working hours in today’s Japan – overtime and paid holidays. The important findings, the shift from the conventional viewpoints and the assertions of individual authors presented in these articles are all worth reading. I wonder just when Japan, seen from the viewpoint of “working hours, will be able to join the club of advanced countries? The answer remains uncertain. Even so, I believe that to overcome the problems and issues presented in these articles undoubtedly represents the shortest path of all.

**Kazuya Ogura, Ph.D.**

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# Contemporary Working Time in Japan – Legal System and Reality

*Kazuya Ogura*

*Ph.D. Researcher, the Japan Institute for Labour Policy and Training*

## Introduction

Japan has one feature, which cannot be deemed inherent in an "advanced" country: actual working hours of the people. International comparative data suggest that working hours in Japan are conspicuously long for a country generally considered to be advanced. As shown in Figure 1, quite a few workers in New Zealand, the U.S.A., Australia, and the U.K., said to be strongly governed by the principles of the market economy, also work long hours. A majority of countries with a relatively low proportion of their workers doing long hours are seen in continental Europe, where political parties representing labor have traditionally been influential, placing checks on the principles of the market economy from the social point of view. In Japan, on the other hand, the proportion of workers doing long hours is much larger than in those countries where market principles are firmly rooted.

By now, the Japanese term, "*karoshi* (death from overwork)," is widely recognized throughout the world. Partly thanks to relaxation of the certification requirements for workers' compensation insurance, an increasing number of cases have been brought to court and recognized as death from overwork in recent years. Such cases have also been reported in the U.K. and the U.S.A.; thus overwork does not seem to be a problem unique to Japan, but there is, perhaps, no other country suffering so seriously from the problem.

At the same time, some people claim that, in Japan, workers voluntarily opt to do overtime. In fact, a questionnaire survey, which the author conducted, reveals that not a few workers do overtime because they "want to achieve something with which they themselves can be satisfied."<sup>1</sup> The problem of long working hours is in fact quite complicated.

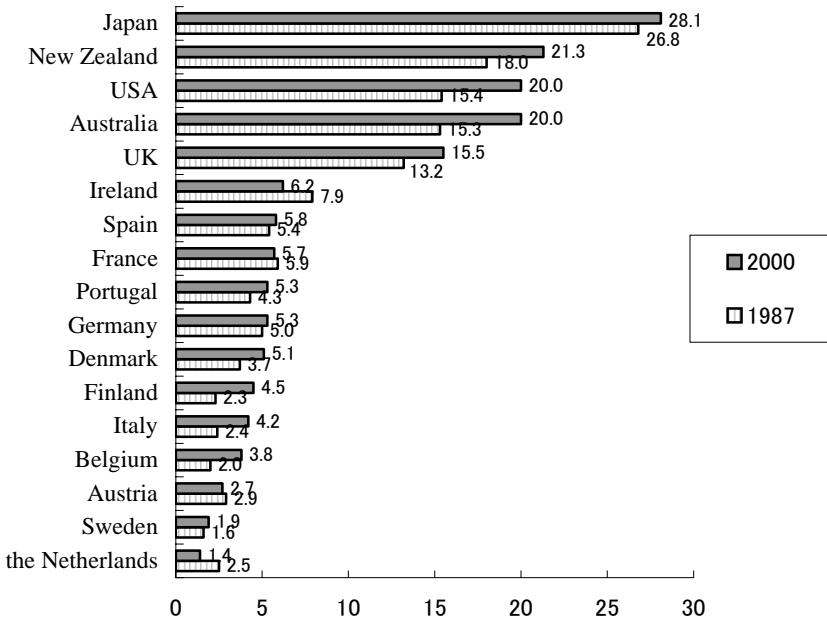
What is more, it is a widely known fact that workers in Japan rarely take all their annual paid holidays, though these are legally guaranteed.

This article has been written for this issue of the Japan Labor Review in

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<sup>1</sup> The article by Yoko Takahashi in this issue of the Japan Labor Review is counted as a representative research making this claim.

**Figure 1. Proportion of Workers Working for 50 Hours or More per Week** (%)



**Source:** J.C.Messenger ed. Working Time and Workers' Preferences in Industrialized Countries, Routledge, 2004.

order to give readers a better understanding of the "non-advanced" aspects of Japan from the perspective of working hours.

Long-Term Trends in Working Hours

It was more than 20 years ago, in 1985, when the G-5 nations (a conference of finance ministers and central bank presidents of the world's leading industrialized countries) agreed upon the Plaza Accord, thus devaluing the US dollar excessively in relation to the Japanese yen for the purpose of alleviating the U.S. trade deficit with Japan. The US-Japanese foreign exchange rate, which was JPY235/USD just before the agreement, dropped sharply by ¥20 to JPY215/USD the day after, and had fallen below JPY130/USD one year later. While the sudden yen appreciation against the US dollar inflicted great damage on Japanese exporters, the then Prime Minister Nakasone urged the Japanese people, using even government TV commercials,



to purchase imported products for expansion of domestic demand.

Since expansion of domestic demand requires consumers to change their purchasing behavior substantially, the Japanese government naturally paid careful attention to the working life of the people. More specifically, it encouraged them to "take more days-off and spend time (and money) on consumption." Until then, few people had shown interest in international comparisons of working hours, but the long working hours of Japanese workers has suddenly become the center of discussion, making many Japanese realize that they work excessively long hours for workers in an industrialized country.

Nevertheless, the trend in work hours of Japanese workers did not change very much during this period. Table 2 shows long-term trends in annual actual work time and the scheduled working time of an average worker seen in the Monthly Labor Surveys conducted by the Ministry of Health, Labour and Welfare. The table shows that working hours increased in the 1950s, decreased between the 1960s and the first half of the 1970s, and remained unchanged during the period roughly between 1976 and 1988, which is the period mentioned above. During the period of high economic growth (between 1960s and the first half of the 1970s), the improvement in productivity occasioned by economic expansion was taken advantage of for a reduction in working hours, which was also attributable in part to successful governmental illuminating activities and labor union campaigns for shorter working hours, as well as the corporate improvement of working conditions, such as an increase in holidays, which proceeded in relation to heightened demand for the young workers from firms hoping to expand reproduction. However, the first oil shock, occurring in December 1973, reversed this trend towards a better economic environment, and deprived the movement for shorter working hours of its momentum. During this subsequent period of low economic growth, Japanese manufacturers began active export of their products because they were unable to make sufficient profits by relying solely on domestic consumption, which led to an accumulating trade surplus with the U.S.A. In this stagnated period for shorter working hours, the government launched a policy of shifting the nation's economic structure to a domestic demand-led economy, as described above, and in connection with this, an expansion in consumption and a reduction in working hours were encouraged. In the latter half of the 1980s, Japanese society as a whole was pervaded by the general desire for shorter hours.

contributed, to a great extent, to the reduction in scheduled working hours realized in the late 1980s.

### Legal System and Actual Situations Affecting Working Hours

This section will discuss the legal system pertaining to working hours. As in many other countries, the statutory working hours in Japan are set at 40 hours per week<sup>2</sup>. Overtime is only allowed provided that the labor and management in question have agreed upon such arrangements. Still, the "standard" hours for overtime are set at 360 hours per year. The overtime premium rate is set at 25 percent or more than the worker's regular hourly rate for ordinary overtime, or night work, and 35 percent or more for holiday work.

Where the actual situation is concerned, quite a few firms regard working hours exceeding the statutory ones as the "rule" in many cases. Although regulations on working time allow an exceptional 44 hours per week as shown in footnote 2, the author has found in his own survey that there are many firms in the retail sector, the distribution sector, customer services, as well as small firms, which set their scheduled working hours at 48, or even longer. In other words, the laws are not strictly complied with. Moreover, too many firms make their employees do overtime without any related labor-management agreement. The author's survey shows that the proportion of workers who do not do overtime accounts for less than 20 percent: in fact, a great majority do. On the other hand, there are, unfortunately, no legal penalties (fines, imprisonment, etc.) for firms, which have violated the "standard" hours of overtime, 360 hours, which is why many firms circumvent the rules quite casually. There are many pernicious cases where, to evade warnings from the Labor Standards Inspectors' Office, firms neither pay additional wages for overtime exceeding 360 hours per year, nor keep records of working hours. This fact is what lies behind unpaid overtime. The author's survey shows that a mere 48 percent of the workers surveyed have done no unpaid overtime at all – that is, the remaining workers have been paid no wages for overtime of at least one hour.

Even if wages are duly paid for overtime, the basic rate is relatively low by international standards. The law stipulates a rate of 25 percent "or more," and

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<sup>2</sup> However, an exception is applied to business establishments with 1 – 9 employees in the commercial; public health and hygiene; and hospitality service industries (eating and drinking establishments, etc), where the statutory weekly working time is set at 44 hours.

labor and management can agree to set it higher, but the actual rate adopted is an average 26 – 27 percent, not much higher than the legally required rate. What is more, in Japan, biannual bonuses and various monthly allowances are paid in many cases<sup>3</sup>, but firms are not legally required to refer to most of these payments in calculating the premium rate. It is a little known fact that, in referring to "25 percent of their regular pay rate," firms do not refer to the hourly wage, which should be calculated by dividing the total wages which a worker receives in a year by their total working hours.

The nature of the paid annual holiday scheme in Japan is considerably different from that in France, Germany and other advanced countries: in principle, Japanese firms make it a rule to give 10 days for the first year and 20 days at a maximum to workers who have served for six months or longer and actually worked for at least 80 percent of the working days. The differences from other advanced countries are fairly substantial in the senses that Japanese workers are required to show up at the office at a minimum rate, and that a minimum paid holiday of 10 days is set. Another serious problem is that there is no requirement in Japanese firms, as there is in other advanced countries, that workers must take at least one consecutive long vacation<sup>4</sup>. In some cases, workers may take a planned consecutive holiday as stipulated in their labor-management agreements, but they are not institutionally guaranteed, for example, a two-week vacation in summer. This is undoubtedly attributable, in part, to labor unions carrying little weight in determining labor conditions, but also, in greater part, to the hesitation of workers in today's Japan in taking such consecutive holidays. This is attributable to the fact that, in Japan, paid annual holidays are considered to be a kind of cushion against emergency situations, and are taken advantage of, in fact, as sick leave. For this reason, many workers believe that it is convenient to take their paid holidays one by one, rather than take them in succession.

### Actual Situations Affecting Long Working Hours

This section examines in further detail problems pertaining to long working hours in Japan.

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<sup>3</sup> However, these regulations are applicable to regular, full-time employees only.

<sup>4</sup> Both in Germany and France, workers are required by law to take at least one long vacation extending at least 12 days per year.

In 2004, in order to explore these problems, the author conducted a survey aimed at approximately 2,500 employed workers. The following are some crucial findings of the survey.

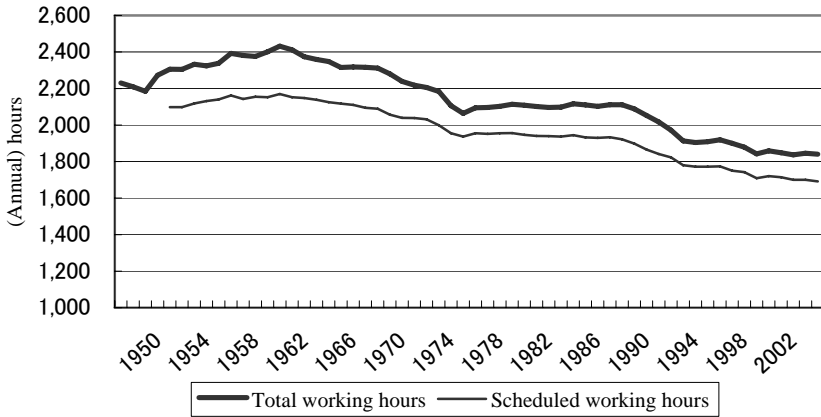
Table 1 shows the durations of paid and unpaid overtime, etc. in June 2004, as surveyed by the author and co-workers. Of the workers surveyed, 18.9 percent responded that they did not do any overtime at all. Even among male workers, the proportion of those who did no overtime at all was 13.9 percent; thus the problems of overtime do not necessarily involve all workers. Significant here is the right-hand column of the table, “average overtime of those workers who did overtime.” The average for males is 13 hours longer than that for females. It is also noticeable that workers in their 20s and 30s, those engaging in “specialized professions,” “sales, customer services,” “construction” and “services”, sectors did more overtime.

Also, although it is not shown in the table, 21.3 percent of all workers surveyed responded that they did overtime for 50 hours or more. How did this extremely long overtime affect the mental and physical conditions of the workers? Figure 3 gives some answers to this question.

Figure 3 represents “overtime” in the horizontal axis and “scores given in accordance with the degrees of fatigue and depression” in the vertical axis (see the note to the figure). It shows that the proportion of those who complain of fatigue increases sharply around the point when overtime exceeds 50 hours, and that the score indicating the degree of depression goes up gradually as overtime increases.

It is difficult in practice to do no overtime at all. However, it is a matter of degree. Currently, the recognition of *karoshi* as an industrial accident is, in many cases, based on the criteria that the risk (of cerebral or heart disorder) gradually increases for workers who have done overtime for more than 45 hours per month in one to six months before they fell ill, and that the risk is extremely high for those who have done 100 hours of overtime in the month prior to occurrence of a disease or an average 80-hour overtime for two to six months prior to the occurrence. Death from overwork is not necessarily recognized solely on the basis of working hours, the criteria for industrial accidents coincide closely with the findings of the author's survey.

**Figure 2. Long-Term Trends in the Annual Actual Hours Worked and the Scheduled Working Time of an Average Worker**



**Note:** Based on statistics in the Monthly Labor Surveys conducted by the Ministry of Health, Labour and Welfare. The survey is aimed at business establishments with 30 or more employees. The figure is calculated by taking the average monthly working hours per worker in the industries surveyed as a whole, multiplying it by 12, and rounding it off to the nearest whole number. The workers surveyed include both general and part-time workers.

The 1987 revision of the Labour Standards Law was buoyed by this social climate. Some policy makers at the time considered a drastic reduction in the statutory weekly working time from the current 48 hours to 40 hours, but partly because of strong objections from industrial circles, the revision was initially aimed at achieving a moderate 46 hours per week. However, in the following ten years or so, with the exception of certain job categories the statutory weekly working hours had been shortened to 40 hours, so that one of the policy tasks – reduction in the statutory working hours – had been achieved. Even so, the achievement was partly thanks to the enactment of other laws and ordinances: a revision of the National Holiday Law, for example, has created additional two holidays (in fact, the number of holidays increased between 1986 and 1996 by a further two days). Other laws and ordinances contributing to the overall reduction in working hours are: the scheme for a full-fledged "five-day working week" adopted in 1989 by financial institutions and in 1992 for national civil servants; and the full five-day school week introduced in 2002. The revisions of these various schemes and policies undoubtedly

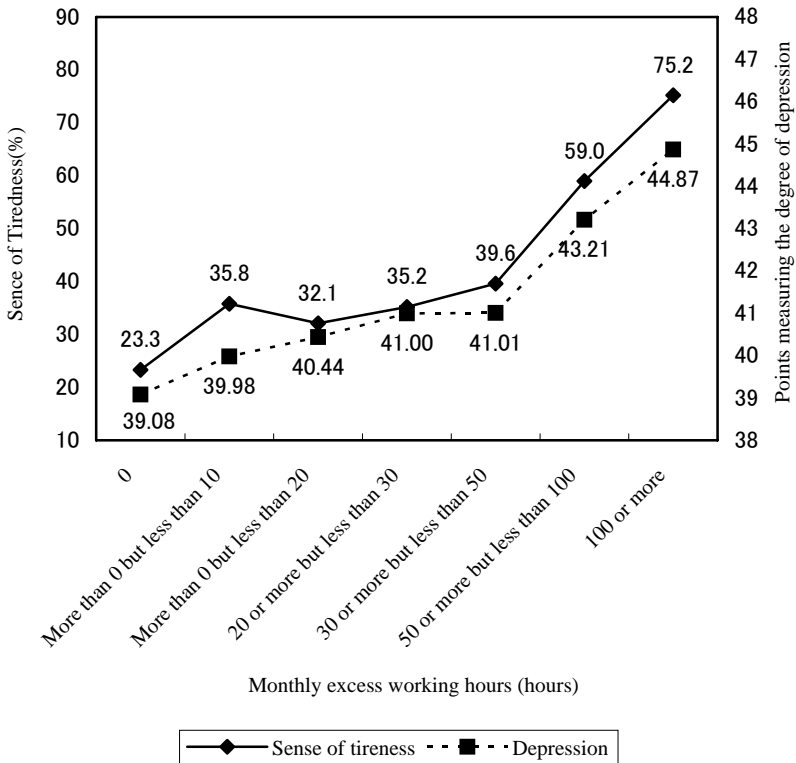
**Table 1. Paid and Unpaid Overtime in June, 2004**

|                |  | Proportion of<br>workers who did<br>no overtime (%) | Average overtime<br>of workers,<br>including those<br>who did no<br>overtime | Average overtime<br>of those workers<br>who did overtime |
|----------------|--|---|--|--|
|                | Total  | 18.9  | 31.6   | 39.5   |
| Gender         | Males  | 13.9  | 36.9   | 43.2   |
|                | Females  | 28.5  | 20.8   | 30.2   |
| Age groups     | in their 20s   | 14.1  | 35.6   | 41.8   |
|                | in their 30s   | 13.7  | 37.7   | 43.9   |
|                | in their 40s   | 18.0  | 30.9   | 38.2   |
|                | in their 50s   | 29.1  | 22.1   | 32.4   |
| Job categories | General affairs, clerical work, etc.                           | 25.4  | 22.2   | 30.3   |
|                | Sales, customer services                                       | 15.1  | 36.4   | 43.4   |
|                | Specialized professions  | 13.7  | 38.7   | 45.1   |
|                | Manufacturing, production-related work                         | 20.8  | 29.0   | 37.7   |
| Industries     | Construction   | 22.3  | 33.9   | 44.6   |
|                | Manufacturing  | 16.1  | 33.5   | 40.2   |
|                | Electricity, gas, water, and thermal supply                    | 18.6  | 20.6   | 25.8   |
|                | Transportation and communications                              | 18.5  | 31.7   | 39.8   |
|                | Wholesale and retail trade, eating and drinking establishments | 16.7  | 30.9   | 37.6   |
|                | Finance, insurance, and real estate                            | 20.5  | 30.7   | 39.3   |
|                | Services   | 19.4  | 32.9   | 41.4   |
|                | Public services  | 23.3  | 30.8   | 40.8   |

**Note:** "Overtime" includes all working hours exceeding scheduled working hours. Unpaid overtime is also included but the time spent on second jobs is not.

**Source:** "Facts-Finding and Empirical Analysis concerning Long Working Hours and Unpaid Overtime in Japan," the Japan Institute for Labour Policy and Training.

**Figure 3. Relationships between Monthly Excess Working Hours, and Sense of Tiredness and Depression**



Next, Let us have a closer look at the facts behind the figures shown in Figure 3. It shows that some 40 percent of those who did overtime for 50 hours or more but less than 100 hours, and one fourth of the workers who did overtime for 100 hours or more did not complain of fatigue. Why not? Table 2 suggests some clues to this question.

Table 2 shows a comparison of the psychological states of workers in terms of three types of attitudes to their company. Significant are the following three: (i) wish to make efforts to achieve good performance and receive approval of the company; (ii) wish to avoid taking any risks in the workplace but contribute to the company as other workers do; (iii) have no particular personal feeling for the company because I work for a living and my own life.

**Table 2. Attitudes towards Company, and Symptom of Over-Adoptation**

|  | (i) Wish to make efforts to achieve good performance and receive approval of the company (N=439) | (ii) Wish to avoid taking any risks in the workplace but contribute to the company as other workers do (N=660) | (iii) Have no particular personal feeling for the company because I work for a living and my own life (N=1427) |
|--|--|--|--|
| Busy with work: ("Always") (%)   | 26.9   | 17.9   | 23.6   |
| Cannot get work off mind ("Always") (%)  | 13.9   | 8.0  | 7.1  |
| Feel exhausted because of work ("Always") (%)  | 13.0   | 10.8   | 17.2   |
| Scores for depression (Note 1) (F = 27.734, p < .001)                                  | 39.4   | 41.1   | 42.7   |
| Poor performance, failure to achieve norms (Note 2) (F = 15.562, p < .001)             | 1.47   | 1.26   | 1.23   |
| Serious work-related mistake (Note 2) (F = 2.108, No difference in significant levels) | 2.16   | 2.13   | 2.08   |
| Excess working hours in June 2004 (Note 3) (F = 11.098, p < .000)                      | 37.2   | 26.1   | 32.2   |

**Note 1:** Method of scoring depression is the same as in Figure 3.

**Note 2:** Respondents were given four choices concerning the items - poor business performance, failure to achieve norms, and serious mistake: "It doesn't depress me," "It slightly depresses me," and "It depresses me quite a bit," and "It seriously depresses me." Points are given in the range of 0 - 3, accordingly.

**Note 3:** Excess working hours here are average figures including those who do no overtime at all.

**Source:** same as in Table 1.

Group (i) has the highest proportion of those who claim that they are busy with work, and that they cannot get work off their mind, as well as those who find it terrible to be unable to perform well or achieve their norms. Workers in this group also do relatively long overtime. Despite all this, the proportion of those who feel exhausted because of work is not necessarily higher than workers in the other two groups, and the score for depression is, surprisingly, the lowest. That is, workers who have the kind of attitude to work as a group



(i) work in fact longer hours and feel less tired and depressed because they are strongly aware of reasons for being busy. The state of mind of these persons is sometimes called "over-adaptation." Is it then possible to conclude that they are healthy because they believe they are?

In some ways, persons with stronger symptoms of over-adaptation might be more likely to suffer most should the worst come to the worst. Those who are more aware, and complain about their long working hours and tiredness may well conclude in the back of their minds that excessive work could lead to the worst outcome, record their working hours, or consult friends and acquaintances. Without such awareness, however, people are less likely to be cautious, and may suffer a sudden brain hemorrhage or heart infarction. At very least, persons in group (i) are undoubtedly most likely to be caught up in such situations.

#### Actual Facts about Paid Annual Holidays

This section highlights the actual facts about paid annual holidays with reference to a questionnaire survey conducted in 2001 by the author, aimed at 3,000 workers across the country.

Here the "holidays in hand" means the sum of paid annual holidays which were given in the previous year but were not taken and have been carried over, and paid holidays newly granted in the present year. "Days used" means the number of holidays actually taken, and "consumption rate" is the ratio of days used to holidays granted as a whole.

**Table 3. Average Figures relating to Annual Paid Holidays by gender and age group**

|                         | Males in their 20s   | In their 30s | In their 40s | In their 50s | Male total   |
|-------------------------|----------------------|--------------|--------------|--------------|--------------|
| Holidays in hand (days) | 21.8                 | 31.1         | 32.1         | 33.1         | 30.1         |
| Days used (days)        | 6.4                  | 7.8          | 7.3          | 7.9          | 7.4          |
| Consumption rate (%)    | 30.8                 | 27.6         | 24.8         | 26.7         | 27.2         |
|                         | Females in their 20s | In their 30s | In their 40s | In their 50s | Female total |
| Holidays in hand (days) | 19.5                 | 26.6         | 25.7         | 29.5         | 24.6         |
| Days used (days)        | 7.4                  | 10.3         | 8.6          | 9.5          | 8.7          |
| Consumption rate (%)    | 42.6                 | 40.9         | 40.8         | 36.7         | 40.6         |

Table 3 shows that an average male worker is given 30 or so days of annual paid holidays, but has taken 7 days, which makes the consumption rate 27 percent, while an average female worker is given about 25 paid holidays and has taken less than 9 days, the consumption rate being 40-odd percent. Neither men nor women take so many paid holidays, but if anything females tend to take more. Even so, it should be taken into account that the higher consumption rate of females is attributable to the demands of domestic chores, child-rearing, care of family members, etc., rather than to any habit of enjoying holidays as such. This is proved also by the fact that the consumption rates of females in all age group are around 40 percent, not only in the age group where there is a higher proportion of unmarried women.

**Table 4. Average Figures for Annual Paid Holidays by Occupation**

|                         | Managers | General affairs, planning, accounting | General clerical jobs, etc. | Sales | Specialists | Production | Others |
|-------------------------|----------|---------------------------------------|-----------------------------|-------|-------------|------------|--------|
| Holidays in hand (days) | 34.5     | 30.1                                  | 26.2                        | 26.5  | 28.5        | 26.0       | 27.2   |
| Days used (days)        | 6.7      | 8.5                                   | 8.5                         | 6.0   | 8.9         | 8.3        | 8.7    |
| Consumption rate (%)    | 21.1     | 30.2                                  | 37.2                        | 26.9  | 35.1        | 34.9       | 33.7   |

Next, concerning annual paid holidays in terms of type of occupation as shown in Table 4, workers engaged in general clerical jobs and specialists – 37 percent and 35 percent, respectively – tend to take relatively larger proportions of paid holidays to the holidays officially granted. Yet even the groups enjoying relatively more paid holidays present these low rates. The rates for workers engaging in sales and those in managerial posts are still lower, 27 percent and 21 percent, respectively. A general view of the tendencies seen in these occupations suggests that workers directly involved in services to customers, and those responsible for the management of a section or department, seem to find it difficult to take paid holidays. It can be assumed that diligent managers feel too responsible for the overall work of his section or department to take holidays. In the same fashion, businessmen engaged in sales and marketing do not take proper holidays because of the need to prioritize the schedules of their clients and business partners concerning negotiations, business hours, and so on.

Now let us have a closer look at the outlook of persons who avoid taking

their annual paid holidays. The persons who responded that they “do not take all their paid annual holidays but leave some” were given 14 possible answers and asked how much they agree with these answers. A statistical classification of the results found that they are classifiable into the following four groups.

Type 1 is a group of persons who feel that they have nothing particular they want to do even if they take holidays: Many feel a strong aversion to the high cost of leisure, and the rush and jam of public transportation and accommodations, or they have little to do when they are off work.

Type 2 is a group of persons who are anxious about personnel assessment: they tend to be anxious about the negative impact of taking holidays, such as a possible worsening of the mood of their superiors or personnel evaluation due to an absence from the office.

Type 3 is a group of persons who feel that their workload is heavy, or they can find no substitute: they firmly believe that they cannot take holidays because they have no co-workers whom they can ask to take their place at the office.

And Type 4 is a group of persons who are cautious and feel safe only if they have a certain number of paid holidays for illness or other unexpected, urgent needs.

Characteristic attributes of individual groups are: males, persons in their 40s, those giving work priority to leisure, and those whose working hours are not excessively long tend to fall under Type 1. Both males and females aged between 20 and 40, those who tend to feel dissatisfied with their wages and other treatment, those working in smaller firms, and those whose working hours are relatively long are frequently observed in Type 2. A fairly large number of persons who are afraid of taking holidays because of the worry that it may have negative impact on their personnel evaluation, regardless of whether or not their employers actually give low marks to those who have taken holidays. Characteristic attributes of those who fall in Type 3 include: males and females aged between 30 and 40, those who have strong dissatisfaction with their labor conditions; and those who in fact work fairly long hours. Their characteristics resemble those of persons in Type 2; and persons in the two groups in fact share similar inclinations. The attributes of persons in Type 4 are females in general, men and women in their 20s, those who are in a relatively poor state of health, and those whose working hours are relatively short, all of which are fairly different from or unseen in Types 1, 2, or 3.

**Table 5. Correlation between Outlook and Consumption Rates of Annual Paid Holidays**

|        | Consumption rate |
|--------|------------------|
| Type 1 | 0                |
| Type 2 | -                |
| Type 3 | -                |
| Type 4 | +                |

**Note:** The table shows whether individual outlooks may raise (+) or lower (-) the consumption rates.

Some interesting facts have been found in the correlation between the four groups and their consumption rates (see Table 5). In Type 1, there is no correlation between outlook and actual consumption rate: that is, it has been shown that the consumption rate of persons who strongly feel that they have nothing particular they want to do even if they take holidays seem to be neither excessively high nor low compared to the other three types. Put differently, they can take paid holidays if they wish but actually do not do so for some reasons or other.

The correlations for Types 2 and 3 show similar tendencies, their outlooks decreasing the consumption rate. That is, they in fact do not actively take paid holidays for one reason or another: either they are afraid of negative personnel evaluation or they are overwhelmed by a heavy workload and unable to find any substitute co-workers. The difference between Types 2 and 3 lies in the greater impact of the outlooks of Type 3 on the consumption rate. This is attributable to the fact that, after all, persons who have the greater workload and work longer hours find it more difficult to take holidays.

On the other hand, persons classified into Type 4 seem to enjoy a higher consumption rate; that is, persons who feel more strongly that they should keep paid holidays for a rainy day actually opt to take holidays more often. A comparison between Type 4 and Types 2 and 3 seems to help clearer interpretations of their tendencies: persons with a strong inclination to Type 2 or 3 tend to take a considerably smaller proportion of paid holidays, whereas those with a strong inclination to Type 4 tend to avoid, though their consumption rate is relatively high, all paid holidays.

The author's analysis reveals no particular contradiction between the actual situation of persons with these outlooks and the outlooks themselves. Few

persons who are not terribly busy tend to have the outlook categorized as Type 3, and, on the contrary, few persons who are quite busy tend to have the outlook categorized as Type 1. Therefore, it is unreasonable to encourage someone who has little to do even if they take days-off to “take paid holidays more.” It is better, or rather essential, to give them some idea of what they can benefit from taking holidays. In consideration of society as a whole, priority must be given to improving the situations of those who cannot take holidays in practice.

### Any Remedies?

Neither the problem of long working hours nor the failure in taking paid holidays should be left unsolved, multi-dimensional remedies are in urgent need. This section discusses various problems.

(i) On revisions of various laws and regulations, and the administration of labor standards inspection

Where paid holidays are concerned, it is necessary to raise the standards to meet those stipulated in other advanced nations. Also in regard to long working hours, serious problems stem from the regulations on the upper limit on overtime and the additional wages for overtime. If these laws and regulations involved penalty clauses, the number of firms violating or evading these laws would decrease. Yet, even within the scope of the current legal framework, stricter supervising administration would have a considerable impact on such illegal acts. However, the current workload of labor standards inspectors is quite heavy and the inspection offices are understaffed. Moreover, since they are public services, it is quite difficult to increase the number of staff members so rapidly. Improvement of the situation, it seems, may not be such a simple task.

(ii) Corporate Compliance and the Role of Trade Unions

Corporate social responsibility has also been drawing increasing attention in Japan, too. The matter, unfortunately, is related to large firms only at present, but the necessity of emphasizing the importance of corporate social responsibility in both large and small firms will undoubtedly increase in the future. At present, firms may not change their attitudes unless they learn that violation of the Labour Standards Law, which lays down the minimum standards will damage their reputation. In addition, it is significant that in the 1990s when the economy was in recession, firms tended to increase the

workload of regular fulltime employees while also increasing the hiring of non-regular ones. This may account for the increase in the number of workers doing long hours or failing to take proper paid holidays. It is also important to reconsider ideal ways of labor management by, for example, appropriately adjusting the workload, and encouraging employees to make holiday plans at certain times, i.e., the beginning of every fiscal year.

(iii) Working Hours Management

Table 6 shows average excess working hours in terms of methods of recording the times of arriving at and leaving the office. The longest working hours are seen, it shows, among workers who keep the records in writing on name boards or whiteboards, 50.1 hours. This is followed by “no particular method,” at 45.7 hours. Average excess working hours are fewer among those who keep the record with their ID cards. And the second smallest figure is found among those who punch in and out with individual time cards. What is obvious here is that the more strictly or objectively the time is recorded, the shorter the excess working hours become. Conversely, the longer excess working hours are found with the sloppier methods of time recording. Therefore, it may be possible to remedy the situations by adopting a method of managing working hours more strictly.

**Table 6. Excess Working Hours by Methods of Time Recording  
(average except for those who do no overtime)**

|  |      |
|--|------|
| Checked by administrator at workplace              | 39.2 |
| Signing or recording in attendance book            | 39.0 |
| Punching in and out own time cards                 | 37.3 |
| Managed by individual ID cards                     | 35.5 |
| Recording in writing on name boards or whiteboards | 50.1 |
| Others   | 38.9 |
| No particular methods                              | 45.7 |
| Total  | 39.5 |

Source: Same as Table 1

What Will Happen in Future?

This final section is devoted to discussion of possible future trends. Incidentally, the author is not interested in forecasting future situations, in that it is extremely difficult to make an accurate hypothesis. Even so, I have a

feeling that it is permissible to make a rough prediction on the basis of the current political, economic and social situations: quite a few people wish to have at least a general idea of the future course of the situation affecting working hours.

My prediction about future trends in working hours based on knowledge of the current situation is that the polarization of workers where working hours are concerned will not, unfortunately, be remedied so easily. The number of non-regular employees will continue to increase. Problems related to the long working hours of such employees are likely to become more serious in the future, since they work in working conditions inferior to regular employees, and for longer hours than the latter. At the same time, the working hours of regular employees will be relatively shorter in future, but those of non-regular ones will, as seen above, become longer. This will make the situation worse unless certain steps are taken.

In recent years, the performance-based pay system, whereby salaries are determined on the basis of workers' performance or output, rather than their working hours, is being adopted by firms at an accelerating pace. But already, negative aspects of the performance-based pay systems have begun to be highlighted, and books on the issue seem to receive reasonably high acclaim. The fact that people are not necessarily motivated by cash – a thing which is accepted as fact by some people – must be emphasized here again. Firms, which have adopted the performance-based pay system without satisfactory results, will reassess the system. The author's primary concern, however, is the situation of small and medium-sized enterprises, an increasing number of which are beginning to adopt the performance-based pay system; they may have been somewhat suspicious of it, but are recommended to adopt it by consulting and other companies. Not knowing that disadvantageous aspects of the system have already come to the surface, some employers of small and medium-sized firms will possibly be attracted to and convinced by such blandishments as: "the system is the trend of the times, and adopt it to motivate your employees."

Incidentally, the performance-based pay system is strongly correlated with working hours. Quite a few workers have ended up working longer hours than before, although they were told that they would be assessed from now on not by their input, their working hours, but by their performance, or output. If output were the sole criteria for personnel evaluation, workers might be able to

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enjoy shorter working hours than before, but the reality is somewhat different: only quite a small number of workers are capable of producing remarkable results within a short time through their own intrinsic ability and efficiency. This also suggests that tasks and duties at workplaces are normally too huge and important to be easily managed.

Under these circumstances, the legal system pertaining to working hours is also changing. The scope of exemptions from the regulations on working hours is most likely to be enlarged in the near future. Currently, the Labor Standards Law allows "workers in supervisory or managerial posts" and those under the discretionary labor system to stand outside the strict regulations on working hours. In future, however, more varied types of workers will be exempt from the regulations depending on certain rules. Currently, many of these workers are subject to the assessment system based on performance or outputs. But the author, like a majority of trade unions, is concerned that relaxation of the regulation will serve to encourage much longer working hours.

As seen in this paper, Japan can be seen as a "non-advanced" country in reference to the working hours of the people. While Japan is treated, for better or worse, as an advanced nation in many cases, the author sometimes wonders if it may be more appropriate to compare it with other East Asian countries, rather than with other, advanced countries: Japan shares, the author believes, more aspects – racially, and in its religious sense of values, attitudes towards work, etc. – with other countries in Asia. Even so, despite a strong work ethic, Japan is by any means an advanced country and thus will certainly need to see that its people work under decent conditions, with decent working hours.

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# Long Working Hours and Stress

## — In Relation to the Measure against Long Working Hours and Overtime

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### Introduction

While stress at work is unavoidable to a certain extent, various research findings indicate that mental and physical health is degrading among workers due to an increased burden under the recent difficult economic conditions.

For example, the bar chart in Figure 1 shows the “percentage of workers feeling different degrees of tiredness during their regular work” in the last ten years, according to the “Survey on Workers’ Health Status”<sup>1</sup> carried out every five years by the Ministry of Health, Labour and Welfare. Every year only about 10 percent of workers, including men and women, answered that they were “very tired,” but the percentage is gradually increasing. When including those who are “slightly tired,” the percentage has remained above 70 percent since 1997.

**Figure 1 Physical fatigue and mental stress of workers**

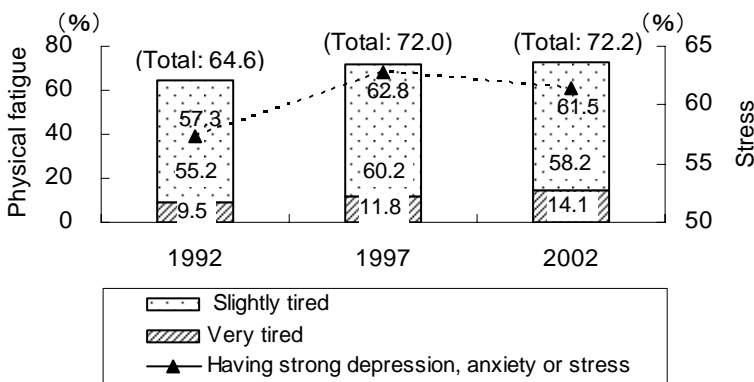


Chart created from the “Survey on Workers’ Health Status” conducted by the Ministry of Health, Labour and Welfare, in 1992, 1997 and 2002.

<sup>1</sup> The survey was conducted on some 16,000 workers in 12,000 offices of private companies with 10 or more regular employees around the country.

The line chart in Figure 1 indicates the percentage of workers who “have a high level of depression, anxiety or stress in their life or at work.” Similar to the outcome of physical fatigue, the percentage of those who answered “having a high level of depression, anxiety or stress” increased, and it has remained above 60 percent since 1997.

The mass media often talk about emotional disorders, and as a result the general public has become more aware of stress and depression in particular. According to the survey conducted by Rengo in 2005, 70.5 percent of workers answered “their fatigue increased” to the question asking them about the degree of fatigue felt at work in the previous three years, five points higher than in the previous survey (2000).<sup>2</sup> In another survey conducted by the Mental Health Research Institute of the Japan Productivity Center for Socio-Economic Development in the same period,<sup>3</sup> 68.7 percent answered that mental disease has been “on the increase” in the previous three years.

Under these circumstances, the Ministry of Health, Labour and Welfare announced “*Jigyoba ni okeru rodosha no kokoro no kenkozukuri no tame no shishin*” (Guideline of Workers for Good Mental Health at Workplace).<sup>4</sup> This guideline emphasizes the following four care activities to be practiced continuously along with good planning as concrete measures for maintaining the mental health of workers: “self-care” (recognizing and taking care of their stress by themselves), “care by the line<sup>5</sup>” (improvement of the working environment and counseling provided by managers and supervisors), “care by in-house industrial health staff” (professional care by industrial physicians, etc.), and “care by outsourced staff” (care provided by professional institutions outside the workplace). To promote these activities, the guideline also suggests “providing managers, supervisors and workers with education and training,” “making improvements in the work environment,” and “establishing a system

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<sup>2</sup> The number of valid responses obtained for “*Rengo dai 5 kai anzen eisei ni kansuru chousa* (the 5<sup>th</sup> Rengo Survey on Health and Safety), conducted for the organizations under Rengo, was 2,374.

<sup>3</sup> The survey was titled, “*Roudoukumiai no mentaru herusu he no torikumi ni kansuru chousa* (Survey on Measures Taken against Mental Health by Labor Unions), and it was conducted on labor unions throughout the country. The number of valid responses was 543.

<sup>4</sup> Announced on August 9, 2000 ([http://www2.mhlw.go.jp/kisya/kijun/20000809\\_02\\_k/20000809\\_02\\_k.html](http://www2.mhlw.go.jp/kisya/kijun/20000809_02_k/20000809_02_k.html)).

<sup>5</sup> Managers and supervisors who have contact with workers on a daily basis

to facilitate workers to request counseling.”

In 2002, “*Kajoroudou ni yoru kenkoshougai boushi no tame no sougoutaisaku*” (Comprehensive Measures to Prevent Health Disorders Caused by Excessive Work)<sup>6</sup> were established. In 2001, the labor insurance certification criteria were revised for brain and cardiac diseases, and excessive work lasting for an extended period of time was considered as an excessive burden caused by work. For the “measures to be provided by employers to prevent health disorders caused by excessive work,” these comprehensive measures suggest (1) reducing overtime work (to limit the overtime work to no more than 45 hours a month), (2) encouraging employees to take annual paid holidays, and (3) fully practicing health control (having health checkups and providing medical counseling by industrial physicians based on the amount of overtime performed).

Meanwhile, the suicide of workers due to overwork and other problems has become a social issue, and the number of health disorders certified by labor insurance has increased. Consequently, the “*Kajuroudou mentaru herusu taisaku no arikata ni kakawaru kentoukai*” (Study Group on Measures against Excessive Work and Mental Health) created, in 2004, a report<sup>7</sup> on health measures for workers. Based on the guideline and comprehensive measures mentioned above, the report consolidated and enhanced those measures while taking into consideration actual conditions. In the report, working hours were again considered as one of the major criteria for excessive work. The “*Shokuba ni okeru mentaru herusu taisaku no arikata kentou iinkai*” (Committee for the Examination of Mental Health Measure Practice at the Workplace) was established in the Japan Industrial Safety and Health Association in 2005, and the “*Roudousha no kokoro no kenko no hojizoushin no tame no shishin*” (Guideline for Promotion of Mental Health for Workers)<sup>8</sup> was established in 2006 to “further promote appropriate and effective practice of mental health

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<sup>6</sup> Published on February 12, 2002  
(<http://www.mhlw.go.jp/topics/2004/06/dl/tp0630-1d.pdf>).

<sup>7</sup> Published on August 18, 2004, “*Kajuroudou mentaru herusu taisaku no arikatani kakawaru kentoukai*” (Study Group on Measures for Excessive Work and Mental Health).  
(<http://www.mhlw.go.jp/shingi/2004/08/dl/s0823-3a.pdf>).

<sup>8</sup> Published on March 31, 2006  
(<http://www.mhlw.go.jp/houdou/2006/03/h0331-1.html>).

measures at the workplace.”

While the relevance of overtime work to health conditions was discussed by Ogura (2006), the Ministry of Health, Labour and Welfare claimed, based on the “current medical knowledge,” that the pathogenesis of brain and cardiac diseases had higher relevance to work when overtime exceeded 45 hours every month for a period of one to six months prior to the pathogenesis. Furthermore, it was pointed out that it had strong relevance when working 100 hours of overtime in the month prior to the pathogenesis or when overtime exceeded 80 hours every month for the period of two to six months prior to the pathogenesis.

For the relevance of overtime work to health conditions, the Japan Institute for Labour Policy and Training conducted a survey<sup>9</sup> (hereinafter called the “JILPT 2004 Survey”) in 2004, and its outcome was discussed by Ogura (2006). Rengo also conducted a survey<sup>10</sup> in 2004, which reported that the longer the overtime hours, the greater the mental stress at work.

According to the survey conducted by the Tokyo Roudoukyoku (Tokyo Labour Department) every year since 2002,<sup>11</sup> there has been an increase in the percentage of companies answering yes to the practice of over 100 hours of “overtime” a month or over 80 hours on average for the period of two to six months: from 24.9 percent (376 companies) in 2002, to 31.9 percent (353 companies) in 2003, and to 35.7 percent (382 companies) in 2004.

To the question about the extent to which companies in fact took measures to address health issues of their workers, the abovementioned “Survey on Workers’ Health Status” (2002), indicated that mental health care was provided by over 90 percent of companies with 1,000 employees or more and over 60 percent of companies with 300 employees or more. However, these measures were provided by less than 50 percent of companies with less than 300

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<sup>9</sup> The “Survey on the Practice and Awareness of Working Hours” conducted on 3,000 people selected from the survey collaborators registered with private survey companies throughout Japan in 2004. The number of valid responses was 2,557.

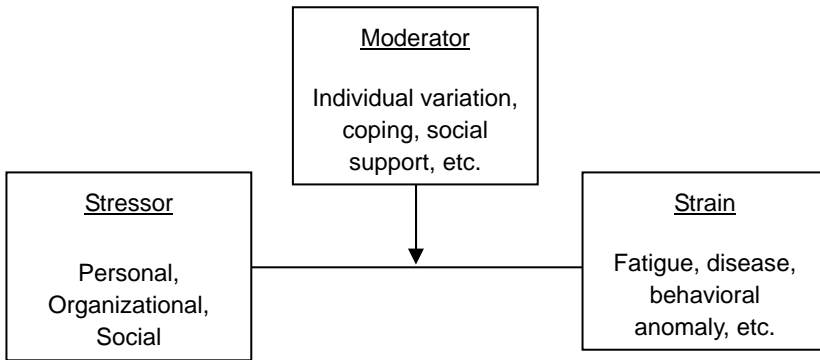
<sup>10</sup> *The Rengo Seikatsu Anketo Chousa* (Rengo's Survey on Living)” conducted on 21,000 Rengo Union members. The number of valid responses was 20,928.

<sup>11</sup> The “*Jugyouin no kenko kanritou ni kansuru anketo chosa*” (Survey on Health Control, Etc. for Employees) conducted on companies with over 300 employees located in Tokyo. The number of valid responses was 1,071.

employees and 23.5 percent in total. Specific measures included (in descending order from the response with the highest percentage, multiple answers allowed): “counseling services” (55.2 percent); “inquiry by medical doctors during periodic health checks” (43.6 percent); and “improvements in the workplace” (42.3 percent).

The chart below (Figure 2) shows an organizational stress model.

**Figure 2 Organizational stress model (Tao, 1991)**



Both stressors and strain are specific to individuals and vary from person to person.<sup>12</sup> Although people perceive stress differently depending on their personality and working styles,<sup>13</sup> stress does not have to be totally isolated as a personal problem. As the Ministry of Health, Labour and Welfare indicated in its guidelines, it is important to examine the possibility of finding a

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<sup>12</sup> According to the “Survey on Workers’ Health Status” conducted in 2002, a major source of a high level of depression, anxiety and stress was derived from “personal relationships at work” (35.1 percent), “work volume” (32.3 percent), “work quality” (30.4 percent), “future potential of the company one is working for” (29.1 percent), etc. (multiple answers allowed).

<sup>13</sup> Type A personality people and those with an obsessive character are susceptible to stress (Munakata, 1991; Yoshitake, 1990). Type A personality people are scrupulous and have a strong sense of rivalry, always feeling pressured for time. They accumulate stress easily and have a higher probability of developing cardiovascular diseases. Rather than a sense of rivalry, the Japanese are characterized to have a strong sense of responsibility and to be more scrupulous in their behavior, and they are also categorized as an obsessive type of people.

moderator for alleviating any problems in the work environment.

In this paper, the JILPT 2004 Survey is used to examine whether or not the measures provided by companies for long working hours and overtime are actually working effectively as a moderator of personal stress (depressive tendency). It is possible that the respondents may not know precisely if the company is providing the measures or not in reality, but we consider recognition by the respondents of the practice of these measures to be important.

### **1. Measures for Long Working Hours, Overtime and Overtime Working Hours**

In the JILPT 2004 Survey, respondents were surveyed about four items related to whether or not their companies were taking measures in response to long working hours and health control (hereinafter called “measures against long working hours and overtime”).<sup>14</sup> Table 1 shows the percentage of the respondents who answered yes (N=2,557). The highest percentage, at 30.0 percent, said there was the measure of “grasping the actual hours worked and giving warning or advice to people working long hours or to their superiors” and the lowest percentage, at 21.0 percent, said there was the measure of “counseling of people working long hours.” The answers ranged between 20 and 30 percent.

Let us look at the relationship between the extent of overtime hours and measures for long working hours and overtime. Table 2 shows companies that provided measures for long working hours and overtime and companies that did not, to compare and see any differences in actual overtime hours between the two, using the average figures when 0 hours of overtime is included and not included.

Table 2 shows that no statistically significant difference was found with respect to the measure of “counseling of people working long hours” when 0 hours was included, and the level of statistical significance was only 10 percent when 0 hours was not included, indicating that there was no difference

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<sup>14</sup> In the survey, the actual question reads, “On the issues of long working hours and health control, are the measures listed here, from A to D, carried out in the company that you are working for?” The respondents were asked to select one of three choices “Yes,” “No,” and “Don’t know” to answer each item.

**Table 1 Respondents who answered that their companies are taking measures for long working hours and overtime (%) <sup>15</sup>**

|                 |  |  |   |
|-----------------|--|--|---|
| No-overtime day | Work-end call at the end of business hours | Grasping the actual hours worked and giving warning or advice to people working long hours or to their superiors | Counseling of people working long hours |
| 27.5            | 24.2                                       | 30.0   | 21.0                                    |

in overtime regardless of whether this measure was applied or not. For the other three measures, however, the average value of overtime was shorter when the measures were implemented, regardless of whether or not the overtime of 0 hours was included, showing a statistical significance of less than 5 percent. The measure of “work-end call at the end of business hour” showed the lowest average value when the measure was implemented. The comparison of the difference between when 0 hours was included and not included shows that the difference was larger when 0 hours was not included, except with regard to the “work-end call at the end of business hour.”

The measure of “counseling of people working long hours” is not designed to actively shorten working hours (or to prevent working hours from becoming longer); therefore, it is not surprising that there was no difference in overtime depending on whether the measure was implemented or not. On the other hand, the other three measures have a direct influence on working hours, and thus there was a difference depending on whether the measure was implemented or not, implying that these measures had some effect in preventing long working hours.

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<sup>15</sup> In the survey, the measure of “counseling of people working long hours” indicates “counseling on long working hours and stress provided outside periodic health checks”.

**Table 2 Comparison of overtime with/without measures against long working hours and overtime**

|  |     | With overtime 0 |                   |                       |        |                 | Without overtime 0 |                   |                       |        |                 |
|--|-----|-----------------|-------------------|-----------------------|--------|-----------------|--------------------|-------------------|-----------------------|--------|-----------------|
|  |     | Average         | (Differ-<br>ence) | Standard<br>deviation | (N)    | Dispersion      | Average            | (Differ-<br>ence) | Standard<br>deviation | (N)    | Dispersion      |
| No-overtime day  | Yes | 29.1            | (5.1)             | 33.559                | (675)  | F value: 8.278  | 35.2               | (7.0)             | 33.883                | (557)  | F value: 12.262 |
|  | No  | 34.2            |                   | 40.571                | (1571) | p < 0.01        | 42.2               |                   | 41.160                | (1273) | p < 0.01        |
| Work-end call at the end of<br>business hour   | Yes | 26.8            | (6.9)             | 35.022                | (583)  | F value: 14.132 | 34.5               | (6.7)             | 36.235                | (453)  | F value: 10.336 |
|  | No  | 33.7            |                   | 39.073                | (1686) | p < 0.01        | 41.3               |                   | 39.455                | (1379) | p < 0.01        |
| Grasping the actual hours<br>worked and giving warning or<br>advice to people working<br>long hours or to their<br>superiors | Yes | 30.1            | (3.5)             | 34.147                | (731)  | F value: 4.096  | 36.4               | (5.2)             | 34.365                | (604)  | F value: 7.126  |
|  | No  | 33.6            |                   | 39.771                | (1322) | p < 0.05        | 41.6               |                   | 40.314                | (1068) | p < 0.01        |
| Counseling of people<br>working long hours   | Yes | 31.2            | (1.3)             | 33.041                | (517)  | F value: 0.441  | 37.0               | (4.0)             | 32.864                | (437)  | F value: 3.458  |
|  | No  | 32.5            |                   | 40.161                | (1639) | n.s.            | 41.0               |                   | 41.054                | (1301) | p < 0.10        |



## 2. Measures for Long Working Hours, Overtime and Stress

While 20 to 30 percent of the respondents answered that the measures were taken for long working hours and overtime as described above, a comparison between those who answered “Yes” and those who answered “No” shows that those who answered “Yes” had shorter overtime hours, except with respect to the measure of “counseling of people working long hours.”

Now, let us examine whether measures for long working hours and overtime affect personal stress or not. The depression tendency score is used<sup>16</sup> as the stress variable.

Table 3 examines whether there were differences in the degree of personal stress (depression tendency) depending on whether the measures were implemented or not, based on the cross table<sup>17</sup> and comparison of average values.

Of the four measures, the measure of “no-overtime day” indicated that “very little depression” was more frequent among people who answered “Yes” than those who said “No,” and that “medium depression” was a little less frequent, even though the result was not statistically significant. There was also no statistically significant difference identified for comparison of the average values of depression tendency score. For the other measures, the percentage of “very little depression” tended to be higher and the percentage of “medium depression” lower when the measures were implemented than when they were not. For the average values of depression tendency score, as well, the score were lower when the measures were implemented than when they were not, showing statistically significant differences.

Since the measure of “no-overtime day” is applied only once a week or so, it may not contribute to alleviating stress. On the other hand, the measure of “work-end call at the end of business hours” is applied on a daily basis, possibly providing opportunities for communication. The “grasping of the actual hours worked and giving warning or advice to people working long hours

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<sup>16</sup> The depression tendency score was obtained by adding the score of the 20 psychological test items on depression, suggested by Zung, with a higher number indicating higher depression. The score ranged from 20 to 80: average = 41.71, standard deviation = 8.464, and Cronbach  $\alpha$  = 0.825.

<sup>17</sup> The depression score is defined as “very little depression” when the total is less than 40, “slight depression” when it is between 40 and 49, and “medium depression” for 50 and above.

**Table 3 Measures for Long Working Hours, Overtime and Depression Tendency (%)**

|  |                                       |            | Little depression | Slight depression | Medium depression | Average | Standard deviation | (N)    | Dispersion       |
|--|---------------------------------------|------------|-------------------|-------------------|-------------------|---------|--------------------|--------|------------------|
| Total  |                                       | 100 (2533) | 42.7              | 39.9              | 17.4              | 41.71   | 8.464              | (2517) | -                |
| No-overtime day  | Yes                                   | 100 (704)  | 44.5              | 38.8              | 16.8              | 41.37   | 8.288              | (696)  | F value = 2.028  |
|  | No                                    | 100 (1661) | 41.6              | 40.2              | 18.2              | 41.96   | 8.532              | (1636) | n.s.             |
|  | Don't know                            | 100 (168)  | 46.4              | 41.7              | 11.9              | 40.90   | 8.366              | (164)  |                  |
|  | Chi square = 5.590, df = 4, n.s.      |            |                   |                   |                   |         |                    |        |                  |
| Work-end call at the end of business hour  | Yes                                   | 100 (618)  | 45.8              | 40.3              | 13.9              | 40.64   | 8.394              | (610)  | F value = 7.032  |
|  | No                                    | 100 (1769) | 41.3              | 40.0              | 18.7              | 42.13   | 8.451              | (1745) | p < 0.01         |
|  | Don't know                            | 100 (135)  | 45.2              | 38.5              | 16.3              | 41.63   | 8.478              | (132)  |                  |
|  | Chi square = 8.669, df = 4, p < 0.10  |            |                   |                   |                   |         |                    |        |                  |
| Grasping the actual hours worked and giving warning or advice to people working long hours or to their superiors | Yes                                   | 100 (766)  | 48.8              | 38.9              | 12.3              | 40.35   | 7.934              | (757)  | F value = 17.776 |
|  | No                                    | 100 (1397) | 39.0              | 40.3              | 20.7              | 42.58   | 8.732              | (1379) | p < 0.01         |
|  | Don't know                            | 100 (365)  | 43.6              | 41.4              | 15.1              | 41.30   | 8.011              | (357)  |                  |
|  | Chi square = 33.166, df = 4, p < 0.01 |            |                   |                   |                   |         |                    |        |                  |
| Counseling of people working long hours  | Yes                                   | 100 (536)  | 49.4              | 37.7              | 12.9              | 40.08   | 8.068              | (532)  | F value = 13.233 |
|  | No                                    | 100 (1737) | 40.8              | 40.4              | 18.8              | 42.23   | 8.556              | (1711) | p < 0.01         |
|  | Don't know                            | 100 (258)  | 40.7              | 41.9              | 17.4              | 41.83   | 8.149              | (252)  |                  |
|  | Chi square = 16.599, df = 4, p < 0.01 |            |                   |                   |                   |         |                    |        |                  |

or to their superiors” generates pressure to manage working hours and to prevent long working hours, which leads to improvements in work practices and the working environment, presumably alleviating stress.<sup>18</sup> The measure of “counseling of people working long hours” probably reduces stress due to the fact that there is someone who can be relied on for counseling.

The cross table above indicates the relation between each measure and the tendency of depression. Here, using the depression tendency score as a dependent variable, multiple regression analysis (OLS) was used to analyze the influence of each measure for long working hours and overtime on the tendency of depression. Control variables included attributes of respondents, attributes of the companies they belonged to, and their overtime hours.<sup>19</sup> Attributes of respondents included sex, age, educational background, job type, job title and annual income of the last year. Attributes of the companies that respondents belonged to included: business category, the number of employees, labor union availability, and recent business performance.

First, a correlation was identified between the depression tendency score, overtime hours and the four measures for long working hours and overtime (Table 4).

In relation to the depression tendency score, the measures had a low negative correlation, except for the measure of “no-overtime day.” In other words, the depression score was lower when the measures were implemented, which matched the trend of the cross table and the average value shown in Table 3. There was a low positive correlation to the overtime hours, indicating that longer overtime hours led to higher depression score.

With respect to the relationship between overtime hours and measures for long working hours and overtime, there was a low negative correlation between the two, with the exception of the measure of “counseling of people working long hours,” indicating results similar to those of Table 3. The correlation among the measures was relatively strong, with the highest correlation coefficient at 0.453.

Since the correlation was relatively strong among the different variables

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<sup>18</sup> Of course, this can contrarily work as a source of stress. For details, see Chapter 3: Summary.

<sup>19</sup> For the overtime hours, variables were used that included 0 hours of overtime. See the attached table for descriptive statistics of each variable.

**Table 4 Relationship between the depression tendency score, overtime hours and four measures for long working hours and overtime**

|  | Depression tendency score           | No-overtime day                     | Work-end call at the end of business hour | Grasping the actual hours worked and giving warning or advice to people working long hours or to their superiors | Counseling of people working long hours |
|--|-------------------------------------|-------------------------------------|---|--|---|
|  | Pearson correlation coefficient (N) | Pearson correlation coefficient (N) | Pearson correlation coefficient (N)       | Pearson correlation coefficient (N)  | Pearson correlation coefficient (N)     |
| No-overtime day  | -0.032 n.s. (2332)                  |                                     |   |  |   |
| Work-end call at the end of business hour  | -0.077 *** (2355)                   | 0.354 *** (2297)                    |   |  |   |
| Grasping the actual hours worked and giving warning or advice to people working long hours or to their superiors | -0.125 *** (2136)                   | 0.397 *** (2085)                    | 0.402 *** (2112)                          |  |   |
| Counseling of people working long hours  | -0.108 *** (2243)                   | 0.422 *** (2174)                    | 0.252 *** (2201)                          | 0.453 *** (2035)   |   |
| Overworking hours  | 0.166 *** (2370)                    | -0.061 ** (2246)                    | -0.079 *** (2269)                         | -0.045 * (2053)  | -0.014 n.s. (2156)                      |

Note: One asterisk (\*) indicates statistical significance at the level of 5%, two asterisks (\*\*) indicate the level of 1%, and three asterisks (\*\*\*) indicate the level of 0.1%.

of the measures for long working hours and overtime, the outcome of the analysis would be biased if the variables of all the measures were input in one model. Therefore, each measure was analyzed in a separate model (Equations 1, 2, 3 and 4) (Table 5).

**Table 5 Influence of measures for long working hours and overtime on the depression tendency (OLS)**

| Dependent variable<br>= Depression tendency score  | Equation 1 |  | Equation 2 |  | Equation 3 |  | Equation 4 |  |
|--|------------|--|------------|--|------------|--|------------|--|
|  | $\beta$    | t - value  | $\beta$    | t - value  | $\beta$    | t - value  | $\beta$    | t - value  |
| Sex (Base = Female)  | -0.035     | -1.143   | -0.035     | -1.139   | -0.044     | -1.460   | -0.040     | -1.305   |
| Age  | -0.124     | -4.337 ***   | -0.123     | -4.288 ***   | -0.133     | -4.638 ***   | -0.130     | -4.538 ***   |
| Educational background (Base = Graduating senior high school or below)   |            |  |            |  |            |  |            |  |
| Junior college/vocational school   | 0.033      | 1.179  | 0.028      | 1.004  | 0.027      | 0.968  | 0.033      | 1.175  |
| University graduate  | 0.038      | 1.265  | 0.034      | 1.123  | 0.035      | 1.181  | 0.041      | 1.356  |
| Business category (Base = Manufacturing)   |            |  |            |  |            |  |            |  |
| Construction   | -0.038     | -1.441   | -0.036     | -1.388   | -0.038     | -1.452   | -0.041     | -1.548   |
| Electric, gas, water, energy supply  | 0.013      | 0.540  | 0.014      | 0.590  | 0.013      | 0.542  | 0.012      | 0.503  |
| Transportation and communication   | 0.020      | 0.798  | 0.022      | 0.888  | 0.021      | 0.826  | 0.017      | 0.664  |
| Wholesale, retail, catering  | -0.014     | -0.460   | -0.012     | -0.409   | -0.013     | -0.451   | -0.018     | -0.610   |
| Finance, insurance, real-estate  | -0.028     | -1.059   | -0.022     | -0.848   | -0.030     | -1.138   | -0.035     | -1.320   |
| Services   | -0.003     | -0.108   | 0.001      | 0.023  | -0.004     | -0.148   | -0.006     | -0.194   |
| Public services  | -0.009     | -0.346   | -0.003     | -0.115   | -0.014     | -0.533   | -0.008     | -0.309   |
| Others   | -0.030     | -1.085   | -0.027     | -0.991   | -0.036     | -1.321   | -0.035     | -1.266   |
| Number of employees (Base = 99 or less)  |            |  |            |  |            |  |            |  |
| 100 to 999   | 0.013      | 0.473  | 0.013      | 0.465  | 0.030      | 1.054  | 0.018      | 0.646  |
| 1000 or more   | 0.011      | 0.311  | 0.022      | 0.628  | 0.041      | 1.140  | 0.044      | 1.201  |
| Job type (Base = Administration and clerical)  |            |  |            |  |            |  |            |  |
| Sales, Marketing, customer relation  | 0.017      | 0.544  | 0.015      | 0.486  | 0.008      | 0.265  | 0.012      | 0.380  |
| Specialist   | -0.023     | -0.719   | -0.023     | -0.728   | -0.024     | -0.755   | -0.018     | -0.577   |
| Manufacturing and production   | -0.029     | -0.906   | -0.029     | -0.894   | -0.033     | -1.012   | -0.031     | -0.967   |
| Others   | -0.040     | -1.548   | -0.039     | -1.544   | -0.037     | -1.473   | -0.037     | -1.449   |
| Job title (Base = Regular employee)  |            |  |            |  |            |  |            |  |
| Section manager, supervisor  | -0.020     | -0.754   | -0.018     | -0.673   | -0.017     | -0.652   | -0.022     | -0.825   |
| Department manager   | -0.056     | -2.024 *   | -0.055     | -1.999 *   | -0.054     | -1.951   | -0.056     | -2.031 *   |
| Division manager   | -0.067     | -2.669 **  | -0.063     | -2.536 *   | -0.059     | -2.358 *   | -0.068     | -2.725 **  |
| Others (executive)   | -0.037     | -1.523   | -0.037     | -1.535   | -0.030     | -1.258   | -0.038     | -1.596   |
| Labor union availability   | -0.068     | -2.229 *   | -0.060     | -2.000 *   | -0.054     | -1.796   | -0.058     | -1.911   |
| Annual income of last year   | -0.027     | -0.751   | -0.029     | -0.804   | -0.014     | -0.381   | -0.012     | -0.329   |
| Recent business performance  | 0.118      | 4.831 ***  | 0.114      | 4.678 ***  | 0.111      | 4.545 ***  | 0.112      | 4.585 ***  |
| Overworking hours  | 0.178      | 7.237 ***  | 0.173      | 7.050 ***  | 0.170      | 6.949 ***  | 0.173      | 7.071 ***  |
| Measures against Long Working Hours and Overtime   |            |  |            |  |            |  |            |  |
| No-overtime day  | 0.003      | 0.103  |            |  |            |  |            |  |
| Work-end call at the end of business hour  |            |  | -0.069     | -2.859 **  |            |  |            |  |
| Grasping the actual hours worked and giving warning or advice to people working long hours or to their superiors |            |  |            |  | -0.110     | -4.368 ***   |            |  |
| Counseling of people working long hours  |            |  |            |  |            |  | -0.091     | -3.316 **  |
| Constant   |            | 35.004 ***   |            | 35.261 ***   |            | 35.524 ***   |            | 35.325 ***   |
|  |            | Sample size = 1713<br>R2=0.096<br>F=6.652, df=27, p<0.01 |            | Sample size = 1713<br>R2=0.101<br>F=6.986, df=27, p<0.01 |            | Sample size = 1713<br>R2=0.106<br>F=7.434, df=27, p<0.01 |            | Sample size = 1713<br>R2=0.102<br>F=7.102, df=27, p<0.01 |

First, we examined the relationship between the control variables and the depression tendency score. For the depression tendency score, there was a statistical significance with respect to “age” (-), “department manager” (-) with the exception of equation 3, “division manager” (-), “labor union availability” of equations 1 and 2, and “recent business performance” (+). In terms of age, younger people had a higher depression tendency, while in terms of posts, department and division managers had a lower depression tendency than regular employees. For equations 1 and 2, labor union availability contributed to a lower depression tendency. With regard to recent business performance, since larger values indicated poorer business performance, poor business performance contributed to increase depression tendency. With respect to overtime hours, statistically significant results (+) were obtained for all equations. Longer overtime hours contributed to an increase in depression tendency.

For the variables used for the measures for long working hours and overtime, statistically significant results were obtained with the exception of the measure of “no-overtime day” (all coefficients were negative). In each case, people had a lower depression tendency when the measures were implemented. The same trend was observed with Tables 3 and 4. The influence on depression tendency remained even after controlling by attribute variables and overtime hours. This indicated that these measures contributed to a certain level to preventing the development of stress in the respondents or to alleviating stress that had been developed, thus implying that these measures work as a moderator to a certain level.

### **3. Summary**

Various research efforts indicate that workers are subjected to a greater burden at work under the difficult economic situation of recent years, and that socially there is a greater concern for mental and physical health disorders. As symbolic signs of these phenomena, the mass media have often reported overwork-derived suicides and depression, thus raising the interest in mental health care in particular. Stress varies depending on the workplace, and appropriate remedies also vary depending on the individual. It is important to create an environment in which development of stress can be reduced and in which stress can be alleviated once it has developed.

In studying the relationship between long working hours and stress, this

paper verifies, using the data from the JILPT 2004 Survey, whether or not the four measures implemented for long working hours and overtime in fact work as a moderator for alleviating stress.

First, as for the relation between overworking hours and the measures for long working hours and overtime, the overtime hours tend to become shorter when three measures other than the measure of “counseling of people working long hours” were implemented. This indicates that these three measures have a certain effect on controlling the extension of overtime hours.

Next, we examined the relation between depression tendency and measures for long working hours and overtime by using the cross table and comparing the average values. The result showed that the depression tendency tends to remain at low levels when the three measures other than the measure of “no-overtime day” were implemented. Furthermore, we used multiple regression analysis to verify the influence of each measure on the depression tendency, while controlling the attributes of the respondents and the attributes of the companies that respondents belong to. The results showed that the depression tendency is lower when the three measures other than the measure of “no-overtime day” were implemented, which were the same as the results of the cross table.

According to our observations, the measure of “no-overtime day” is effective in controlling overtime hours but not in alleviating stress. When the difference of this measure compared to other measures is considered, the measure of “work-end call at the end of business hours” involves the action of “calling” to others, the measure of “grasping the actual hours worked and giving warning or advice to people working long hours or to their superiors” involves the action of “giving warning or advice,” and the measure of “counseling of people working long hours” involves the action of “counseling” others. In all of these measures, there is direct communication. On the other hand, the measure of “no-overtime day” is carried out formally across the entire organization and is unlikely to promote communication in each instance.

The above observations imply that communication is important at the workplace in preventing workers from developing stress or in alleviating their stress. As a source of stress, personal relationship is often raised,<sup>21</sup> and

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<sup>21</sup> For example, according to the “Survey on Workers’ Health Status” conducted in 2002, a major source of a high level of depression, anxiety and stress

miscommunication is in fact one of the major causes of stress. The survey conducted by the Mental Health Research Institute of the Japan Productivity Center for Socio-Economic Development<sup>22</sup> also indicates that “poor communication” is one of the major factors detrimental to mental health at the workplace, and it recommends “communication and daily care activities” as an effective measure.

If, however, measures are taken specifically against employees who work long overtime hours, it may be taken as a penalty and reduce their motivation (the Mental Health Research Institute of the Japan Productivity Center for Socio-Economic Development, 2005). As a result, it may shorten working hours but also cause mental and physical disorders. Therefore, the Mental Health Research Institute of the Japan Productivity Center for Socio-Economic Development (2005) emphasizes that rather than introduce a regulation on overtime across-the-board, measures that suit the different situation of each workplace are necessary.

To this end, better communication is also required at the workplace for individuals and management to reconsider the way they work. This will make it possible to coordinate working hours and alleviate stress. It is important to first take various measures in the organization; however, in regards to actually implementing such measures, the unique circumstances of each workplace should also be considered. For this purpose, day-to-day communication needs to be emphasized to create an environment in which consultation and advice may be freely sought and given in the workplace as such needs arise.

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was derived from “personal relationships at work,” as described in footnote no. 2.

<sup>22</sup> See footnote no. 3.



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**Attached Sheet: Descriptive Statistics** <sup>23</sup>

|  | Average | Standard deviation | N    |
|--|---------|--------------------|------|
| Depression tendency score (dependent variable)   | 41.81   | 8.482              | 1713 |
| Sex (Base = Female)  | 0.69    | 0.462              | 1713 |
| Age  | 39.78   | 10.706             | 1713 |
| Educational background (Base = Graduating senior high school or below)   |         |                    |      |
| Junior college/vocational school   | 0.22    | 0.415              | 1713 |
| University graduate  | 0.43    | 0.495              | 1713 |
| Business category (Base = Manufacturing)   |         |                    |      |
| Construction   | 0.08    | 0.273              | 1713 |
| Electric, gas, water, energy supply  | 0.02    | 0.153              | 1713 |
| Transportation and communication   | 0.07    | 0.250              | 1713 |
| Wholesale, retail, catering  | 0.13    | 0.337              | 1713 |
| Finance, insurance, real-estate  | 0.06    | 0.241              | 1713 |
| Services   | 0.19    | 0.389              | 1713 |
| Public services  | 0.08    | 0.267              | 1713 |
| Others   | 0.10    | 0.304              | 1713 |
| Number of employees (Base = 99 or less)  |         |                    |      |
| 100 to 999   | 0.30    | 0.459              | 1713 |
| 1000 or more   | 0.33    | 0.470              | 1713 |
| Job type (Base = Administration and clerical)  |         |                    |      |
| Sales, Marketing, customer relation  | 0.23    | 0.424              | 1713 |
| Specialist   | 0.28    | 0.447              | 1713 |
| Manufacturing and production   | 0.20    | 0.397              | 1713 |
| Others   | 0.06    | 0.229              | 1713 |
| Job title (Base = Regular employee)  |         |                    |      |
| Section manager, supervisor  | 0.24    | 0.427              | 1713 |
| Department manager   | 0.10    | 0.306              | 1713 |
| Division manager   | 0.03    | 0.173              | 1713 |
| Others (executive)   | 0.03    | 0.162              | 1713 |
| Labor union availability   | 0.45    | 0.498              | 1713 |
| Annual income of last year   | 5.44    | 2.320              | 1713 |
| Recent business performance  | 3.20    | 1.134              | 1713 |
| Overworking hours  | 33.43   | 38.956             | 1713 |
| Measures against Long Working Hours and Overtime   |         |                    |      |
| No-overtime day  | 0.28    | 0.447              | 1713 |
| Work-end call at the end of business hour  | 0.23    | 0.423              | 1713 |
| Grasping the actual hours worked and giving warning or advice to people working long hours or to their superiors | 0.34    | 0.473              | 1713 |
| Counseling to people working long hours  | 0.23    | 0.424              | 1713 |

<sup>23</sup> The “annual income of last year” consists of the categories of “less than ¥11 million” to “¥1,320 million.” There are five possible answers for the “recent business performance”: “1. Very good,” “2. Relatively good,” “3. Average,” “4. Somewhat bad” and “5. Quite bad.”

# Unpaid Overtime for White-collar Workers

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## 1 Introduction

It is said that there are many workers who work without being paid the legal allowance for overtime work in Japan. This is known as "unpaid overtime". In the 1980s, Japan was said to have longer working hours than other countries. In particular, it was thought that the phenomenon of unpaid overtime was unique to Japan and that this was one of the reasons behind long working hours in Japan. It wasn't until a few years ago that unpaid overtime hours started to be measured and it is thought that the actual situation was not fully understood in the 1980s. Even in other countries, studies measuring the amount of unpaid overtime are more or less nonexistent. As far as I know, unpaid overtime hours in Germany and the United Kingdom were measured in 1993. On the whole, the number of hours of unpaid overtime for male workers was 2.36 hours in Germany and 7.8 hours in the United Kingdom. The average number of hours of unpaid overtime worked by those who worked overtime, even if only occasionally, was 25.7 hours a month in Germany and 38.2 hours a month in the United Kingdom.

According to a study carried out by the Japanese Trade Union Confederation - Research Institute for Advancement of Living Standards (RENGO-RIALS) in June 2002, the average number of hours of unpaid overtime worked per month for men and women combined was 8.7 hours. The monthly average amongst those who had worked unpaid overtime for at least one hour was 29.6 hours<sup>1</sup>. As the studies in Germany and the United Kingdom were carried out over a period of ten years and the workers subject to the studies were different, a comparison between the levels of unpaid overtime is not possible. Nevertheless, it is safe to say that unpaid overtime exists in all three countries, thus making it impossible to say that this is a phenomenon exclusive to Japan.

As mentioned above, only a few attempts have so far been made to examine unpaid overtime not only in Japan, but also in other countries as well. The purpose of this paper is to investigate the actual situation of unpaid

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<sup>1</sup> "Research on Diversification of Working Style and Working Hours " conducted by RENGO-RIALS (Research Institute for Advancement of Living Standard)

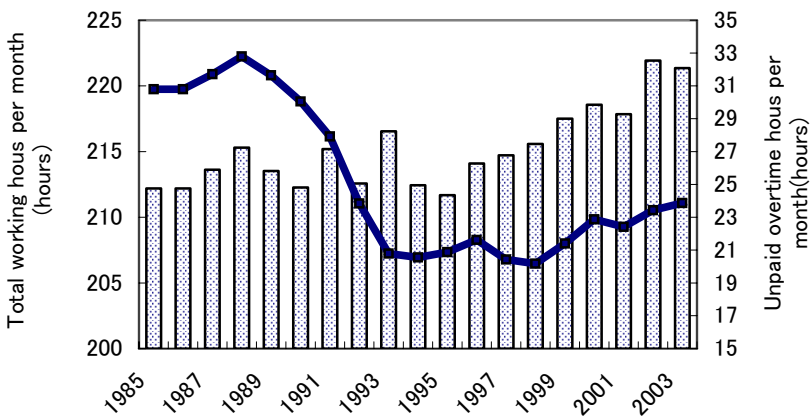
overtime.

## 2 Background of increasing unpaid overtime in Japan

The number of hours of unpaid overtime in Japan has increased in recent years. Figure 1 shows shifts in the estimated number of working hours in Japan. At the start of the 1990s, policies to reduce the number of working hours (including revisions to the Labor Standards Law designed to lead the way towards shorter working hours) proved effective, and the total number of working hours decreased substantially in comparison to figures in the 1980s. However, since the latter half of the 1990s, unpaid overtime has continued to increase, driving the total number of working hours ever upwards.

In line with increases in unpaid overtime in Japan, the authorities stepped up measures to rectify the situation during the period from the late 1990s into the new century. In April 2001, the Ministry of Health, Labor and Welfare issued recommendations for the rectification of the situation regarding unpaid overtime, and the resulting extra wages paid out by companies ordered to make corrective payments via the Labor Standards Inspection Office totaled 8.14 billion yen (70.7 million dollars) over the course of the next year and a half up to September 2002.

Figure1: Estimated total number of working hours and unpaid overtime hours per month (non-agricultural/combined male and female totals)



Source: Labour Force Survey and Survey on Wage Structure

Corrective measures such as these were implemented based on the idea of companies not paying workers sufficiently in line with the amount of overtime hours declared. According to a survey that asked workers their reasons for doing unpaid overtime, a large number of workers responded to the effect that "Even if I request to be paid, I won't get anything due to budgetary restrictions" indicating that companies force employees to work unpaid overtime. At times when there is excessive supply in the labor market, companies try to sift through the large number of job seekers and employ people who can work harder for lower pay. At times like these, workers are prone to put up with working overtime for no wages in order to gain employment or ensure that they retain their job.

However, not all unpaid overtime, which increased in the latter half of the 1990s, needs to be rectified. In fact, there are cases where companies are actually paying wages for so-called unpaid overtime. In the following sections, this paper verifies that amongst white-collar workers at large enterprises in the same category in terms of age, sex, qualifications and occupation, the overall yearly salaries of workers who work unpaid overtime are higher than those of workers who do not. The reason for this is thought to be that, although companies do not formally pay wages directly based on the number of overtime hours worked, in practice, hours put in are reflected in payments such as bonuses.

The reason behind why companies stopped paying wages directly based on hours of overtime worked is related to personnel management systems that were popular amongst large enterprises in the latter half of the 1990s. One of these is the performance-based system of personnel management whereby employees are paid in accordance with their results. This system is a reflection of the downturn in company performance in the 1990s and started to gain popularity as part of a movement to reassess the payment of wages in accordance with labor input. Another system, which is in the process of being introduced, is the Discretionary Labor System whereby as the quantity of advanced, specialized work assigned to employees has increased, all aspects of work - from methods of execution to time allocation - is left to the workers themselves. With specialized, advanced work, it is difficult to predict the number of working hours that will be required to reach completion. In cases where it is not possible to estimate the necessary number of working hours, under systems whereby workers receive a salary in return for the hours they

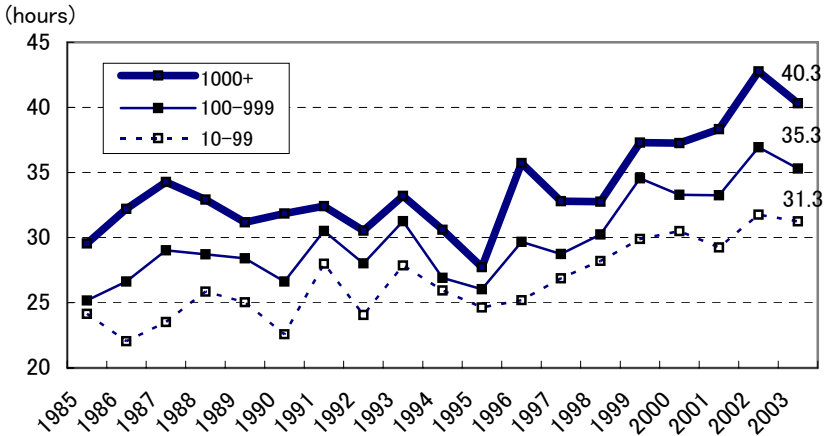
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have worked, they try to boost their wages by working longer hours. Therefore, for more advanced, specialized work, rather than paying wages according to hours worked it makes more sense to pay wages based on the evaluation of final output. Both systems place greater emphasis on the performance of workers to whom they are applied and weaken the relationship between working hours and wages.

It is thought that the percentage of compensated unpaid overtime such as this increased in the 1990s. If the reason for the increase in unpaid overtime is said to be owing to an increase in the traditional type of uncompensated unpaid overtime, it is expected that unpaid overtime would have increased at small- and medium-scale companies. Small and medium scale businesses suffered a significant deterioration in performance in the 1990s and it is possible that companies did not pay workers for the number of overtime hours they declared because of cutbacks in funds to cover wages.

Figure 2 shows shifts in the number of unpaid overtime hours put in by male workers according to differences in the scale of companies. The bigger the scale of the company the greater the number of unpaid overtime hours worked per month. The average number of hours for the 1990s was 32.5 hours for large-scale companies with 1000 or more employees, 29.3 hours for medium-scale companies with between 100 and 999 employees, and 26.3 hours for small companies with less than 100 employees. The number of unpaid overtime hours at large companies also increased significantly during the period from the end of 1990 to the start of the year 2000. The number of unpaid overtime hours at large companies in 2002 was 42.7 hours, an increase of 10.3 hours in comparison to the average for the 1990s and roughly double the total for small- to medium-scale companies. Thus, it is large companies that exhibit more rapid increases in the number of unpaid overtime hours. The increase in unpaid overtime at large enterprises can only be explained as nothing more than unpaid work. Factoring in the increased popularity of new personnel systems that give rise to compensated unpaid overtime amongst large-scale companies, there is a strong possibility that workers actually receive wages in return for so-called unpaid overtime.

Figure 2: Number of unpaid overtime hours per month according to scale of firm (non-agricultural/male workers)



Source: Labour Force Survey and Basic Survey of Wage Structure

### 3 Compensated unpaid overtime

#### 3-1 Previous works

Only a few economic leading studies about determinants of unpaid overtime do not regard unpaid overtime as simply nonpayment of labor. Rather, these studies think that unpaid overtime is paid for, and workers do it from their own motivation and of their own accord.

Pennenberg's (2002) study indicates that over a 10-year period, workers with unpaid overtime experience on average a 2 percent increase in real labor earnings using panel data in West Germany<sup>2</sup>. He finds supportive evidence for the investment character of unpaid overtime.

Mitani (1997) pointed out that the probability of doing unpaid overtime is high when the evaluation element is performance as opposed to the number of hours worked. In other words, unpaid overtime is undertaken in the belief that their efforts will be recompensed by future promotion accompanied by higher wages, although there is no immediate compensation.

In this way, the reason why firms compensate for unpaid overtime later is

<sup>2</sup> He uses longitudinal micro data from the German Socio Economic panel Study (GSOEP) for the years 1988 to 2000.

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to provide an effort incentive. Ohashi (1989) looked at how firms pay bonuses to compensate employees for the intensity of work experienced since the last payment. If we read labor intensity to mean unpaid overtime, future payment for unpaid overtime can be considered as a means to encourage work effort.

Although Mitani (1997) highlighted the relationship between the evaluation system and unpaid overtime, he doesn't verify that unpaid overtime is actually recompensed. If the wages of workers who engage in unpaid overtime is lower than that of workers who do not, the firm simply introduces a new salary system and aims to reduce costs through wage controls. Therefore, this paper confirms as follows that the wage of workers doing unpaid overtime is higher.

### **3-2 Implicit contract**

Based on this hypothesis, we will demonstrate that the more workers do unpaid overtime, the higher the reward they will receive. Workers will make a choice between two types of job. One is a job that requires unpaid overtime because the content of the work is variable, although the rewards are high. The other is a job that does not require unpaid overtime because the content of the work is fixed, although the rewards are low. This is an implicit contract concerning unpaid overtime and rewards that are agreed on between labor and management.

This contract is updated whenever firms offer a new job to workers. For example, in the case of an interview with the boss for the purpose of goal setting for the current term under the management-by-objectives system, this is a half-yearly or yearly event to decide the work method for a certain period. The reason why firms offer such a contract is that some jobs are difficult and complex. In the case of specialized and advanced jobs, it is hard for firms to predict the labor input required to complete them. When a firm cannot accurately assess the labor input requirement, a worker paid on an hourly basis will prolong working hours more than required in order to raise their reward. In this way, a performance-based wage is more appropriate for compensation for specialized and advanced jobs than an hourly wage. In addition, a firm must set higher rewards to ensure premium payment for working uncertain hours.

Furthermore, under the performance-based salary, it becomes irrelevant for workers to report their own working hours to the firm, as working hours are not the criteria used for evaluation. Therefore, this leads to the phenomenon



where workers underreport their working hours. However, a worker recognizes these extra working hours as unpaid overtime because an extra pay is not directly received for overtime hours. Then what choice do workers have when it comes to selecting a job in which the rewards are high but unpaid overtime is required?

We shall begin by considering a firm which employs  $n$  workers. It is assumed that the job performance of individual workers is equal, but they have different levels of leisure preference. For now, let us assume that the leisure preference of worker  $i$  ( $i = 1, \dots, n$ ) is  $\theta_i$  ( $0 \leq \theta \leq 1$ ), thus we write  $\theta_1 > \theta_2 > \dots > \theta_n$ . The worker whose leisure preference is high is able to obtain a high level of utility from their leisure time, when endowment hours was distributed as working hours and spare time. On the other hand, the worker whose leisure preference is low gains considerable utility from compensation of labor, i.e. leisure preference is a variable to express whether the worker is a family-oriented person who prefers to spend a lot of time with their family, or a work-oriented person who places greater importance on their job. As a family-oriented worker feels distressed when working hours become longer, it becomes necessary to pay greater rewards for marginal labor.

When worker  $i$  selects the degree of difficulty of work  $T_i$  ( $T_i \geq 0$ ), then they will receive salary  $W_i$ . Also, we assume that workers have a price attached to their labor, and this price depends on the degree of difficulty of work as chosen by themselves and their leisure preference  $\theta_i$ .

The unpaid overtime  $S$  of worker  $i$  depends on the degree of difficulty of the work  $T_i$ , so it is written as  $S(T_i)$ . Furthermore, we surmise that this unpaid overtime function  $S(T_i)$  has the following characteristics:

assumption 1 (i)  $S'(T_i) > 0$ , (ii)  $S''(T_i) > 0$ , (iii)  $S(0) = 0$

(i) Longer working hours are necessary in order to adequately complete more difficult work. (ii) As the work becomes more difficult and complex, the marginal unpaid overtime hours continue to increase. (iii) A job with the lowest degree of difficulty  $T_i = 0$  does not require unpaid overtime. In other words, it means that the job is able to be adequately completed during basic working hours.

The worker  $i$  has the following utility function:

$$U_i = u(W_i - C(S(T_i), \theta_i))$$

$C(S(T_i), \theta_i)$  represents a workers' cost function for doing unpaid overtime, and has the following properties:

Assumption 2 (i)  $C_s > 0$ , (ii)  $C_{ss} > 0$ , (iii)  $C_\theta > 0$ , (iv)  $C_{s\theta} > 0$

(i)The more the workers do unpaid overtime, the larger the labor cost will become. (ii)The more the workers do unpaid overtime, the larger the marginal labor cost will become. Also, workers' labor cost depends on their leisure preference. (iii)The higher the level of leisure preference that workers have, the larger the labor cost will become, (iv)Thus, as unpaid overtime increases, the marginal cost also increases.

In addition, a firm receives profits  $\pi(T_i)$ , and  $\pi' > 0$ ,  $\pi'' < 0$ . A worker does not need to receive rewards that exceed the profit that is obtained by completing his job. The utility maximization problem is expressed as follow.

$$\begin{aligned} \max_{T_i} U_i &= u(W_i - C(S(T_i), \theta_i)) \\ \text{s.t. } \pi(T_i) - W_i &\geq 0 \end{aligned}$$

The first-order condition for maximum utility reveals that the worker whose leisure preference is low will choose more difficult work, and the wage of workers who do unpaid overtime is high.

$$\frac{dT_i}{d\theta_i} < 0$$

$$\frac{dW_i}{ds_i} > 0$$

#### 4 Empirical Method

Based on a previous hypothesis, this section demonstrates that white-collar workers in a large enterprise with a low leisure preference do unpaid overtime, and as a result their rewards increase.

The data is taken from "Survey of White-collar Employees". This survey was conducted by RENGO-RIALS in 1993 for white-collar employees in five significantly large firms. These five firms are automotive, electronics, chemical

and electric power companies, and a department store. The employees surveyed included both those who had been promoted and those who had not - including the section head, department head and directors but excluding top executives. The number of questionnaires distributed was 2,100, and the response rate was an impressive 86.5 %. Thus, the total number of completed questionnaires was 1,816. Summary statistics are reported in Table 2.

First, we use a probit model in order to investigate the decision making of unpaid overtime. Unpaid overtime  $u$  is determined by the following formula:

$$u^* = a + b\theta_i + u_i$$

$$u_i = 1 \quad \text{if} \quad u_i^* > 0, \quad 0 \quad \text{otherwise}$$

In the survey, respondents were asked, "When you are busy, do you do so-called unpaid overtime or job spill?" The dependent variable is the dummy

Table.1: Variables definition list

| Explained variables   |  |
|-----------------------|--|
| Unpaid overtime dummy | =1 if the respondent answered positively to the question "When you are busy, do you do so-called unpaid overtime or job spill?"<br>= 0 otherwise |
| Wage                  | Salary (Bonus included)  |
| Explanatory variables |  |
| Leisure Preference    | =1 if the respondent answered positively to the question "Do you use all your paid days off?"<br>= 0 otherwise                                   |
| Job Change dummy      | = 1 if the respondent has an experience of changing their job.<br>= 0 otherwise  |
| Post dummy            | = 1 if the respondent is in a position equal to or higher than the chief executive.<br>= 0 otherwise   |
| Male dummy            | = 1 if the respondent is male<br>= 0 otherwise   |
| Education             | high school, junior college, university graduate   |
| Age                   | Age<br>Age <sup>2</sup> /100   |
| Working Hours         | Generated from Basic Survey of Wage Census 1993  |
| Firm dummy            | Automotive firm A, Electronics firmB, Chemical firm C, Department storeE<br>FirmD=1  |
| Occupation            | Clerk, Sales, Distribution, R&D, Production, Others<br>Production=1  |

variable, which equals 1 if workers engage in unpaid overtime and 0 if otherwise. Among 1,816 workers (including 44 workers who did not answer the question), 1281 workers do unpaid overtime, 490 workers do not.

The leisure preference variable is used as the independent variable. Ogura (2000) verifies that a worker who has a high leisure preference takes annual paid leave more often, even if it is controlled for factors such as sex, age, occupation, industry. Therefore, we use a worker’s situation of taking paid leave as a proxy variable of the worker’s leisure preference. To be concrete, if the respondent answered positively to the question in the survey “Do you use all your paid days off?” they are assumed to have a high leisure preference, otherwise they are assumed to have a low leisure preference.

Table2: Summary statistics

| Variable           |                             | No. of Observations | Mean   | Standard Deviation |
|--------------------|-----------------------------|---------------------|--------|--------------------|
| Unpaid overtime    |                             | 1583                | 0.73   | 0.45               |
| Salary             |                             | 1583                | 6.40   | 0.36               |
| Leisure Preference |                             | 1583                | 0.23   | 0.42               |
| Job change         |                             | 1583                | 0.74   | 0.44               |
| Post               |                             | 1583                | 0.14   | 0.35               |
| Sex                |                             | 1582                | 0.04   | 0.19               |
| Education          | High school                 | 1583                | 0.91   | 0.28               |
|                    | Junior college              | 1583                | 0.20   | 0.40               |
|                    | University                  | 1583                | 0.06   | 0.24               |
| Age                | Age                         | 1583                | 33.70  | 6.21               |
|                    | Age <sup>2</sup>            | 1583                | 11.74  | 4.34               |
| Working hours      | Standard hours              | 1583                | 156.52 | 5.45               |
|                    | Overtime hours              | 1581                | 14.02  | 5.60               |
|                    | Overtime hours <sup>2</sup> | 1581                | 228.02 | 144.85             |
| Firm               | Firm A                      | 1583                | 0.15   | 0.36               |
|                    | Firm B                      | 1583                | 0.24   | 0.43               |
|                    | Firm C                      | 1583                | 0.22   | 0.41               |
|                    | Firm D                      | 1583                | 0.26   | 0.44               |
|                    | Firm E                      | 1583                | 0.13   | 0.33               |
| Occupation         | Clerk                       | 1583                | 0.18   | 0.38               |
|                    | Sales                       | 1583                | 0.26   | 0.44               |
|                    | Distribution                | 1583                | 0.07   | 0.25               |
|                    | R&D                         | 1583                | 0.06   | 0.23               |
|                    | Production                  | 1583                | 0.37   | 0.48               |
|                    | Others                      | 1583                | 0.08   | 0.27               |

Next, we shall proceed to an analysis of the relationship between unpaid overtime and workers' salaries. On the basis of the theory presented so far, the following remuneration function is estimated using ordinary least squares and the generalized method of moments. The logarithm of workers' yearly salary is used as the dependent variable. The independent variable is the unpaid overtime dummy  $u$ , which is used in the unpaid overtime formula as a dependent variable.

$$\ln W_i = \alpha_i + \beta u_i + \gamma over + \varepsilon$$

## 5 Empirical Result

First, we estimated the relationship between unpaid overtime and leisure preference (See Table3). A coefficient of the leisure preference variable is negative as expected, and statistically significant. This suggests that workers with a high leisure preference do not do unpaid overtime.

Next, Table 4 shows the estimation result of the effects on a worker's annual salary. The first and second column shows the results using OLS. The coefficient of unpaid overtime is not statistically significant and this suggests that unpaid overtime does not affect the salary when other factors are controlled.

Estimation results using GMM are shown in the third column, the coefficient of unpaid overtime is statistically significant. According to the result, workers who do unpaid overtime have salaries 9.4 % higher than other workers ( $e^{0.090} = 1.094$ ). In addition, the validity of the estimation model of GMM is supported by J-statistics.

Basically, this indicates that workers with a low leisure preference do unpaid overtime and as a result the salary of such workers is high. This result is consistent with the implicit contract hypothesis that was presented in a previous section.

## 6 Conclusion

This paper's calculations verified that white-collar workers at large enterprises with low leisure preferences do unpaid overtime and the overall yearly salaries of workers who work unpaid overtime are higher than those of workers who do not. This result is consistent with the implicit contract hypothesis, that is, workers decide whether they do unpaid overtime according

Table3: Unpaid overtime and Leisure preference

Dependent variable= Unpaid overtime dummy

|                     |                | (1)               |                  | (2)               |                  |
|---------------------|----------------|-------------------|------------------|-------------------|------------------|
|                     |                | Coefficient       | Marginal effects | Coefficient       | Marginal effects |
| Paid leave dummy    |                | -0.523<br>(6.36)  | -0.184           | -0.523<br>(-6.30) | -0.184           |
| Post                |                | -0.025<br>(-0.24) | -0.008           | -0.054<br>(-0.41) | -0.018           |
| Sex                 |                | 0.210<br>(1.74)   | 0.072            | 0.241<br>(1.67)   | 0.084            |
| Working hours       | Overtime hours |                   |                  | -0.002<br>(-0.27) | -0.001           |
| Occupations         | Clerk          | -0.180<br>(-1.86) | -0.061           | -0.183<br>(-1.86) | -0.062           |
|                     | Sales          | 0.332<br>(3.55)   | 0.103            | 0.324<br>(3.38)   | 0.101            |
|                     | Distribution   | -0.104<br>(-0.73) | -0.035           | -0.105<br>(-0.73) | -0.035           |
|                     | R&D            | 0.096<br>(0.61)   | 0.030            | 0.099<br>(0.63)   | 0.032            |
|                     | Others         | -0.148<br>(-1.12) | -0.050           | -0.149<br>(-1.13) | -0.051           |
| Constant            |                | 0.521<br>(3.91)   |                  | 0.533<br>(3.43)   |                  |
| Pseudo R2           |                | 0.039             |                  | 0.039             |                  |
| No. of observations |                | 1583              |                  | 1581              |                  |
| Lob likelihood      |                | -890.96           |                  | -890.46           |                  |

Note: Data is Survey of White-collar Employees  
Numbers in parentheses are t-statistics.

to their leisure preference and company pays higher wages to workers who do unpaid overtime. A part of this unpaid overtime is interpreted as a result of the ex-ante contract among the labor and management, rather than exploitation by a company.

Of course, there will be an objection to this regarding the explanation of unpaid overtime that increased rapidly in the latter half of 90's only for the reason mentioned above. The data used in this paper was collected in 1993, so the circumstances may be not same. Since the end of 2002, Rengo or the Ministry of Health, Labor and Welfare have continued with surveys about unpaid overtime, and an analysis using this data is expected in the near future.

Finally, we would like to reiterate the fact that we do not fully agree with

existing systems of unpaid overtime. In fact, in cases where a prior agreement between labor and management with regard to appropriate payment in return for hours worked, including unpaid overtime, is clearly lacking, some kind of administrative involvement is essential. To enable agreements between labor and management regarding working hours and payment to be formed easily, matters such as establishing legal procedures for information disclosure at the time when employment contracts are signed are likely to become important policy issues in the future.

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Table4: Estimation of Unpaid overtime and Wage

| Dependent variable=Salary |                       | OLS (1)            | OLS (2)            | GMM                |
|---------------------------|-----------------------|--------------------|--------------------|--------------------|
|                           |                       | coefficients       | coefficients       | coefficients       |
| Unpaid overtime           |                       | 0.001<br>(0.13)    | 0.001<br>(0.07)    | 0.090<br>(2.26)    |
| Job change                |                       | -0.087<br>(-4.46)  | -0.088<br>(-4.50)  | -0.093<br>(-4.56)  |
| Post                      |                       | 0.087<br>(5.57)    | 0.088<br>(5.66)    | 0.090<br>(6.51)    |
| Sex                       |                       | 0.196<br>(9.08)    | 0.199<br>(9.24)    | 0.190<br>(7.41)    |
| Working hours             | Standard hours        | 0.009<br>(2.84)    | 0.009<br>(2.80)    | 0.009<br>(2.38)    |
|                           | Overtime              | 0.007<br>(1.70)    | 0.007<br>(1.59)    | 0.009<br>(2.02)    |
|                           | Overtime <sup>2</sup> | -0.001<br>(-3.76)  | -0.001<br>(-3.66)  | -0.001<br>(-3.97)  |
| Age                       | Age                   | 0.140<br>(20.94)   | 0.141<br>(21.16)   | 0.132<br>(18.58)   |
|                           | Age <sup>2</sup>      | -0.139<br>(-13.73) | -0.140<br>(-13.91) | -0.001<br>(-12.89) |
| Education                 | High school           | -0.094<br>(-6.24)  | -0.095<br>(-6.35)  | -0.089<br>(-4.96)  |
|                           | Junior college        | -0.013<br>(-0.75)  | -0.012<br>(-0.69)  | -0.013<br>(-0.70)  |
| Firm                      | FirmA                 | -0.090<br>(-4.95)  | -0.092<br>(-5.15)  | -0.097<br>(-5.63)  |
|                           | FirmB                 | -0.184<br>(-8.51)  | -0.181<br>(-8.46)  | -0.191<br>(-8.14)  |
|                           | FirmC                 | -0.207<br>(-6.36)  | -0.208<br>(-6.42)  | -0.207<br>(-5.89)  |
|                           | FirmE                 | -0.264<br>(-4.73)  | -0.264<br>(-4.77)  | -0.274<br>(-4.41)  |
|                           |                       |                    |                    |                    |
| Occupation                | Clerk                 | 0.006<br>(0.53)    |                    |                    |
|                           | Sales                 | -0.004<br>(-0.36)  |                    |                    |
|                           | Distribution          | -0.022<br>(-1.37)  |                    |                    |
|                           | R&D                   | 0.021<br>(1.24)    |                    |                    |
|                           | Others                | -0.011<br>(-0.76)  |                    |                    |
| Constant                  |                       | 1.830<br>(3.69)    | 1.835<br>(3.71)    | 2.006<br>(3.68)    |
| No. of observations       |                       | 1580               | 1580               | 1580               |
| Pseudo R2                 |                       | 0.835              | 0.835              |                    |
| J Statistics              |                       |                    |                    | 9.253              |
| p-value                   |                       |                    |                    | 0.160              |

Note: Data is Survey of White-collar Employees

Instrumental Variables are paid leave dummy, occupation dummy and constant.

Numbers in parentheses are t-statistics.



# Legal Issues on Long-Term Leave: Conflicting Structure of “Leave Benefits”

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## 1. Current state of annual leave in Japan and policies

### (1) System of guaranteeing the rights to annual leave

Let us first examine how the Japanese system of annual paid leave is guaranteed by law. We do this because, in considering the possibilities of long-term leave, Japan’s system of guaranteeing rights to annual paid leave (Labor Standard Law, Article 39) is unique from the viewpoint of comparative law and this forms an important background to the issues concerned.

#### (a) Rights to annual leave

According to the Labor Standard Law, Article 39, Paragraphs 1 and 2, the rights to annual leave of 10 days occurs when a worker has completed six months of “continuous service” from the first day of employment, on the condition that the worker has reported to work on 80 percent or more of all working days during that period. Subsequent to this six-month period, two more days of leave are added each year, in principle, provided the same condition is met, until, after six years, the leave reaches the maximum of 20 days. Therefore, with the exception of part-time workers who have fewer working days, workers in general have 10 to 20 days of annual leave.

Employers may grant this annual leave of 10 to 20 days as “continuous or scattered” leave. In other words, employers are not necessarily obligated to grant annual leave as continuous leave.

#### (b) Determination of the timing of leave

Secondly, with respect to the determination of when to take the annual leave, two methods are utilized: The first is the method based on the so-called rights to specify the period of season of the leave. The employer must grant annual leave “in a period or season requested by the worker.” If, however, granting the annual leave in that period will “prevent the normal operation of the business,” the employer may grant the leave in another period (Paragraph 5).

The second is the method based on the so-called planned annual leave. An agreement is concluded between the employer and the labor union that has

organized the majority of workers at the place of business or, if there is no such labor union, between the employer and a representative of the majority of workers. The employer grants a portion of annual leave in excess of five vacation days (in other words, those five vacation days are excluded from the count of annual leave) in accordance with a plan determined in the agreement. This method is used to provide simultaneous summer leave for all employees and to grant continuous leave in rotation.

## **(2) Acquisition of annual leave**

### **(a) Acquisition rate of annual leave and number of days of leave taken**

How is annual leave, which is guaranteed as shown above, actually taken? Although it is not a particularly appealing subject, we must examine the state of affairs.

If we look at the changes in the last 17 years starting from 1989 (Table 1), the circumstances are very clear.<sup>1</sup> Since peaking in 1991, the acquisition rate of annual leave has been on a decline; in 2005, it made a sharp decline to 46.6 percent. Even more notable is the decline in the number of days of leave taken. After peaking in 1995 at 9.5 days, the number of days of leave has been gradually decreasing to the point where it finally reached 8.4 days in 2005. If we calculate the “remaining number of days” by subtracting the number of days of leave taken from the number of days of leave permitted, we can see that workers are increasingly foregoing their leave. The remaining number of days, which were 7.1 days in 1991 and 1992, increased to 9.6 days in 2005.<sup>2</sup>

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<sup>1</sup> “*Shuro Joken Sogo Chosa*” (General Survey on Working Conditions) (for 1999 and before, “*Chingin Rodo Jikan Seido Sogo Chosa*”—General Survey on the System of Wages and Working Hours). The acquisition rate was the highest in 1980 (61.3 percent) with 8.8 days of leave taken.

<sup>2</sup> For detailed analysis of the acquisition rates of annual leave, see Kazuya Ogura, *Nihonjin no Nenkyu Shutoku Kozo: Nenji Yukyu Kyuka ni kansuru Keizai Bunseki* (The Structure of Annual Leave Acquisition of the Japanese: Economic Analysis on Annual Paid Leave), (the Japan Institute for Labor, 2000), p.46-.

**Table 1: Average Acquisition of Annual Paid Leave per Worker**

| Year  | Number of days permitted | Number of days taken | Acquisition Rate (%) | Remaining number of days |
|-------|--------------------------|----------------------|----------------------|--------------------------|
| 1989  | 15.4                     | 7.9                  | 51.5                 | 7.5                      |
| 1990  | 15.5                     | 8.2                  | 52.9                 | 7.3                      |
| 1991  | 15.7                     | 8.6                  | 54.6                 | 7.1                      |
| 1992  | 16.1                     | 9.0                  | 56.1                 | 7.1                      |
| 1993  | 16.3                     | 9.1                  | 56.1                 | 7.2                      |
| 1994  | 16.9                     | 9.1                  | 53.9                 | 7.8                      |
| 1995  | 17.2                     | 9.5                  | 55.2                 | 7.8                      |
| 1996  | 17.4                     | 9.4                  | 54.1                 | 8.0                      |
| 1997  | 17.4                     | 9.4                  | 53.8                 | 8.0                      |
| 1998  | 17.5                     | 9.1                  | 51.8                 | 8.4                      |
| 1999  | 17.8                     | 9.0                  | 50.5                 | 8.8                      |
| 2001* | 18.0                     | 8.9                  | 49.5                 | 9.1                      |
| 2002  | 18.1                     | 8.8                  | 48.4                 | 9.3                      |
| 2003  | 18.2                     | 8.8                  | 48.4                 | 9.4                      |
| 2004  | 18.0                     | 8.5                  | 47.4                 | 9.5                      |
| 2005  | 18.0                     | 8.4                  | 46.6                 | 9.6                      |

**Source:** Ministry of Health, Labor and Welfare, “*Shuro Joken Sogo Chosa*” (General Survey on Working Conditions) (formerly “*Chingin Rodo Jikan Seido Sogo Chosa*” (General Survey on the System of Wages and Working Hours))

**Note:** \*Figure as of end of December through 1999 and as of January 1 from 2001. The number of days permitted does not include number of days of leave carried forward from previous year.

#### (b) State of continuous leave

What then is the state of continuous leave? If we examine an annual report published by the Ministry of Health, Labor and Welfare on planned continuous summer leave (Table 2), we can see that, in terms of the implementation rate, such leave is well established and is expanding slightly, which may partly be explained by the fact that the definition of continuous leave is not rigid.<sup>3</sup> Although evaluation on the average number of days is

<sup>3</sup> The “continuous summer leave,” in this survey, refers to continuous holidays and leave of three days or more (may be interrupted) that combine weekends, special holidays, and planned annual paid leave during the period starting on July 1 and ending on August 31. Incidentally, there is also an annual report on statistics regarding planned continuous leave during the Golden Week. The author considered that the continuous summer leave was more appropriate for this paper from the point of view of the actual state of long-term leave.

difficult because they are affected by the summer calendar for each year, it can be said that they are gradually increasing, albeit by a small margin.

On the other hand, Table 3 shows that, among the businesses providing continuous leave, the percentage of businesses, employing the system of planned annual paid leave (implementation rate) was around 30 percent, and the average number of days was not more than 3.0 days in both 2003 and 2004. Moreover, it should be noted that the average number of three days is limited only to businesses that implemented continuous summer leave and, at the same time, included planned annual leave in the summer leave.

**Table 2: Changes in Continuous Summer Leave (Continuous Leave Implementation Rate, Average Number of Days of Leave)**

|      | Implementation Rate (average number of days of leave) |                   |                 |
|------|---|-------------------|-----------------|
|      | Manufacturing   | Non-manufacturing | All             |
| 1991 | 92.0%(8.7 days)                                       | 61.3%(6.2 days)   | 77.1%(7.7 days) |
| 1992 | 94.2%(8.5 days)                                       | 67.3%(5.8 days)   | 81.0%(7.4 days) |
| 1993 | 94.0%(8.3 days)                                       | 66.5%(5.9 days)   | 80.5%(7.4 days) |
| 1994 | 94.6%(8.2 days)                                       | 64.5%(5.7 days)   | 80.0%(7.2 days) |
| 1995 | 93.0%(8.4 days)                                       | 68.2%(6.4 days)   | 80.8%(7.6 days) |
| 1996 | 93.1%(8.5 days)                                       | 72.0%(6.6 days)   | 82.9%(7.7 days) |
| 1997 | 93.2%(9.6 days)                                       | 69.8%(7.6 days)   | 81.7%(8.7 days) |
| 1998 | 94.3%(9.8 days)                                       | 67.5%(7.4 days)   | 80.9%(8.8 days) |
| 1999 | 93.3%(8.4 days)                                       | 73.8%(6.0 days)   | 83.5%(7.4 days) |
| 2000 | 93.1%(8.4 days)                                       | 73.1%(6.2 days)   | 83.3%(7.4 days) |
| 2001 | 92.6%(10.0 days)                                      | 70.9%(7.6 days)   | 81.8%(9.0 days) |
| 2002 | 91.6%(8.9 days)                                       | 65.9%(6.4 days)   | 78.6%(7.8 days) |
| 2003 | 95.0%(9.7 days)                                       | 79.9%(7.2 days)   | 87.4%(8.6 days) |
| 2004 | 94.8%(9.1 days)                                       | 80.1%(6.7 days)   | 87.4%(8.0 days) |

**Source:** Ministry of Health, Labor and Welfare, “*Heisei 16-nen Kaki ni okeru Renzoku Kyuka no Jisshi Yotei Jokyo Chosa Kekka*” (Results of the Survey on the Planned Implementation of Continuous Leave in the Summer of 2004)

**Note:** When a continuous leave of three days or more is implemented during the period of the survey more than once, the total number of days is counted as the number of days of continuous leave.

**Table 3: Number of Businesses That Grant Planned Annual Leave among the Businesses Implementing Continuous Leave during the Period of the Survey, the Implementation Rate, and the Average Number of Days of Leave**

| Industry          | Year(%) | Implementation rate | Average number of days of annual paid leave |
|-------------------|---------|---------------------|---|
| Manufacturing     | 2003    | 32.6%               | 2.8 days                                    |
|                   | 2004    | 32.3%               | 2.9 days                                    |
| Non-manufacturing | 2003    | 31.6%               | 3.2 days                                    |
|                   | 2004    | 29.2%               | 3.2 days                                    |
| Total             | 2003    | 32.1%               | 3.0 days                                    |
|                   | 2004    | 30.9%               | 3.0 days                                    |

**Note:** The number of businesses planning to implement continuous leave is used as the parameter of the implementation rate.

**Source:** same as Table 2.

### (3) What is long-term leave?

#### (a) The essential meaning of leave

The word “leave” denotes an absence for a continuous number of days over a relatively long period, and it essentially does not require the adjective “long-term.” In the ILO Convention No. 52 (1936), which was the first international standard on leave, workers in general had rights to annual leave of six working days. This minimum number of days had to be given as continuous leave, and only the number of days that exceeded the minimum number of days was allowed to be split by domestic laws and regulations. In the ILO Recommendation No. 47 of the same year, it was determined that annual leave could not be split more than twice and that either one of the installments could not be shorter than the minimum number of days of six days prescribed by the Convention. In the ILO Convention No. 132 (1970), the minimum number of days granted as annual leave was set at three workweeks. Countries were free to decide on how to divide the leave, but one of the installments had to be a continuous period of two weeks or more. If we look at the legislations in other countries, the word “leave” is obviously based on the assumption that it extends over a relatively long period.<sup>4</sup>

<sup>4</sup> On other countries’ method of guaranteeing continuous leave, see Susumu Noda, “*Shogaikoku no Kyuka Seido to Nihon: Kyuka Seido no Global Standard wo Saguru, 1 and 2*” (Foreign Countries’ Leave System and Japan: Exploring the Global Standard

The validity of the term “long-term leave” in Japan proves that because the acquisition rate of leave is low, and because, even when leave is taken, it is generally short-term and in odd pieces, long-term continuous leave takes on an exceptional meaning. In this respect, the very term “long-term leave” paradoxically expresses the current state of leave in Japan and implies where the problems lie.

(b) Long-term leave as a policy challenge

The term “long-term leave” is mainly used with regard to labor policy to ameliorate the current state of affairs.

For example, the goal of the “continuous leave” proposed by the former Ministry of Labor in July 1990 was to realize “20 days, on average, of annual paid leave permitted and 20 days, on average, of annual paid leave actually taken.” In 1995, the “relaxation leave,” which was to be a “continuous leave of a good number of days,” was proposed with the concepts of “leave that makes the best of an individual’s wishes” and “objective-oriented leave suited to one’s lifestyle or working style.” In 2000, the “long-term leave (L leave)” was clearly indicated to be “leave of about two weeks with the minimum unit being about a week.” The aim was to realize “L leave” by combining two days on a weekend and annual paid leave. Lastly, in 2004, a proposal was made for a very long period of “long-term leave in the unit of a year,” which was to be “a certain substantial period of at least a year or longer.”

(c) Long-term leave for the purpose of this paper

When judging from such circumstances, it becomes difficult to specify the meaning of long-term leave. Considering the minimum number of days of continuous leave guaranteed by other countries and by the international standard and the court decisions on long-term leave in Japan (which are discussed later), it would be appropriate to define long-term leave as continuous leave of about a week or two, which is composed of annual paid leave as well as holidays, special leave, etc.

According to an opinion survey conducted on the labor and management on the subject of the “effect of long-term leave” (2000, SRIC Corporation),

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of the Leave System, 1 and 2), *Sekai no Rodo* (Labor of the World), vol. 50, no. 6, p.2 and no. 7, p.28.

“promotion of health” was indicated the most when the leave is a short term of one to three days. For long-term leave of one to two weeks, “enrichment of family life” came first, followed by “promotion of health.” For super-long leave of one to two months, “increased opportunity for self-development” was cited the most.<sup>5</sup>

#### **(4) Contradiction of leave policy**

##### **(a) Focus of leave policy**

The above overview of the state of leave in Japan makes us realize that there is an underlying current of inconsistent policy.

Firstly, on the state of acquisition of leave, it is a “mystery” how the continuous summer leave has become relatively well established and is even increasing at a time when not only the acquisition rate of annual paid leave, but also the number of days of annual paid leave taken, is on the decline. It can be surmised that annual paid leave is not used very much in such continuous leave, and that continuous leave is made up of a combination of “special leave” with pay (not including annual leave), holidays, etc. As seen above, only about 30 percent of businesses that grant continuous summer leave do so by using the planned annual leave and the average number of days of that annual leave is only about three days. In that case, it can be expected that even if continuous summer leave is established in Japan, it is derived from developments not directly linked with acquisition of annual paid leave.

On the other hand, there is contradiction in leave policy where “long-term leave (L leave)” and “long-term leave in the unit of a year” are being recommended at a time when the decline in the number of days of annual paid leave taken can hardly be ignored (in the view of the author). It gives the impression that while the use of annual leave is very weak, long-term leave is being promoted with fanfare (and perhaps in vain, too).

##### **(b) Leave benefits**

This state of long-term leave and policy poses the question of where the

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<sup>5</sup> The author is also of the view that the objective of annual paid leave, as in the case of childcare and family-care leave, should be considered from the standpoint of “harmonizing and balancing working life and family life” and that the logic should be reexamined from this standpoint. See Susumu Noda, “*Kyuka*” *Rodoho no Kenkyu* (Research on “Leave” Labor Law), (Nippon-Hyoronsha, 1999), p. 185-.

focus of leave policy is. In other words, should the issue of long-term leave be considered as an extension of guarantee on annual paid leave? Alternatively, should long-term leave be promoted more as a system of corporate welfare unrelated to the rights and legal context of annual paid leave? This contradistinction does not represent the conflict of interest between the labor and management. Among both labor and management, and in policies, too, there is a strong argument that does not necessarily welcome continuous acquisition of annual leave and that considers short leave that can be taken at any time as a high level of guarantee of rights. From such a standpoint, the use of annual leave for long-term leave is only inconvenient. Therefore, the counterpoints of this issue lie in how to identify the benefits that should be sought in annual leave in Japan's leave system.

We examine below the issues related to such “leave benefits”<sup>6</sup> in relation to long-term leave and the annual paid leave system (Labor Standard Law, Article 39) (2) and consider it in relation to long-term leave (3).

## **2. Long-term leave and rights to annual leave**

### **(1) Long-term leave and rights to annual leave**

#### **(a) “Continuous or scattered”**

When we consider the issue of long-term leave and annual paid leave, needless to say, the first issue we inevitably come to is, the abovementioned provision of 10 working days (six working days before the amendment of 1987) of “continuous or scattered” leave. As mentioned earlier,<sup>7</sup> there is an interesting episode about how this expression “continuous or scattered” was inserted during the process of establishing the Labor Standard Law. In the fifth draft of the Labor Standard Law submitted to the second subcommittee of the *Roumu Hosei Shingikai* (Labor Law Council) on July 28, 1946 (held in the Bureau director's room), the expression “six continuous working days” was

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<sup>6</sup> The author used the term “leave benefits” in a study on the trend of people's needs on leave and temporary retirement shifting from corporate-centered needs to social needs (see Noda, *op.cit.* under iv, p. 16). In this paper too, people's needs on leave are called “leave benefits,” which, specifically in this paper, is used as a concept to contrast the different values attached to long-term leave.

<sup>7</sup> Susumu Noda, “*Rodo Jikan Kisei Rippo no Tanjo*” (The Birth of Legislation for Regulating Working Hours), *Nihon Rodoho Gakkaishi* (Japan Labor Law Association Journal), no. 96, (2000), p. 81.



included. Regarding this point, a committee member commented that “continuous” would not be appropriate considering the actual circumstances. To this, another member replied, “How about “continuous or scattered”?” and the matter was settled by this short exchange.<sup>8</sup> In the later process of legislation, neither the government, the labor, the management, nor any of the parties in deliberation at the parliament voiced any concern about granting scattered leave.

Before the establishment of the Labor Standard Law of 1947, there were no laws and regulations guaranteeing annual paid leave to workers in the private sector in Japan,<sup>9</sup> not even in the Factory Act. The above provision on annual leave in the bill submitted to the Labor Law Council was clearly modeled after ILO Conventions and legislations in other countries. As mentioned above, six days were the basic number of days determined by the international standard at that time. Furthermore, “...although permission of a division of the basic days would substantially undermine the original purpose of annual paid leave of promoting rest of the body and mind over a certain continuous period, the current state of affairs in our country was such that there were few facilities for workers to effectively use annual paid leave and workers needed holidays in addition to weekends to secure daily necessities, and considering the opinions of both the labor and management at the time of legislation, it was decided to approve the division of the basic number of days.”<sup>10</sup>

In this commentary, “considering the opinions of both the labor and management” is particularly noteworthy. In other words, it appears that continuous acquisition of annual leave was considered negatively by both the labor and management.

This pragmatic attitude, however, corresponded well with the chronicle shortage of labor brought about by the rapid post-war economic growth. As a result, the opportunity for a dramatic development in the leave system as in other countries was nipped in the bud. The distrust in the continuous

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<sup>8</sup> Akira Watanabe, “*Rodo Kijunho [Showa 22-nen] (2)*” (Labor Standard Law [1947] (2)), *Nippon Rippo Shiryo Zenshu* (Corpus of Reference Materials on Legislation in Japan), vol. 52, (Shinzansha Publisher, 1988), p. 494.

<sup>9</sup> Public sector employees were allowed 20 days of annual leave by “Regarding the Working Hours and Leave of Government Agencies” of the Cabinet Order, No. 6, Paragraph 3 of 1922. See Noda, *op.cit.* under vii, p. 250.

<sup>10</sup> Kosaku Teramoto, *Rodo Kijunho Kaisetsu* (Commentary on Labor Standard Law), (Jiji Press, 1950), p. 250.

acquisition of annual leave held by the labor and management and in the prevailing academic doctrines (opinions) has not deteriorated even today.

(b) “Ten working days of paid leave”

While the minimum number of days of annual holiday is 10, it takes at least six and a half years to reach the maximum of 20 days. In actuality, as shown above, the average number of days of annual leave permitted per worker is close to 18 days (including the number of days of nonstatutory leave). These 18 working days, together with the spread of two-day weekends today, correspond to about 3.5 workweeks. While the case in France of 30 working days (five workweeks) may be exceptional,<sup>11</sup> Germany’s Federal Paid Leave Act provides for 24 weekdays (four workweeks) and the UK’s Working Time Regulations, Article 13 provides for four workweeks. Therefore, the statutory level of 10 to 20 days in Japan is not especially low by international comparison.

Moreover, Japan has statutory public holidays of 14 days a year, which is perhaps the most in the world. Furthermore, as mentioned above, there are usually additions of “special leave” with pay during the New Year holidays, the midsummer *Obon* holidays, and Golden Week. Therefore, the number of days of leave in Japan is actually on a par with other countries.

Therefore, the question is not one of the number of days of annual leave. It is one of whether or not the “benefits” in using annual leave as long-term leave can be recognized.

## **(2) Rights to specify the period or season of leave and long-term leave**

### **(a) Discretionary decision and employer’s consideration**

With regard to the guarantee of workers’ rights to annual leave (Article 39): “...the import can be recognized as requiring the employer to show consideration of the circumstances, so that workers can take leave at the time they specified as much as possible” (Nippon Telegraph and Telephone Public Corporation Hiroaki Telegraph and Telephone Office Case; Supreme Court,

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<sup>11</sup> Although a two-day weekend is widespread in France, the statutory weekend is just one day on Sunday. Therefore, the workweeks are calculated based on a six-day workweek. The same holds for Germany. If the same basis were used in Japan, 18 days would be equivalent to three workweeks. For more details, see Noda, *op.cit.* under iii.

Second Petty Bench Ruling, July 10, 1987; *Saikosai Minji Hanreishu* (Supreme Court Collection of Court Decisions on Civil Actions), vol. 41, no. 5, p. 1,229). As shown above, the discussion on “consideration of the circumstances” is well established in judicial rulings. How does this requirement of “consideration”<sup>12</sup> affect long-term leave?

As it is widely known, the Supreme Court indicated a certain policy on a ruling in the Jiji Press Case (Supreme Court, Third Petty Bench Ruling, June 23, 1992; *Supreme Court Collection of Court Decisions on Civil Actions*, vol. 46, no. 4, p. 306). This is what the policy said in the case of exercise of the rights to specify the season of long-term continuous leave: “...on the exercise by an employer of the rights to change the period of this leave, a certain room of discretionary decision has to be approved to the employer regarding what inconvenience to business operations would be brought about by the said leave and regarding how much change should be made to the period of the said leave.” Therefore, “...if the said discretionary decision is considered unreasonable, for instance, because of the lack of consideration of the circumstances that the employer should show in allowing workers to take leave, in contravention of the import of the same article, the exercise of the rights to change the period of leave should be judged as illegal as it lacks the conditions for the exercise of the rights to change the period of leave provided for in the proviso of Article 3.”

In other words, for the use of annual leave as long-term leave, “discretionary decision” of certain breadth has to be recognized, and, as one of the bases for judging the reasonableness of the discretionary decision, the lack of consideration is indicated (the ruling states “for instance, because of the lack of consideration”).

Unlike the case of taking annual leave for other than long-term leave, the consideration is not regarded as a positive basis or condition for the exercise of

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<sup>12</sup> On the other hand, while the presence or absence of “consideration of the circumstances” was almost always examined in court rulings regarding the legality of the exercise of the rights to change the seasons of leave in the past, recently it is often not taken into consideration. For instance, in the Nippon Telegraph and Telephone Case (Supreme Court, Second Petty Bench Ruling, March 31, 2000; *Supreme Court Collection of Court Decisions on Civil Actions*, vol. 54, no. 3, p. 1,255), the presence or absence of employer’s consideration was not included in the matters examined.

the rights to change the period of leave,<sup>13</sup> and that it takes on a negative structure where the “lack of consideration” is a condition for judging the discretionary decision as unreasonable. Basically, because an employer’s “discretionary decision” is more broadly recognized in the case of long-term leave, the lack of consideration is used as one of the conditions for negating that discretionary decision.

(b) Limits to discretionary decision

If so, the structure, so to speak, is one where the lack of consideration is permitted only in exceptional cases and it is generally not easily permitted. In the Jiji Press Case, the Supreme Court judged that there was “adequate consideration under the circumstances of that time” regarding replacement, one-man post, adjustment of the period, and the exercise of the rights to change the seasons of leave only for the latter half of the leave. This conclusion, regardless of its validity, was logically a natural consequence.

On the other hand, there was a case where a worker filed for a claim for compensation of cancellation fees for an overseas trip. While the worker had obtained the company’s approval for a 15-day leave, including 10 days of annual leave, which the worker specified, the company later cancelled their approval of the long-term leave based on regulations on the account that the worker was later absent from work due to illness. In this case, the limits of “discretionary decision” were indicated (All Nippon Airways Case; Osaka District Court Ruling, September 30, 1998; *Rodo Hanrei* (Labor Law Cases), no. 748, p.80). In this ruling, it was indicated that the “discretionary decision,” as in the Jiji Press Case above, “must, needless to say, be reasonable and in conformity with the import of the Labor Standard Law, Article 39.” Moreover, it ruled, “the defendant once approved the said long-term leave, and by this approval manifested that it would not exercise the rights to change the seasons of annual paid leave.” Furthermore, “it should be said that, even in the case of long-term leave, an employer generally cannot limit a worker’s rights to specify the season of annual paid leave by operational guidelines

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<sup>13</sup> On how the “consideration” is regarded in its relation with the rights to change the seasons of leave, see Kaoko Okuda, “*Jiki Henkoken to Shiyosha no Hairyo*” (The Rights to Change the Seasons of Leave and Employer’s Consideration), *Bessatsu Jurist, Rodo Hanrei Hyakusen* (Selected Labor Rulings 100, the Jurist Magazine Supplement), 7<sup>th</sup> edition, (2002), p. 124.

unilaterally prepared by the employer and not by the system of planned annual leave... and obviously such operational guidelines are not appropriate as a basis for changing the seasons of the leave once approved.”

From the two court rulings shown above, the following points can be noted with regard to the judgment on the legality of the rights to specify the period of long-term leave and rights to change the period of long-term leave. Firstly, unlike in the exercise of the rights to specify the period of leave in ordinary cases, an employer’s discretionary decision is recognized in the case of long-term leave, and the scope of the rights to change the period of leave is expanded based on that. Secondly, under exceptional circumstances, such as when an employer lacks consideration against the import of the Labor Standard Law, Article 39 or when annual leave was once approved before it was cancelled, the discretionary decisions may be considered to have deviated from such a scope, and the exercise of the rights to change the period of leave may not be considered as legal.

(c) Obligation to “create an environment for taking annual leave”

As discussed above, it is hard to deny that the exercise by an employer of the rights to change the period of leave is relatively widely recognized in the case of long-term leave. Will it then be possible to have a legal framework for more readily guaranteeing the rights to annual leave, including long-term leave?

As it is widely known, the so-called obligation to hear the period of annual leave was provided for in the former Labor Standard Law Enforcement Regulation, Article 25, Paragraph 1, which was deleted in 1954, as follows: “An employer must, with regard to the annual paid leave provided for in the Law, Article 39, hear the request of a worker on the period immediately after the passing of a period of a continuous year.” This provision was supposed to become an effective weapon in removing the factors hindering acquisition of annual leave in the minds of workers, such as that taking leave may inconvenience other workers and that the atmosphere in the workplace makes it difficult to take leave.<sup>14</sup>

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<sup>14</sup> These two have long been cited as the most and the third most commonly cited reasons for “not taking more than six days of annual leave” (Prime Minister’s Office, “*Rodo Jikan, Shukyu Futsuka-sei ni kansuru Yoron Chosa*” (Public Opinion Survey on Working Hours and the Two-Day Weekends, 1986). On the analysis of various

However, as mentioned above, this provision was deleted because it would impose a new obligation on employers in addition to the requirements of Article 39 and because little practical benefits could be expected even if it were imposed.<sup>15</sup> Therefore, the obligation to grant annual leave as provided for in the Labor Standard Law, Article 39 had to be structured as a negative sort of obligation centered on the forbearance of exempting obligation to work (no exercise of instruction in the course of employment). It is probable that the discussion on “consideration of the circumstances” became the interpretation devised to fill this inadequacy, but, as we have already seen, there are limits to its interpretation at least with regard to long-term leave.

*Rodo Jikan-to no Settei no Kaizen ni kansuru Tokubetsu Sochiho* (Special Measures Law on Improvement of the Setting of Working Hours, Etc.) was put into effect as of April of this year as a replacement law of *Jitan Sokushin Ho* (Shorter Working Hours Law). In Article 2, Paragraph 2 of this law, it is stipulated, “an employer must, to improve the setting of working hours, etc. of workers under the employer’s employment, make an effort to set the starting time and closing time of the workers in accordance with the volume of business, create an environment so that workers can more easily take annual paid leave, and adopt other measures.” Although the obligation is for “making an effort,” there is nonetheless an obligation to create an environment to facilitate acquisition of annual leave.<sup>16</sup>

This provision only requires employers to “create an environment so that workers can more easily take annual paid leave.” We may, however, expect the new provision to provide leverage in bringing about a more active sort of obligation of employers to grant annual leave by clarifying what is actually meant in “the environment” and then actively incorporating that, in one way or another, into the obligation for granting annual leave of the Labor Standard Law, Article 39.

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factors of not taking annual leave, see Ogura, *op.cit.* under ii, p. 187.

<sup>15</sup> Toru Ariizumi, *Rodo Kijunho* (Labor Standard Law), (Yuhikaku Publishing, 1962), p. 362.

<sup>16</sup> In Paragraph 2 of this article, employers are further required to “make an effort to grant leave or adopt other necessary measures to workers who are recognized, based on their physical and mental conditions, working hours, etc., as requiring efforts to maintain their health.”

### (3) Planned annual leave and long-term leave

#### (a) System design of long-term leave

As implied by the abovementioned Supreme Court ruling on the Jiji Press Case, it is clear that the method of planned annual leave as provided for in the Labor Standard Law, Article 39, Paragraph 5 (where annual leave is taken based on a plan agreed to in advance between the labor and management) is more suited to acquisition of long-term leave than the method of determining the period of annual leave based on the rights to specify the season of annual leave.

The planned annual leave of the above Paragraph 5 incorporated a system design for promoting long-term leave. The planned annual leave system was introduced by the amendment of 1987, which, at the same time, increased the minimum number of days of annual leave from six days to 10 days. Of the minimum number of 10 days, five are allotted as annual leave based on the rights to specify the season of leave, as provided for in the above Paragraph 5, and the remaining five days of annual leave can be concentrated in a certain period as planned annual leave. If this is combined with the two-day weekends that had been promoted around this time, it is possible to achieve a week of long-term leave. Through this, it became systematically possible for anyone to select at least a workweek of continuous leave, as envisaged by the ILO Convention No. 52 (1936).<sup>17</sup>

#### (b) Interpretive legal principles that hinder long-term leave

How then should we see the relation between the method of planned annual leave and the method of specifying annual leave based on the rights to specify the period of annual leave? In other words, if an agreement on planned annual leave is concluded with the majority labor union (or the majority representative in the absence of a majority labor union), would workers still have the rights to individually exercise the rights to specify the period of leave and take leave separately from the planned leave without being constrained by the agreement?

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<sup>17</sup> However, the use of planned annual leave based on the same paragraph is not growing. The percentage of firms employing the planned system in 2000 was 16.0 percent, and the average number of days of planned leave was 3.9 days. It is on a decline since it peaked in 1998 (19.5 percent and 4.1 days, respectively). See Ogura, *op.cit.* under ii, p. 53.

On this issue, the court has already ruled, in the Mitsubishi Heavy Industries Nagasaki Dockyard Case (Fukuoka High Court Ruling, March 24, 1994; *Rodo Kankei Minji Jiken Hanreishu* (Collection of Court Decisions on Labor-Related Civil Actions), vol. 45, nos. 1 and 2, p. 123), that “the introduction of the system of planned annual leave by labor-management agreement in the Labor Standard Law revised the existing principle where individual workers had all rights to specify annual leave... With regard to days in excess of five days, the method of collectively specifying unitary leave through labor-management consultation was recognized in addition to the personal method.” The official notice on the execution of the amended law also takes a corresponding view (*Kihatsu*—a notice issued by the director of Labor Standards Office— no. 1, January 1, 1988).

While the case law principles and administrative practice are relatively well established, as shown above, a large number of academic theories still deny restriction on workers covered by labor-management agreements. In other words, they claim that the emphasis of Japan’s annual leave system is on workers freely using annual leave based on their rights to specify the period of leave, and that the introduction of the new method of taking leave based on the planned annual leave system does not limit the existing rights to specify the period of leave.

To use planned annual leave for long-term leave, however, the portion in excess of five days of leave must inevitably be freed from the right to specify the period of leave. If workers were to claim the right to specify the period of leave individually, there could be no simultaneous summer leave for all employees or leave taken in rotation. As long as leave is taken based on the rights to specify the period of leave, workers have to depend on the “consideration” of their employers. The proponents of the above academic theories should know that, from the standpoint of comparative law, rather the rights to specify the period of leave is an exceptional system. To begin with, what kind of system design do supporters of free annual leave have on the policy of long-term leave?

The heart of the matter, of course, is not to do with academic theories. This idea that all annual leave should be taken based on free specification of the period of leave has indelibly penetrated the minds of labor and management, the nation and even labor policies. The manifestation of this idea probably leads, as we have already seen, to the inconsistency of policies



where long-term leave and annual leave are considered in different light.

### 3. Legal contentions over long-term leave

#### (1) Conflict of “leave benefits”

(a) Is the use of “annual leave in the unit of hours” beneficial?

The Ministry of Health, Labour and Welfare’s *Kongo no Rodo Jikan Seido ni kansuru Kenkyukai* (Study Group on the Future Working Hours System) published “*Kongo no Rodo Jikan Seido ni kansuru Kenkyukai Hokokusho*” (Report of the Study Group on the Future Working Hours System; hereinafter simply called the “Report”) on January 27 of this year. In this important document, that will set the direction of future policy on working hours, a proposal on the reform of the annual paid leave was included as one of the major focuses.

In the Report, a proposal is made for long-term leave by making workers “systematically take continuous leave of about a week or longer” while continuing to “respect workers’ rights to specify the season of leave.” Moreover, as “an interim measure,” it aimed to “recognize the acquisition of annual paid leave in the unit of hours.”

According to the Labor Standard Law, Article 39, annual leave is granted in the minimum unit of days, and considering the general purpose of leave, it should be granted in units of days. Therefore, an employer has the obligation to grant leave in units of days, and even if requested by a worker, an employer has no obligation to grant annual leave in units of half days (*Kishu*—notice issued by the director of Labor Standards Office in response to queries—no. 1428, July 7, 1949; *Kihatsu*—notice issued by the director of Labor Standards Office—no. 150, March 14, 1988). However, in reality, workers do take annual leave in units of half days. According to administrative interpretation that strikes a compromise with this reality, there is no problem in granting annual leave in half days when a worker requests such leave and the employer approves, and provided that it does not interfere with the regular method of taking annual leave (*Kikanhatsu*—notice issued by the director of the Inspection Division of the Labor Standards Office—no. 33, July 27, 1995). There is also a court ruling to this effect (Takamiya Gakuen Case; Tokyo District Court Ruling, June 19, 1995; *Labor Law Cases*, no. 678, p. 18). In these cases, the minimum unit of annual leave is half a day (four hours), and acquisition of more hours of leave is not recognized. The Report, however,

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asserts that the latter should also be recognized.

The reason cited in the Report is that “there are those who wish to acquire annual leave in units of hours,” and it appears that the Report recognizes that acquisition of annual leave in units of hours is in the interest of workers. However, it is this recognition on “leave benefits” that now must be placed under scrutiny.

(b) Antithesis of leave benefits

Here the question of leave benefits emerges directly in front of our eyes. It is summarized below.

One camp will state as follows: It is in the interest of workers to guarantee short-term leave that can be taken at any time and make it easier for workers to take leave. The acquisition of leave based on the rights of selecting the season of leave is the basic principle of the rights to annual leave, and planned annual leave is an exception. While long-term leave may be desirable, it should develop irrespective of annual paid leave. In particular, for atypical workers such as limited-term contract workers, part-time workers, and temporary workers, who are often not guaranteed long-term leave, it is desirable that they can use annual leave freely to attend to unexpected business.

The other camp will state as follows: It is in the interest of workers to scrap short-term leave and instead guarantee long-term continuous leave to make it easier for workers to take leave. Planned leave is the basic principle of annual leave, and the rights of selecting the season of leave is simply a method for taking the remaining five days of leave. Long-term leave is truly desirable, and annual paid leave should be used as much as possible to raise the acquisition rate of long-term leave. In particular, for atypical workers who often do not receive the benefits of special summer leave should be able to use annual leave as their rights to take leave.

As illustrated above, the two camps will have two opposing answers to the same questions.

**(2) Overcoming the conflict**

If the law should be interpreted in a compromise with actual conveniences and short-term benefits, the former view could be accepted or be used to provide the logic for the compromise. At times, however, the interpreters of the law must, after all, pursue the “ideal” even if it is not in keeping with the

current realities or even if it may result in something that those concerned now may not be ready to embrace. In this respect, we should promote the latter view and make a persistent effort to persuade the other side.

While supplementing the above argument and to overcome the conflict of interest, let us further clarify below some additional points.

Firstly, it is clear from experience that acquisition of annual leave based on the rights to select the period of leave is not effective in increasing the acquisition rate of annual leave and in allowing more people to receive greater benefits from leave.

Secondly, even when employing long-term leave by use of planned annual leave, workers can still exercise rights to select the period of leave on at least five days of annual leave, so that it is possible to meet the minimum requirement of “leaving some days of annual leave for attending to unexpected business.”

Thirdly, as the amendment of the Law Concerning the Welfare of Workers Who Take Care of Children of Other Family Members Including Child Care and Family Care Leave of 2004 made it an obligation of employers to allow “leave for nursing children,” the acquisition of annual leave in short pieces should become unnecessary by institutionalizing specific-purpose leave in addition to annual leave (in particular, minimum guarantee on sick leave).

Fourthly, the midsummer *Obon* holidays and Golden Week result in a concentration of leave and a steep rise in the cost of facilities, etc., in effect decreasing the practical value of leave. Long-term leave by using planned annual leave will ease this concentration of leave and make it possible for workers to take leave that is suited to their particular objectives and styles.

Finally, it appears that “taking annual leave in short pieces and continuous leave based on corporate welfare” is the Japanese style of taking leave. It is clear, however, that this method will only allow full-time regular employees of large companies to take long-term leave, and may increase the gap among workers.<sup>18</sup>

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<sup>18</sup> Toshiaki Tachibanaki, *Kigyo Fukushi no Shuen: Kakusa no Jidai ni Do Taio Subekika* (The Coming of End of Corporate Welfare: How Should We Respond in the Age of Widening Gaps), (Chuko Shinsho, 2005).

# Long-Term Leave and Competence Formation

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## 1. Introduction: understanding of the issue

The objective of competence development undertaken by firms is to “fill the gap between the competence required by the firm and the competence that employees have,” and this gap called “competence development needs”. This competence development needs consist of short-term competence development for “filling the current demand-supply gap between competence and work” (the currently required competence) and long-term competence development for long-term development of business or for “future preparation” for future structural changes in business. The methods of competence development differ between the two. For the former, on-the-job training (OJT) and off-the-job training (Off-JT) inside the firm for acquiring the ability for questioning the causes of a problem; in other words, “the why in pursuit of causes,”<sup>1</sup> are effective. For the latter, on the other hand, long-term Off-JT works best. In this situation, people of different backgrounds gather at an outside educational and training institute, away from their firms and workplaces, to discuss and acquire the ability for questioning “why a certain problem is a problem,”; in other words, “the why in pursuit of objectives,” is effective.

Firms developed methods for employees to acquire the skills related to “the why in pursuit of causes” and actively promoted competence development. As a result, “the why in pursuit of causes” led to a high level of operational efficiency in the working place (particularly in the manufacturing industry). On the other hand, firms are not enthusiastic about employees acquiring the skills related to “the why in pursuit of objectives.” This is because “the why in pursuit of objectives” may lead to disaffirming the policies of the firm or the managerial and supervisory personnel, and employees who take such action are very likely to be disliked within the organization. Therefore, quite a number of employees who attend graduate schools, etc. at night do so by keeping it secret from their managerial and supervisory personnel and their firms.<sup>2</sup>

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<sup>1</sup> On “the why in pursuit of causes” and “the why in pursuit of objectives,” see Hiroyuki Itami, Tsuyoshi Numagami, Mitsuhiro Seki, and Tadao Kagano (2004).

<sup>2</sup> On the current state of working people attending graduate schools, see Human

As firms find themselves in a difficult market environment, however, they will need to attach high value added to business management. For that, they need not only to have a system for instilling in employees the habit of thinking “the why in pursuit of causes,” but also to create a system for allowing employees to acquire the skills related to “the why in pursuit of objectives.” On the other hand, employees need to obtain such ability to think about “the why in pursuit of objectives” to accurately grasp the changes in “what is required of them,” strategically redesign their competence and career development, and to enhance their ability to exercise their competitiveness within and outside their firms.

Activities of education and training for allowing employees to acquire the ability to think about “the why in pursuit of objectives” require investment of “much time” as well as in “future competence” (hereinafter called the “education and training of the long-term up-front investment type”). Therefore, such activities entail considerable risk for both the firm and its employees. As such, an important consideration in promoting these activities is how to share the risk between the firm and employees and how to prepare new incentives for employees.

Based on the above understanding of the issue, the characteristics of the education and training of the long-term up-front investment type are first explained in relation to the “leave for education and training” and “temporary retirement system.” Secondly, the opinions of firms regarding such investment in education and training as well as the background against which those opinions are formed are clarified. Lastly, proposals are made in a summary on the collaborative relation that firms and employees should build in promoting the investment activities for such education and training.

## **2. Education and training of the long-term up-front investment type and the system of leave/temporary retirement for receiving education and training**

### **(1) Categorization of education and training of the long-term up-front investment type as seen by firms**

Figure 1 shows a categorization based on “who” bears “how much”

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Resources Development Division, Human Resources Development Bureau, the Ministry of Labor (supervised) and Labor Research Center (edited) (1996) and the Japan Institute for Labor (1997).

expenses and time for the education and training of the long-term up-front investment type. In the first category, the firm bears all the expenses and time (hereinafter called the “large expense & time type”). As elucidated in Ohki (2003a), Ohki (2003b), and Ohki (2005), this type of investment makes up a small portion of all investment made in such education and training by firms.<sup>3</sup> This is because education and training of this type is the “highest risk” investment, and the subject of such investment is limited to certain employees.

The second is the type where the firm bears a whole or part of the expenses but limits the burden of time to a minimum (hereinafter called the “expense-large, time-small type”). A typical example would be for the firm to assist in paying a part or whole of tuition for employees to attend universities, graduate schools, etc. outside working hours.

The third is the type where the firm secures whole or part of the time but limits the burden of expenses to a minimum (hereinafter called the “expense-small, time-large type”). A typical example would be for the firm to show understanding with respect to time and leave. In this case, employees can use a leave for education and training (paid or unpaid) or a system of temporary retirement (unpaid) to engage in activities for receiving education and training.

The fourth is the type where employees bear all expenses and time (hereinafter called the “small expense & time type”). A typical example would be for an employee to engage in activities for receiving education and training outside working hours, keeping it secret from the firm and managerial and supervisory personnel, and without any financial support from the firm.

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<sup>3</sup> When total expenses (expenses managed by the personnel department of the head office) for firms’ education and training (Off-JT) are regarded as 100 percent, the percentage of expenses “for allowing employees to study at universities, etc. in Japan and abroad” was 0.2 percent. For more details, see Ohki (2003a, b). Similarly, when the entire time spent for education and training (Off-JT, correspondence course) is considered as 100 percent, the percentage of time given “for allowing employees to study at universities, etc. in Japan and abroad” was 0.1 percent. See Ohki (2005) for more details.

**Figure 1. Types of Education and Training as Long-Term Up-Front Investment**

| Company's burden (expenses)   |   |       |                         |
|---|---|-------|-------------------------|
| Small   | Large   |       |                         |
| Employee attending universities/graduate schools through an education and training leave system, etc. or based on the understanding of the company regarding time and leave | The company paying for employees to attend universities/graduate schools (during daytime)             | Large | Company's burden (time) |
| Employee attending universities/graduate schools (night programs) without telling the company or managerial and supervisory personnel                                       | The company providing assistance for paying tuition for universities/graduate schools (night courses) | Small |                         |

**(2) Characteristics of the education and training of the long-term up-front investment type**

With this categorization of the education and training of the long-term up-front investment type in mind, let us look at how firms are carrying out such education and training. We will examine data from the recalculation of research results by Fuji Research Institute Corporation, *Noryoku Kaihatsu to no Katsudo ni Torikumu tamenno Choki Kyuka Seido no Donyu Sokushin ni Muketa Chosa Kenkyu* (Survey and Research for Promoting the Introduction of Long-Term Leave System for Engaging in the Activities for Competence Development, Etc.) (2000) (hereinafter called the “Fuji Research survey”).<sup>4</sup>

<sup>4</sup> This survey was conducted by randomly sampling, from the company register of Teikoku Databank, Ltd., 2,000 firms with 1,000 or more employees, 2,000 firms with 500 to 999 employees, and 1,000 firms with 100 to 499 employees, as well as another 500 firms from Toyo Keizai’s “List of Major Venture Businesses.” The number (rate) of effective response was 1,099 firms (20.0 percent). In this recalculation, 125 venture businesses were excluded from the parameter. The distribution of responding firms by size (number of full-time regular employees) was 24.8 percent for firms with “less than 300 employees,” 35.7 percent for firms with “300 to less than 1,000 employees,” and 33.5 percent for firms with “1,000 or more employees.” Because the author cooperated in this research survey, he was provided with the raw data of the questionnaire survey by Professor Hiroyuki Fujimura, who led the research survey project. The author would like to take this opportunity to thank Professor Fujimura.

Firstly, let us examine, with regard to the large expense & time type, the firms that are paying the expenses for employees to study at universities, graduate schools, etc. in Japan. The combined percentage of firms that are “currently conducting a program” for such a purpose and firms that “conducted such a program in the past but no longer do so” was 16.8 percent. The year that employees were first dispatched to universities, graduate schools, etc. was 1984. The total number of employees dispatched so far was 12.4. Therefore, an employee is dispatched about once every year. The percentage of dispatched employees staying with their firms was roughly 80 percent (see Figure 2).

**Figure 2. Program for Allowing Employees to Study at Universities, etc. Within Japan with the Company Paying the Expenses**

| Program for allowing employees to study at universities, etc. within Japan with the company paying the expenses (%) |        |
|---|--------|
| Total (number of firms)   | 974    |
| Currently conducting such a program   | 9.5    |
| Conducted such a program in the past but not now  | 7.3    |
| Have not conducted such a program to date   | 82.0   |
| No response   | 1.1    |
| Time of introducing such a program  |        |
| Effective number (number of firms)  | 150    |
| Average value (year)  | 1984.6 |
| Total number of employees dispatched so far   |        |
| Effective number (number of firms)  | 152    |
| Average value (number of employees)   | 12.4   |
| Percentage of program participants staying with the company   |        |
| Effective number (number of firms)  | 148    |
| Average value (%)   | 84     |

**Note:** The questions on "Time of introducing the program," "Total number of employees dispatched so far," and "Percentage of program participants staying with the company" relate to companies that are "currently conducting such a program" and that "conduct

**Source:** Fuji Research Institute Corporation, Noryoku Kaihatsu to no Katsudo ni Torikumutame no Choki Kyuka Seido no Donyu Sokushin ni Muketa Chosa Kenkyu (Survey and Research for Promoting the Implementation of Long-Term Leave System for Active Involvement)

Secondly, with respect to firms' financial support in paying tuition in the expense-large, time-small type, a high percentage of firms, at 55.1 percent,



provided “financial support for employees to attend various seminars outside the company.” However, only 12.1 percent provided “financial assistance for employees to receive training overseas (excluding study abroad),” and 3.5 percent provided “support for paying tuition for employees to attend night courses for working people offered by universities and graduates schools.” There was a tendency where the percentage of firms providing financial support declined as the period of training was increased. (See Figure 3).

**Figure 3. Companies' Financial Assistance and Understanding Regarding Time (N=974)**

|  | (Unit: %) |
|--|-----------|
| Financial support for attending various seminars outside the company   | 55.1      |
| Support for paying tuition to attend night courses for working people offered by universities/graduate schools | 3.5       |
| Financial support for receiving training overseas (excl. study abroad)   | 12.1      |
| Understanding of the company regarding time and leave for employees wishing to studying abroad within Japan    | 5.0       |
| Understanding of the company regarding leave for employees wishing to overseas studying abroad                 | 3.6       |
| System of paid leave for receiving education and training  | 9.4       |
| System of unpaid leave for receiving education and training  | 2.6       |
| Not making employees work overtime that would prevent them from attending school or study                      | 15.0      |

Note: The values indicate the percentage conducted.

Source: same as Figure 2

Thirdly, with regard to firms' understanding with respect to time and leave in the expense-small, time-large type, the largest percentage of firms, at 15.0 percent, took measures “not to make employees work overtime that would prevent them from attending school or study”. This was followed by “a system of paid leave for receiving education and training” (9.4 percent),<sup>5</sup>

<sup>5</sup> According to the Ministry of Health, Labor and Welfare, *Shuro Joken Sogo Chosa* (General Survey on Working Conditions), the percentage of firms that provided a system of paid leave for employees to receive education and training had been on the decline, from 9.1 percent in 1994 to 4.7 percent in 1997 and 4.5 percent in 2002, but it rose slightly in 2003 to 5.1 percent.

“understanding of the company regarding time and leave for employees wishing to study within Japan” (5.0 percent), “understanding of the company regarding leave for employees wishing to study abroad” (3.6 percent), and “a system of unpaid leave for receiving education and training” (2.6 percent). Many firms are less inclined to accept the burden of time than they are with the burden of expense.

On allowing employees to take “a long-term leave” for competence development, the majority of firms did “nothing in particular.” For the remaining half of the firms, the largest percentage of firms, at 37.3 percent, “instructed employees to use existing leave (ex. annual paid leave, etc.)” On the other hand, the percentage of firms that “treated employees on such leave as inactive” (6.3 percent) and that “granted special leave (paid leave for education and training, etc.) in addition to annual paid leave” (3.0 percent) both accounted for less than 10 percent. Among the firms that granted paid leave for education and training, the average number of employees who used such leave during the 1990s was 43.4 people, which means about four people in each year (see Figure 4). Therefore, among the types of the education and training of the long-term up-front investment type, it can be presumed that, in terms of quantity, the least utilized is the “large expense & time type,” while the most utilized is the “small expense & time type”.

**Figure 4. Company's Response to Long-Term Leave for Competence Development and Number of Employees Who Used a Special Leave System**

| Response to long-term leave for competence development (unit: %)                                     |      |
|--|------|
| Total (number of firms)  | 974  |
| Instructs employees to use existing leave (ex. annual paid leave, etc.)                              | 37.3 |
| Grants special leave (paid leave for education and training , etc.) in addition to annual paid leave | 3.0  |
| Employees are treated as inactive  | 6.3  |
| Nothing in particular  | 51.5 |
| No response  | 1.9  |
| Total number of employees who used a special leave   |      |
| Effective number (number of firms)   | 25   |
| Average value (number of employees)  | 43.4 |

Source: same as Figure 2

### **3. Self-responsibility for competence development and education and training of the long-term up-front investment type**

#### **(1) Firms' opinions on a leave system for assisting in the career improvement of individual employees**

According to the Fuji Research survey, close to 70 percent of firms considered that “the firms had the responsibility” with respect to competence development. For the future, however, firms are trying to make the shift from “firms’ responsibility” to “individual employees’ responsibility,” in other words, to increase the responsibility of individual employees regarding competence development. Nonetheless, only 7.7 percent of firms said that 80 percent or more of their employees voluntarily thought about their career development. On the other hand, 16.1 percent of firms said that there were hardly any such employees in their firms, and 73.9 percent of firms believed that from a quarter to a half of their employees voluntarily thought about their career development.<sup>6</sup> The more firms require their employees to be responsible for their competence development, the more firms need to provide the employees with the “opportunity” and “time” for thinking about their careers. Then how do firms regard the education and training of the long-term up-front investment type as an opportunity and time for employees to think about their careers? In the Fuji Research survey, four proposals were made on the education and training, of the long-term up-front investment type, as a leave system for assisting in the career improvement of individual employees, and firms were asked to state whether they agreed or disagreed to the proposals and the reasons for the agreement or disagreement. The four proposals are as follows:

The first proposal was for a paid leave system in which employees are periodically given an opportunity (once, for instance, every five to ten years) to review their careers during a continuous paid leave lasting a month. During the leave, the employees can engage in study, travel, volunteering, or any other activities that will help them to think about their future professional lives (the system hereinafter called the “career building leave system”). The second

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<sup>6</sup> According to SRIC Corp. (2000), the percentage of firms that “wanted” their employees to think more than before about their own career design was 58.8 percent, and the percentage of firms that “more or less wanted” their employees to think more about their career design was 29.2 percent. Together, slightly less than 90 percent of firms shared this view.

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proposal was for an arrangement lasting up to two years and is available to employees once every five to ten years. Because the employees will be working during the day, there will be no need to provide any special leave. This is a system where an arrangement is made with respect to working hours for employees who wish to study by enrolling in night courses offered by graduate schools and vocational colleges—for instance, they are not allocated work that will require them to do inordinate amount of overtime (the system hereinafter called the “system for securing time for receiving education and training for career development”). The third proposal was for a leave system where an employee takes a full leave of six months to about two years without pay and concentrates on study, etc. for career improvement. The leave is based on the understanding that the employees will return to their firms, but they are not prevented from transferring to another firm (the system hereinafter called the “long-term leave system for career improvement (unpaid)”). The fourth proposal was basically the same as the third proposal, with the only difference being that the employees are paid during the leave (the system hereinafter called the “long-term leave system for career improvement (paid)”).

Figure 5 shows approval and disapproval for the proposals. The proposal with the most approval was for the system for securing time for receiving education and training for career development (the total of “approve” and “more or less approve” was 52.7 percent). On the other hand, the proposal with the least approval was for the long-term leave system for career improvement (paid) (6.4 percent). For all four systems, “the difficulty in securing substitute” was cited the most as a reason for disapproval. On the use of a temporary retirement system for competence development by employees where they will be able to engage in long-term study at schools, etc. at their own expense, about 20 percent of firms said they hoped to encourage such a practice.

**Figure 5. Approval/Disapproval of Systems for Supporting Career Improvement (N=974)**

(Unit: %)

|   | Approve or encourage | More or less approve or encourage | More or less do not approve or encourage | Do not approve or encourage | Unknown |
|---|----------------------|-----------------------------------|--|-----------------------------|---------|
| Career Building Leave System  | 5.0                  | 21.4                              | 41.5                                     | 27.1                        | 5.0     |
| System for securing time for receiving education for career development | 9.8                  | 42.9                              | 30.3                                     | 11.7                        | 5.3     |
| Long-term leave system for career improvement (unpaid)                  | 4.2                  | 14.4                              | 42.0                                     | 34.1                        | 5.3     |
| Long-term leave system for career improvement (paid)                    | 1.6                  | 4.8                               | 35.2                                     | 51.5                        | 6.8     |
| Long-term study using a temporary retirement system                     | 1.4                  | 17.9                              | 54.5                                     | 23.0                        | 3.2     |

Source: same as Figure 2

## (2) Factors determining the leave systems for assisting in the career development of individual employees

What factors determine the approval or disapproval of a leave system for assisting in the career improvement of individual employees? It is conceivable that such a leave system will be governed by firms' investment behavior with regard to education and training and by the state of career assistance provided to individual employees. In turn, it is also conceivable that firms' investment behavior with regard to education and training is governed by the following questions: "Under which kind of education and training policy" should education and training be provided and "for which types of work (job types)," "for whom" (the attributes of employees receiving education and training), and "in what scope" (the number of employees receiving education and training) should education and training be provided.

Is approval or disapproval of a leave system for assisting in the career improvement of individual employees then determined based on the above framework? We explain this point using multiple regression analysis. The data

we use is from the “Fuji Research survey.” The analysis explains approval or disapproval of the following: (1) career building leave system, (2) system for securing time for receiving education and training for career development, (3) long-term leave system for career improvement (unpaid), (4) the degree of encouragement provided for employees to use a temporary retirement system to engage in long-term study at schools, etc. at their own expense. The long-term leave system for career improvement (paid) was excluded because only less than 10 percent of firms approved of the system.

As for the explanatory variables, the ratio of managers and the ratio of university graduates were used with regard to “for which types of work (job types).” The ratio of university graduates was used to examine the degree of white-collar workers making up the job types. With regard to “under which kind of education and training policy,” (1) the policy related to the “entity responsible for competence development” (whether the responsibility rests with the firm or individual employees) and (2) the policy related to “who should receive education and training” (whether the emphasis is on selective education or general education of all employees) were used. For (3) the future policy on increasing or decreasing the education and training budget was used with respect to firms’ “ability to pay” (limitations on the education and training budget). With regard to “for whom” (the profitability of those receiving education and training) and “in what scope” (the economies of scale of education and training), the ratio of employees who are 45 years old or above among all regular employees (the ratio of middle-aged employees) and the number of regular employees were used, respectively. In addition, with regard to the status of assistance provided for individual employees’ careers, the following were used: (1) the opportunity for interviews between the personnel department and individual employees, (2) the current and future availability of career counseling by those with expert knowledge (efforts to provide comprehensive assistance and advice for employees’ career formation through personal interviews conducted by those who have received specialist education), and (3) the firm’s instructions to managerial and supervisory personnel to discuss their subordinates’ career formation when assessing or interviewing the subordinates.<sup>7</sup>

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<sup>7</sup> With respect to dependent variables, the score of four points was given to “approve (or encourage),” three points to “more or less approve (or encourage),” two points to “more or less disapprove (or discourage),” and one point to “disapprove (or

Firstly, the approval on the career building leave system was governed by the education and training budget, types of work (job types), and status of assistance provided for individual employees' careers. Firms that planned on increasing the education and training budget in the future, had high ratios of managers, provided career counseling, and instructed managerial and supervisory personnel to discuss their subordinates' career formation at the time of assessment or interview were more inclined to approve this system (see Figure 10).

Secondly, the approval on the system for securing time for receiving

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discourage)." On the other hand, with respect to the explanatory variables, the actual values were used for the "number of full-time regular employees" (as of the end of December 1999), "ratio of graduates of universities or above among all full-time regular employees," "ratio of managers (equivalent of section head and above) among all full-time regular employees," and "ratio of middle-aged and senior employees (45 or above) among all full-time regular employees." A score was given to other explanatory variables: "policy on who should receive education and training" (one point for "emphasis on selective education," two points for "more or less emphasize selective education," three points for "more or less emphasize general education of all employees," and four points for "emphasis on general education for all employees"), "policy on entity responsible for competence development" (one point for "the firm is responsible for providing education and training to employees," two points for "it is more or less the firm's responsibility to provide education and training to employees," three points for "it is more or less the individual employees who have the responsibility for their education and training," and four points for "the individual employees have the responsibility for their education and training"), "policy on education and training (Off-JT) budget" (six points for "increase substantially," five points for "increase slightly," four points for "maintain at the current level," three points for "decrease slightly," two points for "decrease substantially," and one point for "have no budget"), "opportunity for interviews between the personnel department and individual employees" (four points for "the interview is held every year," three points for "the interview is held once in two to three years," two points for "the interview is held when necessary," and one point for "no interview is held"), "the current and future availability of career counseling by those with expert knowledge" (three points for "currently available," two points for "currently unavailable but plan to make it available in the future," and one point for "no plans to make it available now or in the future"), and "the firm's instructions to superiors at workplaces to discuss their subordinates' career formation when assessing or interviewing the subordinates" (two points for "such instructions are given" and one point for "such instructions are not given"). All other variables were dummy variables; a score of one point was given when the variable corresponded with the title given to the variable, and a score of zero points when it did not correspond with the title.

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education and training for career development was governed by the education and training budget, profitability of education and training (economies of scale), and status of assistance provided for individual employees' careers. Firms were more inclined to approve this system were: Those that planned on increasing the education and training budget in the future; small- and medium-sized firms that had a small number of employees for education and training, firms that provided many opportunities for interviews between the personnel officers and individual employees; and firms that instructed managerial and supervisory personnel to discuss their subordinates' career formation at the time of assessment or interview.

Thirdly, the long-term leave system for career improvement (unpaid) was governed by the profitability of education and training (employees receiving education and training and their number (economies of scale)), training policy, and status of assistance provided for individual employees' careers. Firms that emphasized general education for all employees were: Those that had a small number of employees (full-time regular employees) who were 45 years old and above, large firms that had a large number of employees for education and training, and firms that instructed managerial and supervisory personnel to discuss their subordinates' career formation at the time of assessment or interview were more likely to approve this system.

Fourthly, the degree of encouragement provided for employees to use a temporary retirement system to engage in long-term study at schools, etc. at their own expense was governed by the education and training budget, training policy, and status of assistance provided for individual employees' careers. Firms that were more inclined to encourage employees to use the temporary retirement system to engage in long-term study were: Those that considered that "the firm had the responsibility" for competence development, planned on increasing the education and training budget in the future, provided many opportunities for interviews between the personnel department and individual employees, provided career counseling, and instructed managerial and supervisory personnel to discuss their subordinates' career formation at the time of assessment or interview

Let us briefly summarize what has been elucidated above. Whereas managerial and supervisory personnel are positive about investing in education and training for their subordinates' "present abilities" and particularly "the why in pursuit of causes," they are negative about investing in their "future abilities",



**Figure 6. Factors Governing Temporary Retirement System for Assisting Individual Employees' Career Improvement (multiple regression analysis)**

|   | Career Building Leave System (796 firms) |         | System for securing time for receiving education for career development (794 firms) |         | Long-term leave system for career improvement (unpaid) (795 firms) |         | Long-term leave system for career improvement (paid) (816 firms) |         |
|---|--|---------|---|---------|--|---------|--|---------|
|   | Standardization coefficient              | t-value | Standardization coefficient   | t-value | Standardization coefficient  | t-value | Standardization coefficient                                      | t-value |
| (Industry dummy)  |  |         |   |         |  |         |  |         |
| Construction  | -0.0517                                  | -1.2410 | 0.0435  | 1.0386  | -0.0589  | -1.4108 | -0.0539  | -1.3331 |
| Manufacturing   | 0.0040                                   | 0.0849  | 0.0636  | 1.3517  | -0.0193  | -0.4131 | 0.0750 *   | 1.6519  |
| Wholesale & retail  | -0.1176 ***                              | -2.7067 | 0.0002  | 0.0042  | -0.0747 *  | -1.7122 | -0.0320  | -0.7495 |
| Finance, insurance, real estate   | -0.0143                                  | -0.3661 | -0.0414   | -1.0508 | -0.0626  | -1.5959 | -0.0154  | -0.4075 |
| Services  | -0.0718 *                                | -1.7258 | -0.0543   | -1.2935 | -0.0511  | -1.2247 | 0.0318   | 0.7852  |
| Number of full-time regular employees (logarithm)   | 0.0560                                   | 1.5282  | -0.0681 *   | -1.8418 | 0.0683 *   | 1.8514  | 0.0456   | 1.2780  |
| Ratio of university graduates   | -0.0020                                  | -0.0467 | -0.0012   | -0.0267 | 0.0679   | 1.5563  | -0.0027  | -0.0631 |
| Ratio of managers   | 0.0800 **                                | 1.9811  | 0.0657  | 1.6130  | 0.0328   | 0.8137  | 0.0635   | 1.6194  |
| Ratio of middle-aged employees (45 years old and above)   | -0.0341                                  | -0.8911 | 0.0553  | 1.4283  | -0.0721 *  | -1.8685 | 0.0015   | 0.0389  |
| Policy on the entity responsible for competence development (education as responsibility of firm - responsibility of individuals) | -0.0064                                  | -0.1800 | -0.0296   | -0.8237 | -0.0337  | -0.9444 | -0.0962 ***  | -2.8017 |
| Policy on who should receive education and training (selective education - general education)                                     | -0.0240                                  | -0.6786 | 0.0500  | 1.3986  | 0.0799 **  | 2.2451  | -0.0215  | -0.6261 |
| Future policy on education and training budget  | 0.1176 ***                               | 3.3085  | 0.0938 ***  | 2.6143  | 0.0294   | 0.8230  | 0.0569 *   | 1.6529  |
| Opportunity for interviews between personnel department and individual employees  | 0.0159                                   | 0.4398  | 0.0846 **   | 2.3120  | 0.0578   | 1.5883  | 0.1261 ***   | 3.5982  |
| Availability of career counseling   | 0.0891 **                                | 2.5035  | 0.0146  | 0.4062  | 0.0566   | 1.5805  | 0.0809 **  | 2.3335  |
| Instructions given to employees' direct manager   | 0.1112 ***                               | 2.9854  | 0.1087 ***  | 2.8900  | 0.0812 **  | 2.1703  | 0.1526 ***   | 4.2155  |
| F value   | 4.356 ***                                |         | 3.471 ***   |         | 3.846 ***  |         | 6.415 ***  |         |
| Adjusted R squared  |  | 0.06    |   | 0.05    |  | 0.05    |  | 0.09    |

Note 1: \*\*\* 1% level of significance

Note 2: \*\* 5% level of significance

Note 3: \* 10% level of significance

Source: same as Figure 2

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and particularly “the why in pursuit of objectives.” Because the education and training of the long-term up-front investment type is long-term training of “future abilities,” it is education and training for employees to acquire the ability to think not only about “the why in pursuit of causes,” but also about “the why in pursuit of objectives.” For employees to engage in such education and training, a framework in which a firm can develop the “present abilities” as well as the “future abilities” (in other words, a framework for assisting and advising employees’ career formation) needs to be built on a company-wide basis. At the same time, there needs to be a mechanism to help managerial and supervisory personnel to take interest in the development of their subordinates’ “future abilities” and in “the why in pursuit of objectives.”

#### **4. Conclusion: towards promotion of the education and training of the long-term up-front investment type**

##### **Characteristics of the education and training of the long-term up-front investment type**

To adapt to the difficult changes in the environment, firms and individuals need to cooperate in building a new framework for acquiring the ability to think not only about “the why in pursuit of causes,” but also about “the why in pursuit of objectives.” For this purpose, both firms and individuals need to actively promote the education and training of the long-term up-front investment type.

From research and analyses already carried out, the following characteristics of the education and training of the long-term up-front investment type can be pointed out. Firstly, because the education and training of this type is highly risky for firms, the amount of time and costs allocated to such education and training is a very small part of all the investments that go into education and training. Secondly, when the education and training of this type is categorized according to “who” bears “how much” of the costs and time, quantitatively, the most common is the type where employees bears all costs and time, while the least common is the type where firms bears all costs and time.

##### **For promotion of the education and training of the long-term up-front investment type**

To actively promote the education and training of the long-term up-front investment type, a mechanism needs to be constructed for the functioning of the “type where the firm will bear little cost but all or part of the time,” a type where the firm and individuals share the burden of time, because the period of education and training is long.<sup>8</sup>

With regards to the construction of such a mechanism in the future, firstly, the intent and behavior of managerial and supervisory personnel have a significant impact on the consideration at the workplace with respect to time and leave. Therefore, there is a need to improve the management system that solely pursues short-term gains and the current state of affairs where there is too much dependence on managerial and supervisory personnel to play the role of an intermediary between the firm and employees (the framework of career formation). While superiors are positive about improving abilities that are currently required at the workplace, there is the danger that they may not be positive about career development that takes into consideration employees’ long-term careers (future abilities). Therefore, reinforcement of functions for supporting career development, not only for the managerial and supervisory personnel also for a firm’s employees, is essential.

Secondly, on the use of the leave for education and training or temporary retirement system for conducting education and training of the long-term up-front investment type, there is a need to combine such a leave or temporary retirement system with assignments, transfers, and in-house staff recruitment systems. The nature of such education and training as provided not for an employee to return to the employee’s original workplace, but for the employee to acquire the abilities required for transferring to a new workplace, should be

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<sup>8</sup> With regard to costs, expansion of subsidies from the government to firms and of “education and training grants” to workers may be possible. The education and training grants are an employment insurance benefit system designed to support workers in their voluntary efforts in competence development, stabilize employment, and promote reemployment. When those who have been or had been insured under the employment insurance (unemployed people, in the latter case) for three years or more receive and complete education and training designated by the Minister of Health, Labour and Welfare, the sum equivalent to 40 percent of the costs for education and training (20 percent if the insured period of the employment insurance is three years or more but less than five years) paid to institutes of education and training is paid by public employment security offices (but not exceeding ¥200,000, or ¥100,000 if the insured period of the employment insurance is three years or more but less than five years).

clearly emphasized. In this case, the goals of competence development should be clearly defined in terms of the employee's "jobs" and presented individually to the employee.

Thirdly, in addition to the existing incentives of "money" (remuneration), "status" (post), and "work," the new incentive of "time" (leave) needs to be provided for employees. There is a need to create a new framework for rewarding high performing employees with long-term leave.

\* This paper was prepared by improving and modifying Eiichi Ohki, "Choki Kyuka to Noryoku Keisei" (Long-Term Leave and Competence Development), *The Japanese Journal of Labour Studies*, No. 540 (2005).

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# **Trial Report on Desirable Employment Strategy in Japan**

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## **Introduction/The Purpose and the Nature of this Report**

Referring to the severe economic conditions in Japan, the years centering round the 1990s are often called the “lost decade.” However, it was actually starting 1998 that the country’s employment conditions made a turn for the worse. Recently Japan’s economic conditions began to show improvements and the unemployment rate declined accordingly. However, it can be said that the standard level of the unemployment rate had maintained a relatively high level. It could be stated that for corporations which hire employees, their employment capacities have weakened in the sense that they are no longer able to offer stable employment opportunities. This is evidenced by the fact that the recent increase in the employment rate in most cases is found in the area of nonpermanent employment.

At the same time, the labor participation rate has been decreasing in recent years. It can also be said that the “employability” of workers has also become weaker overall. Of course such phenomena are largely due to the severe employment conditions in recent years, but it is best to expect such conditions to continue for a while yet, just as the aftereffects of an illness can last over a long period.

Among the structural changes related to employment that will take place in the future, the greatest are the decline in population and birthrate, and the growing proportion of elderly people. It is difficult to say with certainty how such changes will affect the future of Japanese economy. However, there is one thing that can be said without question. That is that such decrease in “capabilities of employment” seen in recent years is not a desirable shift, and that in this era of population drop, it is actually essential to increase such capabilities.

Consequentially it can be said that for the coming era, the most important task is to reexamine the overall policies related to employment not in a narrow sense but with a broad perspective, and respond in a precise and comprehensive manner. This is where the basic premise is found for the demand of the times on which the policy system is developed as “employment strategy.”

Based on the aforementioned basic awareness and problem consciousness, the Japan Institute for Labour Policy and Training (JILPT) launched a research project entitled “Research on the desirable employment strategy in Japan” (research period is scheduled for October 2003 through March 2007). Under this research, preceding case examples of OECD and EU are studied, and related basic survey research has been promoted. This report is compiled based on past research by the researcher in charge at JILPT.

The report consists of two major parts. The first section examines what “employment strategy” entails in the first place, and why such a strategy is necessary at this time. The second section attempts to present examples of models for possible formulation of employment strategy if it were to be developed at the present time, on the premise that they are simply research-based theories.

## **Part I Employment Strategy and the Need Thereof**

In Part I, the prerequisite conditions for an “employment strategy” to be considered a *strategy* rather than being merely equated with an “employment policy” will be studied by throwing light on such issues as to what the term “employment strategy” ought to be assumed to mean in the first place, as well as the main constituents for its compilation and implementation. Consequently, this section serves as a premise for the examples of employment strategy plans for Japan that this paper attempts to present in Part II.

### **Chapter 1 Defining the Fundamentals of an Employment Strategy**

#### **1-1 What is a “strategy?”**

While it is said that “the essence of the concept of a strategy is a well thought-out plan regarding a fundamentally vital issue with a focus and emphasis on activities,” it is understood that a strategy must fulfill the following conditions at the very least:

##### 1- Established objectives for required action

Although it is indispensable for a strategy to be backed by a definite prognosis and vision at the very outset, a projection or vision itself does not constitute a strategy, which therefore needs to contain “objectives” with “a defined action plan” based on policy decisions. It is desirable to set a quantified objective to the extent possible, in order to bring clarity regarding

the level of achievement vis-à-vis significant issues.<sup>1</sup>

2- A complete mobilization of all related policies (and therefore measures) with a view towards achieving the established objectives, and the provision of necessary guidelines for the systematic implementation thereof.

In the context of employment, a “full mobilization of policies” would mean to take into account a wide range of related policies, such as macroeconomic, fiscal/financial, industrial, education, social security and welfare policies without restricting the scope to the confines of the employment policy alone, and to provide the requisite guidelines for implementing the measures.

3- Ex-post appraisal and verification of the strategy based on the level of achievement of the objectives

A strategy stipulates a fixed target year, and is appraised from that point onwards for the level of achievement of objectives. In case so required it is expected that a strategy for the following period is also formulated. It is, however, necessary in that case to not be solely preoccupied with whether the quantified objective has been achieved or not. This is because it is not entirely impossible that laying excessive stress on quantified objectives could result in the passing of extreme policies, thereby hindering performance as a whole and resulting in loss. It is imperative that one assesses, as objectively as possible, the different changes that have been brought about through the different mechanisms deployed in the case of each individual strategy, and to then provide comprehensive judgment.

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<sup>1</sup> To cite an example, the employment strategy of EU includes the following quantitative objectives (for target year 2010).

- \* “Full employment” objective: Overall employment rate of 70%, with a 60% employment rate for women and 50% employment rate for senior citizens (55-64 years of age).
- \* Employment support mechanisms objective: Youth and members of the general public who have lost their job are obliged to receive within six and 12 months respectively from the day they lost their job the employment support initiatives such as vocational training etc. 25% of the people who have been out of work for an extended period of time will receive dynamic job support.
- \* Retirement age objective: Raise the retirement age by five years.
- \* Childcare support objective: Provide support for 90% of the children older than 3 years and younger than school-going age, and for 33% of children below the age of 3 years.
- \* Lifelong education objective: Provide for at least 12.5% of the working population age (25-64 years) to participate in lifelong education programs.



## **1-2 Keystones of the concept of “employment strategy” and the parameters that need to be contained therein**

With the aforementioned refining of the concept of “strategy,” a subsequent tentative refinement of the concept of “employment strategy” can be said to result in the following definition:

**An employment strategy, while being based on long-term socioeconomic forecasts, should establish both the policy objectives for responding to the fundamental issues related to employment, as well as a timeline for achieving these objectives. It does not restrict itself to the confines of the employment policy alone, and mobilizes all related policies-- such as macroeconomic, fiscal/financial, industrial, education, social security and welfare policies-- with the aim of achieving the identified objectives. It includes the guidelines and frameworks required for the systematic implementation of these measures, and is appraised and verified on the basis of achievement of objectives both at mid-term as well as ex post points.**

Based on this definition, an employment strategy needs to comprise the following points:

### 1- Fundamental issues related to employment based on long-term socioeconomic forecasts

The “issues” referred to here require a basic awareness of the direction of structural changes in the social economy rather than short-term economic fluctuations, based on which the fundamental employment-related issues should be identified.

### 2- Policy objectives in response to the fundamental issues outlined above in (1), and the time period for achieving these objectives

It is desirable that a policy objective, together with providing a principle and/or an orientation, also provide quantified objectives wherever it is possible or essential. In cases where objectives have been established, a necessary level of prioritization should be done rather than mere sequential setting.

### 3- Pillars of the policy with a view towards achieving objectives

The pillars of the policies for implementing and achieving the objectives are to be presented. An employment strategy includes the pillars of the policy as well as the guidelines thereof, and it is neither necessary nor desirable for it

to include details to the level of concrete institutional design. On the other hand it is imperative that the guidelines that are essential for providing a direction that enables the individual policies to have conformance while working towards the achievement of objectives within the socioeconomic mechanism be provided in the strategy.

#### 4- Creation and request for a hierarchical strategy

One can consider including provisions to formulate a hierarchical strategy in response to the comprehensive strategy and to also promote its formulation. There are a large number of cases where it is imperative that a strategy be formulated based on the hierarchical structure. One can consider formulating hierarchical strategies at different levels such as the regional strategies, labor organization strategies, strategies of corporations, citizen groups or NPO to derive from as well as assist the national strategy.<sup>2</sup>

#### 5- Appraisal and verification of the employment strategy

The last chapter of the employment strategy should clearly state the method and system for the appraisal and verification of the strategy.

## **Chapter 2 The Constituents of Employment Strategy**

In this chapter we take a look at what constitutes employment strategy.<sup>3</sup>

### 1- Central government

In Japan the major constituent of employment strategy formulation is the central government, which takes a central role in formulating employment strategy.

### 2- Supranational organizations

The formulation of employment strategy is currently being carried out in international organizations such as OECD, EU and ILO, as well as among

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<sup>2</sup> Note that the term “hierarchical” used here does not simply indicate the superior-inferior relationship or strategy-tactic relationship but a “coordinated effort” paid to achieve the strategic objective. Each constituent should primarily formulate its strategy on its own within the scope necessary to achieve the essential objective and should not be obligatorily formulated under nation’s (central government’s) regimental power.

<sup>3</sup> The discussion on the “constituents” of strategy, in particular the constituents of policy formulation, is in its current format of a strong theoretical hue in character. It is the position of this paper that employment strategy should be developed in a realistic manner, through a process whereby strategy is specifically formulated and implemented.

federations of nations. It is anticipated that this trend will continue in the future. However, in such cases, Japan may find useful in a secondary sense or as a point of reference in the formulation of employment strategy.

### 3- Social partner

In the case of dealing with problems concerning employment, there are many who point to the so-called government-management-labor triumvirate in terms of social partners, and it should be considered that employment strategy could be based on agreement or consensus among these three. However, in the immediate future in Japan, it is hard to imagine that government-management-labor could reach a comprehensive agreement to which they could all sign on to jointly with regard to employment strategy. What is first necessary is for a participation structure to be established in some form.<sup>4</sup>

### 4- Local government

Local government plays an important role as the implementing constituent of policy. Its role in employment strategy is no less significant. When implementing employment strategy each local government will likely have its own emphasis in terms of the issues elucidated in employment strategy, and the implementation of policy may be similarly diverse. Accordingly, in addition to local governments participating in some format in the central government formulation of employment strategy, it should be expected that local governments also acquire a degree of responsibility for compilation of localized version of strategy, based on the central model.

### 5- Civil society, NPO

Among the various civil society organizations and non-profit organizations (NPO) a number are engaged in activities dealing with employment issues. Although under current circumstances it would be difficult for organizations such as these to become part of the compilation process for employment strategy, it is necessary to endeavor to ensure that their opinions are reflected, at the very least by utilizing the public comment process.

From the above it is evident that in the future, or at any rate for the time

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<sup>4</sup> There are various methods for participation, including management-labor participation in formulation meetings, the establishment of a tripartite Council on the issues, or public hearings. At the very least, at the final stage of formulation, both management and labor should be given a forum in which their views can be heard and respected in a fair manner.

being and immediate future, the main constituent for compilation of employment strategy on a national scale will continue to be the central government. It is also realistic to consider that in addition to the main role taken on by the central government, local governments, and management-labor organizations will also participate in the process, with the opinions of civil society organizations and NPOs also being reflected in the formulation process.

### **Chapter 3 Necessity of Employment Strategy in Japan**

This chapter considers the necessity for the formulation of employment strategy such as that described above. In this paper, the basic socio-economic trends that clearly show the necessity for the formulation of employment strategy will be mainly utilized.

#### **3-1 Making government policy as a whole “employment friendly”<sup>5</sup>**

In previous systems, what most resembled employment strategy was the “Basic Plan on Employment Measures,” which was based on the Employment Measures Law.<sup>6</sup> When comparing the various characteristics of the Basic Plan with the aforementioned employment strategy framework, the most prominent difference is that the policies in the former plan were mostly confined to employment policy in its narrow sense,<sup>7</sup> but the latter strategy will fully mobilize all related policies.

Of course employment strategy must be harmonized with plans pertaining to the economy in general, but economic plans themselves should not form the focus for the issues incorporated into employment strategy.

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<sup>5</sup> In this paper “employment friendly” is not limited to employment policy in a narrow sense, but is instead defined as a revision of policy in general from an employment perspective, and as something that can contribute qualitatively and quantitatively to the promotion of employment.

<sup>6</sup> The Employment Measures Law was formulated in 1966, and the Basic Plan on Employment Measures is stipulated in its second chapter. This plan has been formulated since 1967 and the 9<sup>th</sup> such plan began in 1999.

<sup>7</sup> Here it is possible to clearly define “employment policy in its narrow sense”. In other words, policy relating to employment under the jurisdiction of the Ministry of Health, Labour and Welfare.

### **3-2 Structural Changes: The need to focus on employment**

This brings us back to the issue of whether current and future employment should be judged as a strategic priority or not. This paper would like to elucidate a number of structural changes that argue that such a priority is warranted.

#### 1- End of the “people who only work” model

In the past it used to be the case that full-time employment was viewed as the ideal, stable form of employment, and it could be said that work was the most important (or the only) thing on which people based their lifestyles. This way was in fact the “people who only work” model. At the basis of this model came the assumption that work-related issues could only be solved at the workplace. However, as has been demonstrated in many cases with the entry of women into the workplace, the number of people who clearly place value on parts of their life other than work has increased. As living standards have reached a certain level, even male employees have come to share this viewpoint. In addition, the increasing numbers of people retiring due to the aging society phenomenon is only serving to increase the proportion of people who are not “people who only work.”

These trends, which are linked to diversity in work and employment patterns, have raised the issue of how to harness the skills of people who are not “people who only work.” In addition, and in the same vein, the issue has arisen of selecting or harmonizing between work and the other activities in a person’s life to which they attach importance. This could well be said to be an issue that is not limited to employment policy in its narrow sense, but is one that requires implementation in harmony with other related policies.

#### 2- End of the “full employment policy” era through public investment, etc.

In the past it could be said to be the norm that the “full employment policy” through public investment was adopted in a time of economic decline. In particular, for the regions with a weak industrial base, employment creation through public works had a significant effect. However, this kind of policy began to cease to function at around the end of the 1980s and beginning of the 1990s. It ceased to function from the dual aspects of effect and feasibility. In terms of effect, the quantitative effect of employment created through public spending declined and employment created by public spending no longer necessarily matched the needs of those seeking employment. In addition, in terms of feasibility, the severe fiscal situation in which central and local

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governments found themselves meant that this policy was no longer able to be implemented. In such an era the only option is to work to achieve employment creation that does not rely on public spending. At the same time, public spending should be made with the aim, as before, of creating the required public assets.

### 3- Decreasing population, declining birthrate, aging population and the social security system

In order to maintain the vitality of the Japanese economic society under circumstances of gradual population decrease, coupled with declines in the birthrate and increases in the aging population, a policy focus has to be the way to secure workers with vitality and skills. In addition, in order to also maintain a stable social security system under the current population demographic, it will be necessary to create a society in which people with the will and capability can find work and make sure that such people's skills are duly harnessed.

## **Part II Example of An Employment Strategy Plan for Japan (author's private idea)**

Part II aims to offer an example of a strategy for employment in Japan, based on considerations regarding the employment strategy framework discussed in Part I. This is merely a draft of one possible strategy that is offered as reference for subsequent practical and full-fledged policy discussion.<sup>8</sup>

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### **Employment Strategy ~Objectives and Policies~**

**—Toward realization of a society where all people can enhance and  
make the most of their careers—**

#### **I Structural Changes in Economic Society and Employment Strategy Challenges**

When looking at the future prospects for Japan's economic society from the standpoints of employment and working, the greatest challenge will be maintaining and improving the vitality of the economy and society amid decreasing birthrates and population aging. As explained below, we can discover several strategic objective challenges from several basic structural change factors. Among these, raising the productivity of working people is of particularly fundamental importance toward overcoming the challenges of depopulation and declining birthrates combined with population aging amid changes in the global economic structure accompanying economic globalization. The number one strategic objective to this end is strengthening human resources capability.<sup>9</sup> Strengthening human resources capability is also

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<sup>8</sup> The footnotes in this section do not represent items envisioned for incorporation into the employment strategy plan example, but rather are intended to be explanations that make the plan example easier to understand.

<sup>9</sup> The expression "human resources management" has come into use from the standpoint of creating a new personnel and labor management flow at firms, wherein employees are considered important management resources and firms work to cultivate and utilize them as such. Similarly, "human resources capability," not mere "quality of human resource," is intended to express the aggregate occupational capability possessed by the people from the standpoint of the country as a whole. Our intent is that "human resources capability" as set forth in the body of this report

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important for developing good employment opportunities, and for appropriately addressing the problem of youth employment, which is a major social challenge now facing Japan.

(Structural change and employment strategy challenges)

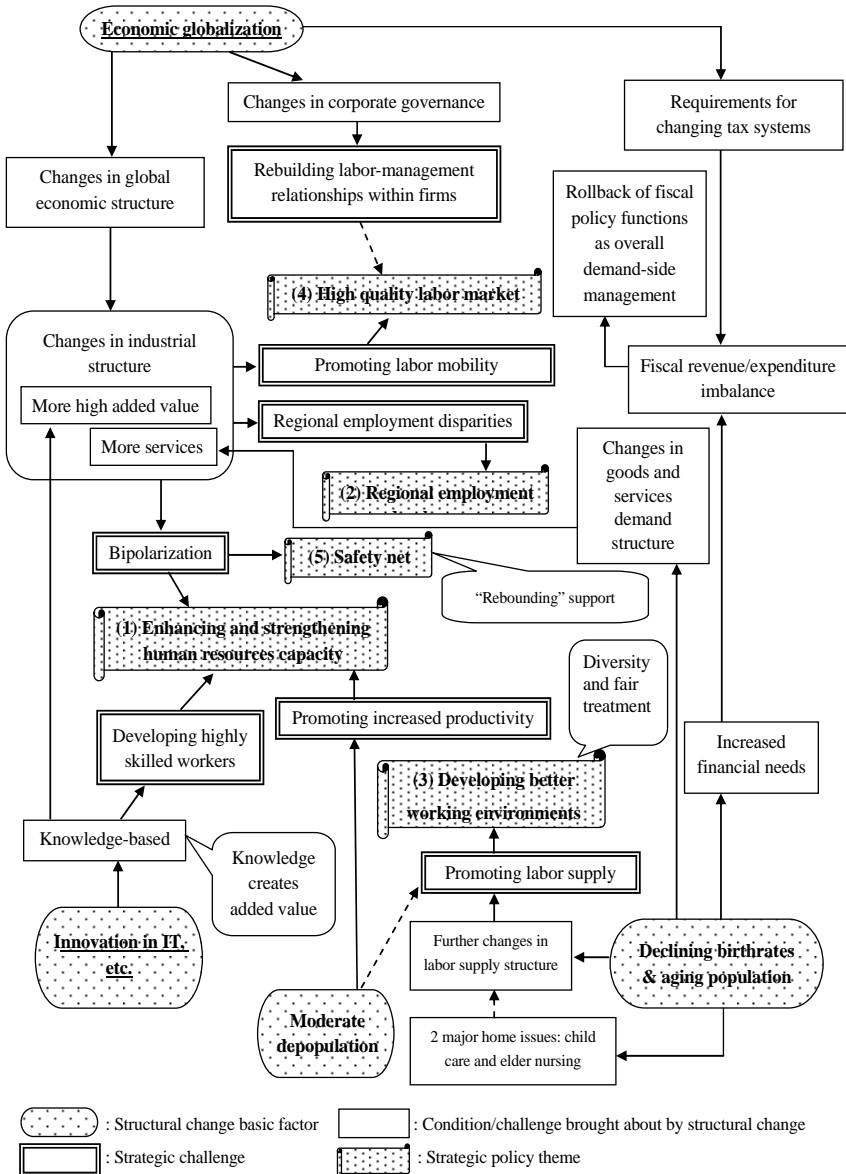
The structural change that will govern the framework of Japan's future economic society in the medium to long term includes two factors on the economic structure front (advance of globalization, and technological innovation centered on IT) and two factors on the population structure front (moderate depopulation, and declining birthrates and population aging). We will now outline our thoughts on what kinds of strategic challenges these four factors present to Japan's economic society (see Diagram).

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will be interpreted as a comprehensive concept that includes not only so-called "highly skilled workers" but also latent potential centered on skilled human resources and youth.



**Diagram Economic and Social Framework and Strategies**



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## **1. Enhancing and Strengthening “Human Resources Capability”**

### **1-1 Developing highly skilled workers toward realizing a knowledge-based society**

The advance of IT and other technological innovations require Japan to make a qualitative transformation into a “knowledge-based society” where knowledge creates added value. Therefore, we are posed with the challenge of developing highly skilled workers.

### **1-2 Capability base development aimed at increased productivity**

Efforts to increase labor productivity are needed in order to achieve economic development in the face of the decrease in labor supply accompanying moderate depopulation. For this purpose, the challenge of developing an occupational capability base for working people is raised. A particularly important challenge will be developing the highly skilled workers who will take the lead roles in the knowledge-based society of the future, as well as the skilled human resources that will support it.

### **1-3 Fundamental capability development to counter bipolarizing trends**

While high value-added sectors exist in the knowledge-based society, at the same time, the future economic society will be fraught with bipolarizing trends. There is also the need for low-productivity sectors to exist to a considerable extent, due to changes in the demand structure for goods and services accompanying declining birthrates and population aging, and the potential for IT and other technological innovations to create various technological divides. Therefore, we will be posed with the challenge of fundamental capability development, including the cultivation of incentives to work.

## **2. Employment Development with Regional Focus**

### **2-1 Addressing structural change of manufacturing-dependent regions**

Due to changes in international industrial structure due to economic globalization, we will be posed with the challenge of major structural change to the economies of regions that heretofore have been dependent on manufacturing industries for employment opportunities.

### **2-2 Breaking away from regional financial dependence**

Due to economic globalization, a shift in tax structure from direct taxation

to indirect taxation through international standardization of tax systems is required. Japan is currently in such a transitional period. At the same time, declining birthrates and an aging population are structural growth factors for fiscal demand centered on the social security system. Therefore, structural imbalance of fiscal revenue and expenditure also occurs, ensuring regional employment through financial dependence centered on public sector investment is becoming infeasible, and we will be posed with the challenge of self-sustaining employment development in regions.

### **2-3 Regional employment development for the knowledge-based society**

In a knowledge-based society, small-scale employment development becomes the mainstream. Therefore, we will be posed with the challenge of making regions the main employment development entities.

## **3. Creating Environments Where Diverse People Can Work Easily**

### **3-1 Have motivated people work as much as possible**

Under conditions of moderate depopulation, there will be a greater need than in the past to have as many motivated and qualified people work as possible, including those with potential. Therefore, we will be posed with the challenge of developing an environment in which people can work under appropriate conditions.

### **3-2 Realizing diverse ways of working and fair treatment**

Under the circumstances of decreasing birthrates and population aging, changes in the labor supply structure along with people's changing perceptions are bringing about the need for diverse ways of working. Therefore, we will be posed with the challenge of developing an environment for diversification of working and employment formats and greater flexibility of working hours, as well as formation of a social consensus regarding fair treatment concerning these conditions.

### **3-3 Harmony between work and family issues**

Again, amid decreasing birthrates and population aging, harmony is required between issues that are clearly related to family life, especially childrearing and family care, and work. Therefore, we will be posed with the challenge of developing an environment that makes it easier for working men

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and women alike to balance work and family life.

### **3-4 Preparing an environment for the retirement process of the baby-boomer generation**

In particular from 2007, when people of the so-called “baby-boomer generation” begin to reach their sixties, we will be posed with the challenge of preparing an environment for a gradual and smooth retirement process, including the continuation of work while sufficiently tapping into resources.

## **4. Rebuilding Systems for Labor Supply-demand Matching and Determining Working Conditions**

### **4-1 Matching system for diverse ways of working**

We will be posed with the challenge of developing a system that effectively and efficiently joins the diverse human resources needs of the knowledge-based society with the needs of people who desire diverse ways of working

### **4-2 Promoting smooth labor mobility**

Changes in cross-border economic structure due to globalization and changes in IT and other innovative technologies will in a sense bring about great economic change and cause changes in Japan’s industrial structure. Therefore, we will be posed with the challenge of a transformation of the industrial makeup (employment structure) in which people work, in other words, promoting smooth labor mobility.

### **4-3 Rebuilding labor-management relationships within firms**

With the influence of economic globalization as one of the factors, changes in corporate governance at Japanese firms can be seen. These changes mean reviewing stockholder-company relations. However, against a backdrop of declining trade union membership ratio, we are posed with the challenge of reviewing the concept of the company-employee relationship as well, and in particular reviewing systems for determining working conditions.

## **5. Strengthening support for rebounding ~Reconsidering the Social Safety Net~**

### **5-1 A safety net that supports rebounding**

As explained earlier (see 1-3), the future economic society will be fraught with bipolarizing trends. Therefore, we are posed with the challenge of preparing a social safety net that facilitates early rebounding for people who have been forced to leave their jobs or who have failed in business.<sup>10</sup>

## **5-2 Reviewing the social safety net from the standpoints of employment and working**

As explained earlier (see 3-1 above), under conditions of moderate depopulation, we will need to have as many people work as possible. Therefore, we will be posed with the challenge of reviewing the social safety net from the standpoint of promoting employment and working.

## **II Fundamental Principles Pertaining to Strategic Challenges**

Section II presents fundamental principles that must serve as a bridge in responding to the strategic challenges raised in Section I that must precede the setting of strategic objectives and disclosure of the direction of key policies to achieve them.

### **1. Importance of the “Quality of Employment”**

In order to respond to strategic challenges, we need to emphasize more the qualitative aspects of employment. Improvement of the “capabilities of employment” in our country ought to be based more on aspects of quality, rather than of quantity. Quality of employment includes not only the basic aspects such as securing the safety and health of the workers, and maintaining and improving their health, but also the provision of well-equipped working conditions and environments in all aspects of labor conditions, where at the same time the ability of all workers are being given full opportunity in their jobs and considerations are given for how their abilities can be further improved and their careers be developed.

The first policy priority should be to plan to create an environment where

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<sup>10</sup> The building of a society that supports rebounding is one of the most important national issues concerning Japanese society today. This is true not only for economic aspects such as employment and business, but also for school education, capability development and many other areas. It is necessary to build a society that not only permits second chances after a first try ends in failure, but also in some way even commends those who try again.

the market function is well utilized and displayed so that equality is sufficiently established in setting up working conditions between employers and employees,<sup>11</sup> and work is being done under the conditions that the employers and the employees have agreed upon through negotiations.

Also, the word “employment” used in this employment strategy is not limited to employees in employment relationships, but also to self-employed individuals and it can even include volunteers who work for NPO.

## **2. Consistent Coordination with Related Policies**

In order to respond to strategic challenges, it is required that various policies be executed consistently and systematically. All policies need to be implemented in coordination with one another while keeping consistency within the mechanism of the economic society of our country to move toward an achievement of the strategic objectives that will be established in III; such policies include not only employment policies in the narrow sense, but also macro economic policies, financial policies, industrial policies, educational policies, social security and welfare policies.

## **3. Policy System Encompassing a Private Sector Approach ~ Strategies Open to the “Private Sector”**

Most of the employment in Japan is generated by activities in the private economic society, and in employment strategies we need to take into account not only management and labor, but private companies, NPO and other

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<sup>11</sup> “Equality” should be based on a collective labor & management relationships (it is desirable to have a labor union in the background but it also includes any relationships where labor management negotiations and discussions related to decisions of labor conditions are made with group participation). On the other hand, it can also be considered to invoke evaluation in the labor market to be used for judgment. In other words, when high wages are paid, “equality” can be assumed to be there in general. High wages are evidence that the employer evaluates the worker’s ability highly; therefore, it is unlikely that the employer is forcing the worker to work to exhaustion, and where that is not the case the worker will quickly move to another company. Therefore, for such personnel, it is adequate to consider easing of labor conditions significantly, except for the most basis labor conditions such as safety and health, and the prohibition of slavish restraint. However, the wage amount classification shouldn’t be lower than 200,000 yen/month as seen in the white-collar exemption system in the U.S. To say the least, it needs to be significantly more than the average salary of regular member employees. In my opinion it should be at least annual salary of approximately 8,000,000 yen or more.

citizens' groups, and all working people. In addition, efforts consistent with the strategic objectives need to be encouraged and measures to provide incentives need to be taken as required.

#### **4. Labor Market Policies and Social Policies, Their Allotted Roles and Coordination**

Employment policies and measures become effective by being consistent with the mechanisms of economic society centered on the labor market functions. Therefore to achieve the strategic objectives we will focus on policies that improve the functionality of the labor market, and aim to support related parties in making active efforts in the labor market and remove any obstacles. Meanwhile, for issues that cannot just be left to the market we will continue to take up social policy measures. In those cases, however, we will still keep in mind the allotted roles and coordination between labor market policy and social policy approaches, focusing on consistency toward the achievement of our objectives, while recognizing that, basically, policies and measures based on a social policy approach also function within the mechanisms of economic society.

### **III Strategic Objectives and the Direction of Key Policies**

In Section I we selected 5 strategic challenges with regard to employment/work, based on the structural change of the economic society in Japan. In Section III, based on fundamental principles for responding to strategic challenges confirmed in Section II, we will set strategic objectives that respond to each of the challenges, establish key policies toward achieving these objectives, and show the direction for each of the policies and measures to be consistently and systematically implemented and attain the best effect.<sup>12</sup>

(Period of Strategic Objectives)

The period targeted for these objectives is from 2007 when the first baby boomers (born between 1947 and 1949) start to turn 60 years old, to 2020 when all members of that generation are 70 years old or older.

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<sup>12</sup> "Employment strategy" shows the direction of policies and measures rather than an accumulation of separate concrete measures. Concrete steps will be planned and implemented following this direction by each responsible organization.

# **1. Strategic Objectives and Policy Direction for Enhancing and Strengthening "Human Resources Capability" ~Creating Human Resources to Support the "Knowledge-based Society"~**

## **1-1 Strategic objectives**

In order to improve the quality of employment as well as to raise productivity which is fundamental for the economic society, foster and develop highly skilled personnel to leadingly support the "knowledge-based society" where knowledge can add value, and skilled personnel to support growing industries in systematic coordination among school education, vocational skill development organizations and enterprises. In the meantime, enrich education and training to enable the smooth transition of labor.

Also, encourage systems and efforts based on the idea of "career rights" while actively supporting voluntary skill development of workers.

In order to prevent people from being excluded from the "knowledge-based society," provide sufficient opportunities to endow fundamental knowledge and skills necessary to reduce factors that cause various divides due to technological innovations.

## **1-2 Key policies and their directions for strengthening human resources capability**

Reinforcement of human resources capability is the most critical strategic objective in order to vitalize our country's economic society.

In order to implement policy measures regarding human resources capability effectively, a close coordination focusing on employment and work among school educational institutes and public and private occupational skill development organizations and enterprises is required. In addition it is also necessary to prepare an environment where efforts by workers themselves for voluntary skill development are promoted. Furthermore, it is also indispensable to incorporate the idea of "career rights" which supports these efforts from an aspect of legal principle.

By doing all of the above it is intended to improve employment quality from the skills aspect, to increase economic productivity as well as to control the income gap growth which has been referred to as bipolarization.

However, despite all of the strategic measures, if we still face a labor shortage, we will consider having foreigners work in our country mainly as highly-skilled and skilled personnel through the establishment of an



appropriate and effective system.

(Pillars of the policy)

- 1- Preparation of administrative organizations to comprehensively advance measures for strengthening human resources capability
- 2- Prepare an environment where workers can make voluntary efforts for their own capability development
- 3- Developing highly skilled personnel
- 4- Developing skilled personnel
- 5-Basic educational training including raising incentives for working
- 6- Career rights<sup>13</sup>

## **2. Strategic Objectives and Policy Direction for Employment Development with Regional Focus**

**~Creating Regions that Have Capacity to Generate Employment ~**

### **2-1 Strategic objectives**

In order to develop and secure good quality employment and work opportunities, re-structure related policies including industrial policies and financial policies from this point of view comprehensively as well as promote employment development strategies based on regional independence and autonomy.

### **2-2 Key policies and their directions for employment development**

It is expected that new employment opportunities will be created in small lots and bearing closely to regions just as was seen in the contents industry under the conditions of the “knowledge-based society” and growing service economy. Furthermore, it is now impossible to create employment opportunities using financial funds directly in regions as was done in the past, and it is not desirable either. Each region needs to develop and create employment as spontaneous economic activity utilizing local material and human resources, and preparing that environment will be an important policy direction.

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<sup>13</sup> It is a right for workers to improve their own professional abilities throughout their professional careers. This right should be respected as a programmatic right in general but we will consider this as including the right to request action if needed in specific cases such as a request for work, etc. We will encourage systems and efforts based on the “career rights” concept, while keeping the strategic objectives of strengthening human resources capacity in mind.

Therefore it is important to implement policies to promote startups of businesses for employment opportunities in the regions and to support their business stability, and it is necessary to review and reorganize various related policies from the points of view of employment and work development. When doing this it is desired to view other work places including NPO. In addition it is also important to support planning of “regional employment development strategies” based on each region’s independence and autonomy so that these local efforts can be delivered effectively.

Through these actions, good quality employment opportunities will be delivered and it will help to reduce the imbalance of employment opportunities between regions.

(Pillars of the policy)

1- Review and reorganization of various related policies from the employment development point of view

2- NPO support

3- Planning regional employment development strategies

### **3. Strategic Objectives and Policy Direction for Creating Environments Where Diverse People Can Easily Work**

**~ Diversity and Fair Treatment ~**

#### **3-1 Strategic objectives**

Create diverse employment and working formats with conditions of fair treatment (balanced treatment) responding to diverse needs of working people including young people, women and seniors, so that as many people as possible who have the intention and capability to work, including those with the potential.

#### **3-2 Key policies and their directions for establishing environments where diverse people can work easily**

It is an important policy direction to have as many people as possible working by preparing diverse employment or work opportunities to meet the diverse needs of people including seniors, women and youth. To make that possible it is necessary to prepare work environments for the so-called non-regular work as well as to establish appropriate policies to respond to those needs.

By taking these steps, the intention is to bring about growth in the labor

supply overall, to let workers' capabilities be fully exercised, and to increase workers' satisfaction.

(Pillars of the policy)

1- Adjusting work environments for non-regular work

2- Restructure the transition to work life for youths<sup>14</sup>

3- Harmonizing work and domestic issues

4- Continuing employment for seniors

5- Promote work for people with (vocational) disabilities

#### **4. Strategic Objectives for Rebuilding Systems for Labor Supply-Demand matching and Determining Working Conditions**

**~ High Quality Labor Market ~**

##### **4-1 Strategic objectives**

Prepare a labor force supply-demand system to match up labor requirements from the supply and demand sides by utilizing the special characteristics of various government and private adjustment organizations to create a "high quality labor market" that has the functions of accurate matching of supply and demand and better allocation of resources.

In addition, promote restructuring of the working condition determination system while preparing rules for labor contracts rooted in citizens' self-governing as a basis of the labor market.

##### **4-2 Key policies and their directions for creating a high-quality labor market**

In order to allocate labor appropriately in response to industry structural changes, and ultimately to improve labor productivity it is required to have a labor market with high market functionality where supply and demand are adjusted accurately. In particular during the process of diversification of employment and work styles it is required to have information infrastructure to let outside labor markets function while various supply and demand adjustment organizations conducting matching utilize their special characteristics. Also, regarding another market function, determination of

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<sup>14</sup> Pertaining to policies that target youth, women and seniors separately, specific strategies such as "youth work support strategy," "strategy to prepare work environments for women," or "strategies to create vital life for seniors," may be drawn up.

working conditions, it is required that rules for contracts be prepared as its base and working condition determination system be established using discussion between companies and employees as its base.

By doing all of the above, efficiency of labor supply and demand matching will improve and in the meantime the productivity and quality of employment and work will improve.

(Pillars of the policy)

1- Improvement of outside labor market efficiency

2- Preparing labor contract rules and restructuring working condition determination system

## **5. Strategic Objectives and Policy Direction for Strengthening Support for Rebounding**

**~ Reconsidering the Social Safety Net ~**

### **5-1 Strategic objectives**

For those who suffer economic or business failures such as unemployment or loss of work, support early rebounding. In addition review the social safety net focusing on employment and work, to rebuild it as a system to support rebounding.<sup>15</sup>

### **5-2 Key policies and their directions for preparing the social safety net**

The policy direction is to refocus the social safety net on employment and work, to begin proactive measures as early as possible for those who suffer an economic or business failure such as unemployment or loss of work or the like, and to emphasize people who cannot avoid a lengthy period of unemployment and to reduce the burden of rejoining the workforce.

While realizing a society in which people can rebound even after failure through these steps, the result will be to maintain the vitality of the economic society, with higher employment rates and consequently bring about a convergence of the permissible range of income disparity.

(Pillars of the policy)

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<sup>15</sup> If we are to set up a quantitative objective for this, an example could be suggested as “do not let the ratio of lifetime low income class become any larger.” This is based on the judgment to avoid people going any further downstream of lifetime low income or give the influence to the next generation, from a temporary low income status.

- 1- Positive policy soon after unemployment or loss of work
- 2- Consideration of long-term unemployed workers
- 3-Support for maintaining livelihood based on self-help efforts
- 4- Special measures for settling in after the start of new employment

#### **IV Evaluation and Verification**

The effectiveness of the employment strategy is evaluated and verified at the end of the strategic period. In addition, there can be periodic evaluations during the process every 3 to 5 years, and strategy can be reconsidered as required.

The evaluations and verifications are to be conducted by an evaluation committee consisting of external experts, people related to labor and management and the like, to be finally determined and announced by the Employment Strategy Center which should be established in the government.

Some of the policies to be implemented based on the employment strategy may need to undergo policy evaluation by expert survey and research organizations. In addition, statistical surveys and collection of necessary data for the evaluation and verification process may be conducted depending on the necessity.

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(Employment strategy plan example: completed)

## JILPT Research Activities

### **Research Report**

The findings of research activities undertaken by JILPT are compiled into Research Reports (in Japanese). Below is a list of the reports published from May to July 2006. The complete text in Japanese of these reports can be accessed from the JILPT website. We are currently working on uploading abstracts of the reports in English onto the JILPT website as well.

- No.47 “*Shokugyo Antei Gyomu Tokei Kisetsu Choseichi no Kaizen nitsuite: Kadobi Chosei wo Chushin toshite*” (On Improvement of the Seasonal Adjustment Values of Employment Security Service Statistics: Mainly on Adjustment of Operating Days) (February 2006)
- No.48 “*Part Timer no Soshikika ni kansuru Rodo Kumiai no Torikumi*” (Labor Unions’ Efforts in Organizing Part-Timers) (April 2006)
- No.49 “*Henkakuki no Kinrosha Ishiki: “Shinjidai no Career Design to Jinzai Management no Hyoka ni kansuru Chosa” Kekka Hokokusho*” (Workers’ Changing Perceptions: Report on the Results of the “Survey on Career Design in the New Era and Perceptions on Human Resources Management”) (April 2006)
- No. 50 “*Shigoto to Ikuji no Ryoritsu Shien: Kigyo, Katei, Chiiki no Renkei wo*” (Support for Workers to Balance Work and Child Rearing: Cooperation among Firms, Households, and Regional Communities) (March 2006)
- No. 51 “*Gendai Nihonjin no Shitenbetsu Career Bunseki: Nihon Shakai no Gekitekina Henka to Rodosha no Ikikata*” (Career Analysis of Today’s Japanese People from Different Angles: Dramatic Changes in the Japanese Society and Workers’ Lives) (April 2006)
- No. 52 “*Ikujiki ni okeru Zaitaku Kinmu no Igi: Kyugyo, Kyuka no Sakugen ya Full Time Kinmu Kanoka-to no Koka to Kadai*” (Significance of Telecommuting During the Time of Child Rearing: Effect in Reducing Leave, Making Full-Time Work Possible, Etc. and Challenges) (April 2006)
- No. 53 “*Waga Kuni no Shokugyo Noryoku Kaihatsu no Genjo to Kongo no Hoko: Project Kenkyu “Shokugyo Noryoku Kaihatsu ni kansuru Rodo Shijo no Kiban Seibi no Arikata ni kansuru Kenkyu” Chukan Hokoku*” (Current State and Future Direction of Vocational Skills Development

- in Japan: Interim Report of the Project Research “Research on the Improvement of Labor Market Infrastructure in Relation to Vocational Skills Development”) (April 2006)
- No. 54 “*Kyoiku Kunren Service Shijo no Juyo Kozo ni kansuru Chosa Kenkyu: Kojin no Shokugyo Noryoku Kaihatsu Kodo kara Miru*” (Survey and Research on the Demand Structure of the Education and Training Service Market: Observation of Individuals’ Vocational Skills Development Behavior) (April 2006)
- No. 55 “*Rodo Kankei no Henka to Ho System no Arikata*” (Changes in Labor Relations and Legal Systems) (May 2006)
- No. 56 “*Shakai Keizai Kozo no Henka wo Fumaeta Rodo Joken Kettei System no Saikochiku: Project Kenkyu “Rodo Joken Kettei System no Saikochiku ni kansuru Kenkyu” Chukan Hokoku*” (Restructuring of the System of Determining Working Conditions Taking Into Consideration the Changes in the Social and Economic Structures: Interim Report of the Project Research “Research on the Restructuring of the System of Determining Working Conditions”) (May 2006)
- No. 57 “*Shokugyo Shokai ni okeru Shokugyo Bunrui no Arikata wo Kangaeru: “Rodoshoh-hen Shokugyo Bunrui” no Kaitei ni Muketa Ronten Seiri*” (Examination of Occupational Classification in Employment Placement: Clarification of the Issues Towards Revision of the *Occupational Classification* Edited by the Ministry of Labour) (May 2006)
- No. 58 “*Rodo Bunya no Kokusai Enjo Doko oyobi Waga Kuni no Enjo no Arikata ni kansuru Chosa Kenkyu Hokoku*” (Report on the Survey and Research on the Trend of International Assistance in the Field of Labor and Assistance by Japan) (May 2006)
- No. 59 “*Oshu ni okeru Gaikokujin Rodosha Ukeire Seido to Shakai Togo: Doku, Futsu, Ei, I, Ran Gokakoku Hikaku Chosa*” (European Systems of Foreign Workers Immigration and Social Integration: Five-Nation Comparative Survey in Germany, France, United Kingdom, Italy, and the Netherlands) (May 2006)
- No. 60 “*NPO no Yuku Shokuin to Volunteer: Sono Hatarakikata to Ishiki*” (Paid Employees and Volunteers of NPOs: Their Working Styles and Perceptions) (May 2006)

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### *International Workshop*

In cooperation with the Korea Labor Institute (KLI), JILPT held a workshop in Tokyo on June 1 on the topic of “Current Human Resource Management in Korea and Japan.” The papers presented at the workshop are posted on the JILPT website.



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