

Japan Labor Issues

9

September 2017

Volume 1 Number 1

● Trends

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● Research

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● Judgments and Orders

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● Series: Japan's Employment System and Public Policy 2017-2022

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

Makoto Fujimoto

● Statistical Indicator



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Japan Labor Issues website

<http://www.jil.go.jp/english/jli/index.html>

To sign up for mail delivery service

<https://www.jil.go.jp/english/emm/jmj.html>

Published by

The Japan Institute for Labour Policy and Training

8-23, Kamishakujii 4-chome, Nerima-ku, Tokyo 177-8502, Japan

<http://www.jil.go.jp/english/>

ISSN 2433-3689

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Printed in Japan.

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September 2017

CONTENTS

On the Launch of Japan Labor Issues

Trends

- | | | |
|-----------|---|---|
| Key Topic | Government Decides “Action Plan for the Realization of Work Style Reform” : Relevant Laws to Be Amended Aimed at Overtime Limits and Equal Pay for Equal Work | 3 |
| News | The 2017 <i>Shunto</i> , Wage Rise in SMEs and Non-Regular Employment: Changes in Negotiations Led by Pacesetters | 6 |
| News | One in Every Three Workers Experienced “Power Harassment”: MHLW is Taking Steps to Prevent It | 8 |

Research

- | | | |
|--|--|----|
| | Polarization of Working Styles: Measures to Solve the Polarization and New Category of Regular Employees
Koji Takahashi | 12 |
|--|--|----|

Judgments and Orders

- | | | |
|--|---|----|
| | Job Changes for Re-employed Retirees
<i>The Toyota Motor Case</i>
Keiichiro Hamaguchi | 20 |
|--|---|----|

Series: Japan's Employment System and Public Policy 2017-2022

- | | | |
|--|---|----|
| | What is Japanese Long-Term Employment System? Has it Vanished?
Makoto Fujimoto | 22 |
|--|---|----|

Statistical Indicators

26

On the Launch of Japan Labor Issues

As change affects our societies in various forms—ongoing globalization, shifts in demographic structure, and new waves of information technology—it prompts new scenarios in industrial structure, corporate organizations and activities, labor-management relations, and the ways that people work. While the forms and outcomes of these changes differ across the nations and regions of the world, we must invariably face their effects. Particularly in the field of labor, there are key issues that need to be addressed as we develop our labor policies, such as the redefinition of labor law, reform in labor markets, renewed recognition of systems for representing workers, and problems related to immigration.

With such challenges ahead, we are launching this new journal with the aim of introducing the recent developments in Japan in the field of labor to a global audience. It is comprised of five sections: “Trends,” which addresses the key points in Japanese labor issues and recent developments in labor policy, “Research,” which introduces papers covering research in the field of labor, “Judgements and Orders,” major judicial precedents related to labor and commentary on those precedents, the “Japan’s Employment System and Public Policy” series, which explain and comment on the Japanese employment system, and “Statistical Indicators,” which presents the current state of Japan’s economy and labor.

At the Japan Institute for Labour Policy and Training, we have pursued research that has investigated the changes in the world of work in Japan across the years. Amid the aforementioned social changes, it is becoming increasingly difficult to envisage how the Japanese employment system will develop in the future. This new journal will keep up to date with the labor issues that Japan currently faces, presenting new developments in labor in Japan through news articles that introduce the latest issues, as well as conventional research papers like those formerly published in the *Japan Labor Review*, the predecessor to this journal. I have given this journal the title *Japan Labor Issues* to reflect our hope that readers will look to it to answer their questions, such as what factors lie at the heart of labor problems in Japan, what kinds of shifts are occurring in our employment systems, or how policies are responding to such issues.

It is my sincere hope that this journal will offer timely information and deeper insights into the state of labor to anyone with an interest in labor issues, wherever they may be in the world.

Kazuo Sugeno
Editor-in-Chief, *Japan Labor Issues*
President, The Japan Institute for Labour Policy and Training



Kazuo Sugeno

KEY TOPIC

Government Decides “Action Plan for the Realization of Work Style Reform”

Relevant Laws to Be Amended Aimed at Overtime Limits and Equal Pay for Equal Work

At the 10th Meeting of the Council for the Realization of Work Style Reform (comprising union and industry representatives as well as experts, chaired by Prime Minister Shinzo Abe) on March 28th, Japan’s “Action Plan for the Realization of Work Style Reform” was approved. The Action Plan covers initiatives including measures to reduce working hours by introducing overtime regulation with penalties for violation, and the preparation of legislative rules and guidelines to ensure the effectiveness of equal pay for equal work. From now on, steps will be taken to amend relevant laws and draw up guidelines with a view to executing this plan, following deliberation by the Labor Policy Council, in line with the roadmap incorporated in the Action Plan.

Responding to this approval, Prime Minister Abe stressed the importance of the government’s role to be played, saying, “the approval of the Action Plan for the Realization of Work Style Reform is a historical step for reform to change work styles in Japan. However, at the same time, this action plan is no more than the first step. Whether it is equal pay for equal work or maximum hours of overtime work, the action plan will simply be pieces of paper and end up being a pie-in-the sky idea, unless we develop bills, submit them to the Diet, and moreover have them passed.”

“Collective action by the government, labor and management required”

In “the significance of Work Style Reform from the perspective of the working people,” the Action Plan opens with the assertion that, while four years of **Abenomics** (aggressive monetary policy, flexible fiscal policy, and growth strategy promoting private

investment: See **Box** on the next page) have brought huge achievements, the issues of declining birthrate, aging population, and stagnation in productivity improvement still remain. If we are to overcome these challenges, we need to “open the way to a bright future where all citizens will be dynamically engaged,” in which everyone is motivated and can demonstrate their abilities to the full.

To this end, the Action Plan again asserts that “the greatest challenge toward the revitalization of Japan’s economy is work style reform.” The significance of the Action Plan is described as being to “drastically reform our labor institution from the perspective of the working people and change our corporate culture and climate,” because “we have not been able to embark on a full-scale reform” until now.

The Action Plan then states that, with the employment environment now taking a positive turn, “it is necessary for the government, labor, and management to forge together and work collectively” on issues such as unreasonable gaps in the treatment of “regular” and “non-regular” workers, as well as long working hours that make it difficult to balance work with family life and lead to the declining birthrate.

Equal pay for equal work, and other improved working conditions for non-regular employees

Of the themes raised by the Action Plan, the first to be listed is preparation of legislative rules and guidelines to ensure realization of equal pay for equal work. “Draft Guidelines on Equal Pay for Equal Work,” previously announced in December, 2016, presented the basic idea as well as examples, both problematic and non-problematic, with regard to (1)ensuring equal and balanced treatment regarding

basic pay, regardless of employment forms, (2) ensuring balanced and fair treatment regarding various allowances, (3) ensuring balanced and fair treatment regarding welfare and educational training, and (4) working conditions of dispatched workers. In order to ensure the effectiveness of the Draft Guidelines, the Action Plan shows the directions for future amendments to the Part-time Workers Act, the Labor Contract Act, and the Worker Dispatching Act so that workers can get relief in legal disputes (by court judgments).

Specifically, steps will be taken to; (i) prepare rules which will be the grounds for court judgments, as present rules (the Labor Contract Act and the Worker Dispatching Act) has no regulations on employers regarding fair treatment for fixed-term workers; (ii) obligate employers to explain the terms and conditions to non-regular workers since the present rules do not compel employers to explain the difference in terms and conditions between part-time workers/fixed-term workers/dispatched workers and equivalent regular workers; (iii) operate the administrative ADR (Alternative Dispute Resolution) that workers requiring balanced/fair treatment can easily utilize without bearing the economic burdens when they resort to legal actions; and (iv) prepare laws for dispatched workers that obligate client companies (dispatch destinations) to give dispatching business operators the information on working conditions of workers at client companies. Based on the Action Plan, the government aims to enact related bills in an extraordinary session for the Diet convened to be this fall.

Reducing working hours by introducing an overtime cap with criminal penalties for violation

Meanwhile, following a request by Prime Minister Abe for discussion on specific measures designed to limit overtime work, JTUC-Rengo and the Japan Business Federation (Keidanren), which had been demanding labor-management talks at the highest level, reached an agreement on March 13th, as basically reflected in the Action Plan. Since labor and management did not reach an agreement on the limit per month, however, they accepted the prime minister's proposal and settled on "less than 100 hours of overtime work per month."



Abenomics

"Abenomics" is the economic policy of the Abe administration. It revolves around three central tenets proposed by Prime Minister Shinzo Abe after coming to power in 2012: (1) aggressive monetary policy, (2) flexible fiscal policy, and (3) a growth strategy to stimulate private investment. Of these, (1) involved quantitative easing to increase the volume of capital supply to financial markets, (2) was for public investment through fiscal spending, and (3) aimed to generate private sector demand through deregulation, etc. The Abe government wanted to overcome deflation and strengthen the economy with these three policies— "three arrows."

Then, in 2015, the government proposed three more policies for (a) "a strong economy that will create hope," (b) "support for child-rearing to create bigger dreams," and (c) "social security giving peace of mind." With these "three new arrows," Abenomics entered its second phase. The aim of these was to overcome an economic crisis while maintaining growth under the declining birthrate and population aging. Each policy (arrow) sets numerical targets, (a) aiming for GDP of 600 trillion yen, (b) a total fertility rate of 1.8%, and (c) measures to eliminate cases of job-quitting for long-term family care. The Abe administration aims to create "a society in which all citizens are dynamically engaged." "The Action Plan for the Realization of Work Style Reform" has been formulated as one aspect of that.

This box gives explanations for Japanese expressions which might be unfamiliar to foreign readers. Ko-to-ba means language, word, or term in Japanese.

With this agreement, the existing ordinance of the Minister of Health, Labour and Welfare was to be transformed into the rules in the Labor Standards Act. Firstly, the maximum hours of overtime work permitted over 40 hours per week will be 45 hours per month and 360 hours per year in principle, with criminal penalties imposed for violations other than certain special cases. Special exceptions are defined as cases in which there are temporary and special circumstances, where the maximum hours of overtime work are 720 hours per year (= 60 hours per month on average). This limit cannot be exceeded even when there is consensus between labor and management and a labor agreement has been concluded between them. Within this upper

limit of 720 hours overtime per year, moreover, a limit for temporary increases in the amount of work (which also cannot be exceeded) is also established. This limit is subject to the following conditions: (1) Average overtime in any 2-month, 3-month, 4-month, 5-month or 6-month period, including working on holidays, must be within 80 hours; (2) Overtime in any single month, including work on holidays, must be less than 100 hours; and (3) Since the maximum hours of overtime work permitted in principle are 45 hours per month and 360 hours per year, special exceptions that exceed these principles may only be applied up to six times (six months) a year so as not to exceed the limit for half a year.

Following deliberation by the Labor Policy Council, the details of the overtime cap are to be laid out in an amendment of the Labor Standards Act, and guidelines are to be stipulated in an extraordinary session of the Diet to be convened this fall.

Meanwhile, on legislation for the interval system between periods of work (an issue subject to strong demand from the unions), a revision of the Act on Special Measures for Improvement of Working Hours Arrangements will oblige companies (as a “duty to endeavor”) to make efforts to ensure a certain period of break between the finish of work on one day and the start of work on the following day. To promote the spread of this system, an expert study group including representatives of both labor and management will be established.

On a separate issue, as well as increasing the rigor of working hour management, a strengthening of measures to prevent workplace bullying and harassment will be mooted in discussions attended by both labor and management, with a view to fostering good human relations. Government goals will also be revised, including study on setting new goals for mental health measures within a policy outline based on the Act on Promotion of Measures for *Karoshi* (death caused by overwork), etc. Prevention.

Treatment of jobs currently regarded as exempt

Specific jobs regarded as exempt from application of the ordinance on limit of overwork under the existing system are to be treated as follows. “automobile driving work,” in which trading practices with shippers and others place constraints on work

styles, and “construction work,” which is easily affected by the weather, will be subject to a period of grace for the first five years after the enforcement date of the revised Act. After the five-year-period, “automobile driving work” will be subject to an overtime limit of 960 hours per year (= an average of 80 hours per month), and the construction industry will also observe the general rules.

For medical practitioners, meanwhile, application will be deferred for five years after the introduction of overtime regulations with penalties. A discussion forum attended by the medical community will be established, aiming to draw conclusions on ideal regulations and measures to shorten working hours within a target period of two years from now. The Medical Practitioners’ Act imposes an obligation to respond to requests for treatment, with the stipulation that “no medical practitioner who provides medical treatment shall refuse any request for examination or treatment without just cause.” This profession is therefore unusual in that emergency cases may not be refused, and when there is only one practitioner, it may sometimes not be possible to examine all patients. For this reason, the Japan Medical Association and others requested exemptions for medical practitioners, in that “limitation could cause confusion at the medical front in the community.”

Research and development of new technologies and new products are to be exempted from application after clarifying areas subject to regulation, so as not to exceed the scope of the present system. This presupposes an obligation to effectively ensure workers’ health, such as giving access to personal guidance by doctors and granting substitute days off.

In addition to the above, other topics covered by the Action Plan include “treatment of other issues such as unexpected disasters,” “promoting sector-specific efforts such as improvements in transaction terms,” “enhancement of supervision over head offices of companies” and “support for self-realization of workers with motivation and abilities” (such as creating a sophisticated professional system and revising the discretionary working system for management-related work).

Renewal of guidelines for telework and measures for reconciling medical treatment with work

Also, measures for following (1)-(3) were incorporated under “Creating an environment to facilitate flexible work styles” in the Action Plan: (1) renewal of guidelines for employment-type telework and support for its introduction, (2) renewal of guidelines for non-employment-type telework and support for workers, and (3) establishing guidelines aimed at promoting side jobs and multiple jobs. Again, under “Creating an environment facilitating human resource development and other empowerment for women and young people,” efforts will be made to (1) enhance support for re-learning by individuals, such as recurrent education for women, (2) promote diverse empowerment of women (visualization of company information regarding empowerment of women), and (3) support empowerment of the “employment ice-age (early 1990s to early 2000s) generation” and young people, as well as creating an environment for them.

Apart from steps to achieve a reconciliation of medical treatment and work (establishing a new triangular support system for patients with disease, etc.), new initiatives will be launched to; create an educational environment in which anyone has a chance to learn (establishment of a new grant-type scholarship system); promote employment of elderly people (such as preparing an environment to extend

continuous employment); and accept foreign workers (positive acceptance of foreign human resources with high-level skills and knowledge). Regarding balance between childcare, nursing care and work, the Action Plan includes efforts to enhance support measures for balancing child-rearing, family care, and work. Also, it emphasizes a need to promote employment support to meet the requirements and potentials of disabled people. Finally, to support career changes or reemployment to industries with a large capacity to absorb employment, the measures cited are (1) formulation of guidelines to support companies accepting workers who change jobs and expansion of opportunities for mid-career employment, and (2) visualization of vocational ability and workplace information with a view to expanding career-change opportunities.

As a “Roadmap toward the future of 10 years ahead” this Action Plan presents specific response measures along a fixed timeline, in linkage with other government programs.

AUTHOR

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NEWS

The 2017 *Shunto*, Wage Rise in SMEs and Non-Regular Employment

Changes in Negotiations Led by Pacesetters

The 2017 *Shunto* (See **Box** on the next page) came to a climax when Japan’s major corporations all issued their responses to union demands on

March 15th. Most major corporations of the automobile, electronics and other metals industries that traditionally set the benchmark for wage hikes

offered lower increases than last year's agreed level.

Prime Minister Shinzo Abe, who had urged Japanese businesses to offer wage increases as large as last year's levels, responded to these developments. "To be honest, I had hoped for a slightly more robust rise in wages," he said.

In subsequent moves, however, some non-manufacturing industries have offered increases above those of the metalworking majors; in another emerging trend, small and medium enterprises (SMEs) are offering rises exceeding those of the large corporations in both amounts and percentages, partly to counter the impact of labor shortages. In this year's *Shunto*, the fourth year since base wages returned to positive growth, the conventional mechanism of the benchmark for setting and propagating wage rises also seems to be changing.

Major automobile and electric companies settle on lower increases

Large automakers traditionally set the benchmark for wage rises, and Toyota, Japan's top automaker, is regarded in particular as a pacesetter in wage hike negotiations. This year, Toyota offered a pay-scale hike (excluding the age-based regular salary increase; the same applies below) of 1,300 yen (\$11.34), 200 yen below last year's agreed figure. Of the other industry leaders, Honda offered 1,600 yen, 500 yen more than last year, while Suzuki agreed on a 300-yen increase to 1,500 yen. Daihatsu and Yamaha Motor both maintained last year's rise of 1,500 yen; even Hino though slipping from last year's figure, settled on 1,400 yen. Never before have so many automakers exceeded Toyota's wage rise offer.

Wage negotiations by leading electronics makers settled on a rise of 1,000 yen, 500 yen below last year's figure, for core workers in development and design professions (age 30). This benchmark of 1,000 yen by electronics makers influenced leading companies in metals and machinery industries (Shimadzu, NSK, Kubota, Komatsu and others), where raised wage offers of less than 1,000 yen were conspicuous.



Shunto

To give a brief overview of Japan's wage system, there are two methods of raising wages. They are the "annual pay increase" and the "base-up" (base pay increase) methods. Compared to other countries, the Japanese wage system is characterized by a strong emphasis on seniority. In Japanese companies, the concept of "job-related pay," whereby wages are determined by the content of the job performed, is less prevalent; wages are more often determined in line with abilities that are expected to improve as years of continuous service increase and various tasks are performed. This system of monthly wages increasing with years of continuous service is known as the "regular wage increase." In the "base-up" method, on the other hand, the actual level of the basic wage rises in line with price increase rate and other factors.

In Japanese companies, wage hike negotiations are traditionally held as a united campaign led by industrial confederation of unions (organized as loose federation of enterprise unions) in March and April every year. This system is called *Shunto*, or "spring offensive."

For more detail on Japan's wage system and *Shunto*, see "Labor Situation in Japan and Its Analysis: General Overview 2015/2016" (www.jil.go.jp/english/lsj/).

This box gives explanations for Japanese expressions which might be unfamiliar to foreign readers. Ko-to-ba means language, word, or term in Japanese.

SMEs start a trend for wage hikes above the overall average

After major metalworking companies gave those offers, SMEs and non-regular employment started a trend for rises above last year's figure, influenced by manpower shortages. According to aggregate results compiled by the Japanese Trade Union Confederation (JTUC-Rengo, 6.8 million members) as of April 11th, the weighted average wage hike for 3,039 unions (total membership 2.3 million), including the periodic salary increase, was a 5,940 yen for a rise of 2.02%. These were 137 yen and 0.04 percentage points lower than the equivalent last year. Of these, the wage rise for 1,576 unions where base wage increases and other wage rises were clear was 1,330 yen, with 0.45% as the overall average rate. In terms of corporate scale, however, the rise was 1,373 yen and 0.56% for firms with less than 300

employees, exceeding the overall average in both amount and rate. Rengo Headquarters states that this is the first time SMEs have exceeded the average in both amounts and rates.

Trend toward higher increases in non-manufacturing and domestic retail

While metals industries laid a marker for wage hikes of 1,000-1,500 yen, smaller than last year's increase, some non-manufacturing and domestic retail employers have bucked the trend with offers in excess of 2,000 yen. UA Zensen, the largest industrial union in Japan (1.61 million members), which covers retail and distribution sectors suffering pronounced manpower shortages, reports significantly high base wage increases of 3,000-4,000 yen in drugstores (Matsumoto Kiyoshi 4,000 yen) and supermarkets (Maruetsu 3,200 yen, Inageya 3,027 yen), among others. Food-Rengo (110,000 members), an industrial trade union organization representing food manufacturing and allied industries, reports offers

exceeding last year's rise. Ajinomoto, with 10,000 yen, is the most eye-catching. Others offering upwards of 2,000 yen include Nippon Flour Mills with 3,300 yen, JT with 2,500 yen, Lotte with 2,304 yen, Morinaga with 2,000 yen, Meiji Group with 2,000 yen, and Sapporo Beer with 2,000 yen.

Higher increases in non-regular employment for the second straight year

Part-time workers represent the core of UA Zensen's membership, accounting for half of its member bodies. The increase in hourly wages agreed by the end of March for 190 part-time workers' unions (530,000 members) was 22.3 yen or 2.39% on average (including systematic pay rises and base wage increases). The increase offered for regular employees' equivalent in time was 2.18%, lower than the rate offered for part-time workers. In the final figures last year, part-time workers were awarded higher wage increases than regular employees for the first time, and that trend continues this year.

NEWS

One in Every Three Workers Experienced “Power Harassment”: MHLW is Taking Steps to Prevent It

“Power harassment,” a Japanese combination of English words for harassing behavior by someone in position of authority toward his/her subordinates in the workplace, is on the rise. According to the Ministry of Health, Labour and Welfare (MHLW), of cases brought for consultation to General Labour Counseling Desks throughout Japan since 2012, those related to “bullying and harassment” have been the largest in number. In a fact-finding survey conducted by MHLW in 2016, about one in every three employees had experienced power harassment in the previous three years. “The Action Plan for the Realization of Work Style Reform” drawn up by the

government in March included provisions for setting up a review panel aimed at reinforcing measures against power harassment in the workplace. Based on this, the Ministry has set up a study group consisting of labor and management representatives, among others, and discussions are currently underway.

The growing problem of “power harassment” in the workplace

Japan's labor administration has set up “General Labour Counseling Desks” in Prefectural Labour Bureaus (regional branches of the Ministry of Health, Labour and Welfare) and Labour Standards

Inspection Offices (supervisory bodies in various parts of the country, provided under the Labor Standards Act). These receive cases of consultation on various workplace-related concerns.

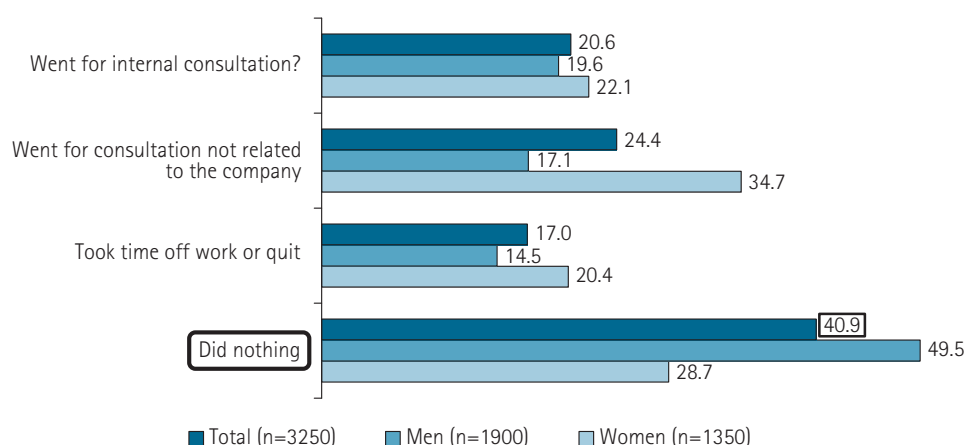
In a breakdown of the types of consultation handled by these Desks, in connection with individual labor disputes under civil law, cases of “bullying and harassment” (corresponding to power harassment) have continued to increase in recent years. Since FY2012, in fact, these have been more than any other type, accounting for nearly a quarter of all cases in FY2016. Statistics on industrial accident compensation paid out in cases such as “*karoshi*” (death caused by overwork) shows that compensation awards for psychological and other disorders caused by “(severe) harassment, bullying, or violence” are increasing. These data reveal how serious power harassment in the workplace has become in Japan.

Acts constituting “power harassment” divided into six categories

To address this problem, the Ministry of Health, Labour and Welfare set up the “Round-table Conference regarding Workplace Bullying and Harassment” in July 2011. The Conference brought together representatives of labor and management as well as experts and the government with the purpose of studying measures

to prevent and resolve bullying and harassment. The Conference then set up a Working Group to discuss matters for inclusion in its report.

The Working Group defined power harassment as “any act by a person using his/her superiority in the workplace which causes mental distress or physical pain or a degradation of the working environment beyond the appropriate scope of business.” On this basis, acts that could constitute power harassment in the workplace were divided into six categories, namely: (i) assault or injury (physical abuse), (ii) intimidation, defamation, insult or slander (mental abuse), (iii) isolation, ostracization or neglect (cutting off from human relationships), (iv) forcing an employee to perform certain tasks which are clearly unnecessary for the business or impossible to be performed, or interrupting their normal duties (excessive work demands), (v) ordering an employee to perform menial tasks which need far below the employee’s ability or experience, and not providing any work at all for an employee without any business reasonableness (insufficient work demands), and (vi) excessively inquiring into the private affairs of an employee (invasion of privacy). In March 2012, the Conference published its “Recommendations for Prevention and Resolution of Workplace Power Harassment” based on the above.



Source: Ministry of Health, Labour and Welfare, *Fact-finding Survey on Workplace Bullying and Harassment: Employee Survey*, 2016.

Note: Respondents are workers who had experienced being subjected to power harassment within the previous 3 years, those who responded “Experienced it repeatedly,” “Experienced it occasionally,” and “Only experienced it once.”

Figure 1. Subsequent actions taken by workers who felt they had been subjected to power harassment within the previous 3 years (multiple responses, by gender, %)

More than 30% of employees have experienced “power harassment”

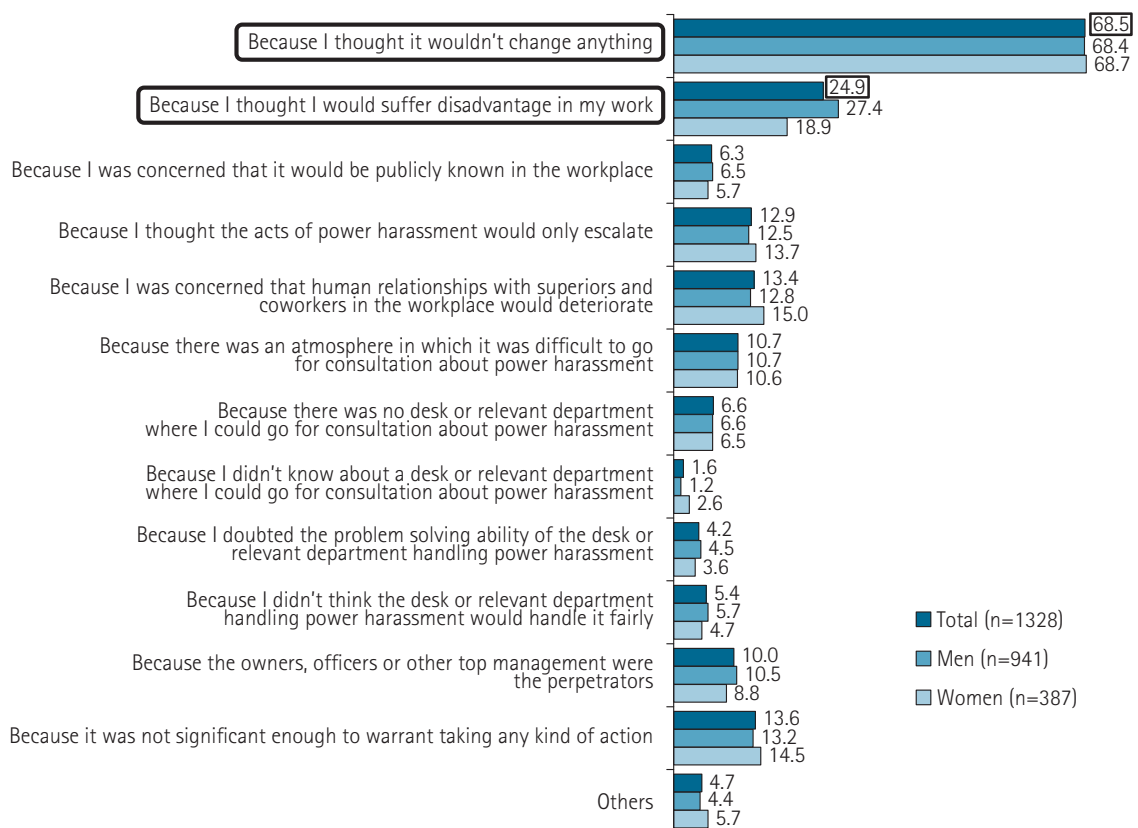
As part of its efforts to urge prevention and spread awareness based on the recommendations, the Ministry of Health, Labour and Welfare conducted fact-finding surveys of companies and employees from summer to fall 2016. The aim of the surveys was to ascertain the actual facts of companies tackling preventive measures and employees subjected to power harassment, and to use the results for reinforcing countermeasures in future.

The survey of companies found that power harassment was the most common topic of consultation brought by employees to consultation desks for employees. Of all the responding companies, 36.3% had handled at least one case of consultation corresponding to power harassment over the previous three years. In the employee survey,

similarly, 32.5% of employees responded that they had been subjected to power harassment over the previous three years. But although one in every three employees had been subjected to power harassment, only 52.2% or around half of the companies in the company survey had made any efforts to prevent or resolve power harassment.

As many as 40% of those subjected to “power harassment” “did nothing”

In the employee survey, 40.9% of respondents who felt they had been subjected to power harassment over the previous three years stated that they “did nothing” about it afterwards (Figure 1). The most common reason for doing nothing was they “thought it wouldn’t change anything” (Figure 2). More of these harassment victims who “did nothing” were men (49.5%) than women (28.7%). However,



Source: Ministry of Health, Labour and Welfare, *Fact-finding Survey on Workplace Bullying and Harassment: Employee Survey, 2016*.

Note: Respondents are workers who had experienced being subjected to power harassment within the previous 3 years, those who responded “Experienced it repeatedly,” “Experienced it occasionally,” and “Only experienced it once,” and “Did nothing” despite being subjected to power harassment.

Figure 2. Reason for doing nothing despite feeling that they had been subjected to power harassment (multiple responses, by gender, %)

this survey showed that the more employers “made positive efforts” to prevent or resolve power harassment, the higher the ratio of having “no experience” of power harassment tended to be.

The survey report points out that “if employers make positive efforts, it is easier for employees to ask them for consultation on power harassment, and also easier for the companies to ascertain the actual situation of power harassment.”

Start of studies aimed at reinforcing prevention measures

The Abe administration cites “Work Style Reform” as its most important task. In March 2017 the government drew up an “Action Plan” indicating the future direction of initiatives to this end. The Plan asserts that “to develop workplace environment so that workers can work healthily, we need not only to

increase the rigor of working hours management but also to promote the creation of good human relations with superiors and coworkers.” For this reason, the Plan clearly states that “to reinforce the prevention of power harassment in the workplace, the government will conduct a review of countermeasures through dialog with labor and management representatives.”

Based on these moves, the Ministry of Health, Labour and Welfare set up a “Study Group on Measures to Prevent Power Harassment in the Workplace” in May 2017, to discuss countermeasures with reference to the results of the fact-finding surveys.

Reference

JILPT. 2013. *Workplace Bulling and Harassment: 2013 JILPT Seminar on Workplace Bulling and Harassment*. JILPT Report no.12. Tokyo: The Japan Institute for Labour Policy and Training.

Article

Polarization of Working Styles: Measures to Solve the Polarization and New Category of Regular Employees

Koji Takahashi

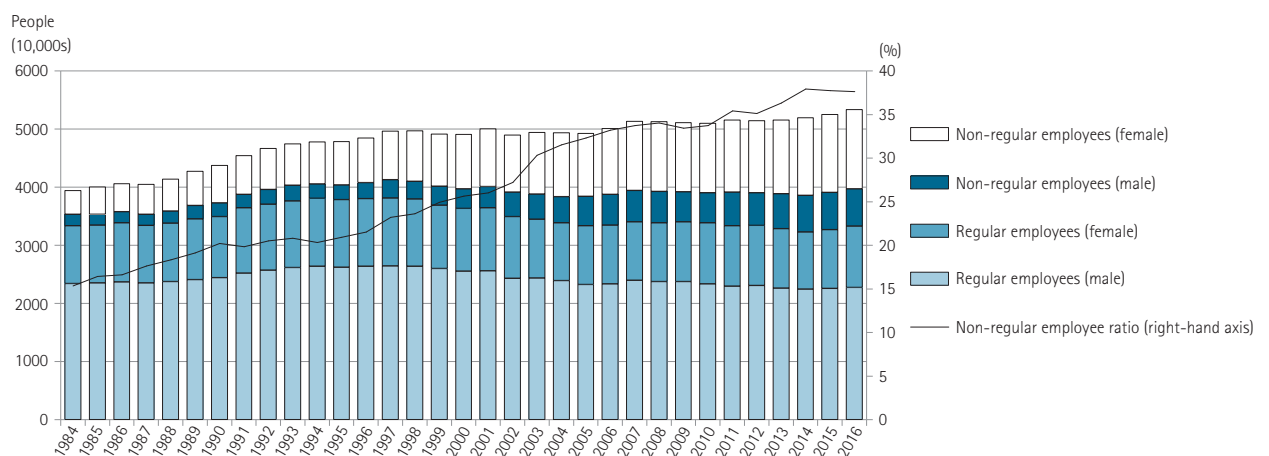
I. Background

Regular employees enjoy stable employment and high wages, but at the same time bear a heavy burden of overtime and relocation. By contrast, non-regular employees can choose their time and place of work, but their employment is unstable and their wages are low. To examine what is needed in order to solve this “polarization of working styles,” JILPT has set up a study group consisting of JILPT researchers and university professors, whose task has been to analyze questionnaire surveys conducted by JILPT and compile a report (hereinafter “the Report”).

Until the 1980s, the typical Japanese employment system – namely, the practice of lifetime employment and the use of internal labor markets – brought benefits to companies and the workers under those

systems (i.e. regular employees). But there were two problems with this. The first was that, because hiring regular employees is basically cost-intensive, hiring tends to be reduced when sales growth slows. The second is that regular employees face the unspoken assumption that they are supposed to accept overtime and relocation.

These problems started to emerge after the collapse of the bubble economy from the mid-1990s onward. First, as economic growth slowed and the economy slid into deflation, many companies reduced their hiring of regular employees. As a result, the ratio of non-regular employees to all workers in employment, which had been about 20% in 1990, has now grown to around 37% as in Figure 1. The reduced hiring of regular employees directly impacted younger people and generated



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

Notes: 1. Figures for February (or average of January through March) each year.

2. “Non-regular employees” are “part-time workers,” “Arbeits (temporary workers),” “dispatched workers from temporary agencies,” “contract employees,” “entrusted employees,” or “others.”

Figure 1. Trends in numbers of regular and non-regular employees

many young non-regular employees. Also, because companies have a deep-rooted preference for “hiring regular employees from new graduates” even while reducing their hiring of regular employees, workers in non-regular employment became stuck in that position. Their lifetime earnings are expected to be extremely low compared to those of people who work as regular employees.

Incidentally, in the period after the collapse of the economic bubble, women’s advancement into higher education progressed and the Equal Opportunity Act was amended (effective from 1999). With this, gender discrimination in recruitment, hiring, job assignment and promotion was outlawed. However, the long working hours of regular employees, which had always been seen as a problem, remained unchanged in this period. Although the average working hours of workers in employment as a whole slightly decreased, this was largely due to an increase in part time workers, and other non-regular employees. The total annual working hours of “ordinary workers,” which generally refers to regular employees, consistently have hovered around the 2,000 hour mark as shown in Figure 2. This made it difficult for women who mainly bear family responsibilities to work as regular employees.

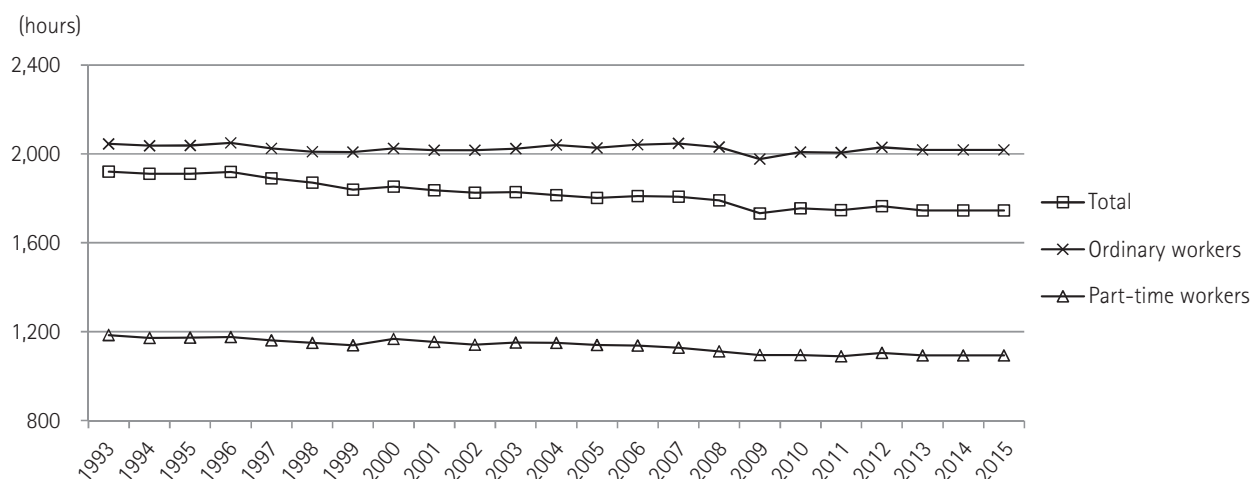
Meanwhile, with the declining birth rate and

aging population, there is a worrying trend amongst both male and female regular employees to quit their jobs due to the need of long-term care for their parents.

II. Outline of the Report

Given this background, measures to solve the polarization of working styles are required in labor policy. The study group identified four policy issues concerning the polarization of working styles – improving the unfavorable treatment of non-regular employees, supporting conversions from non-regular to regular employment, reducing the workload on regular employees, and creating an intermediate employment category between regular and non-regular employees. Of these, as to the improvement of the treatment of non-regular employees, the government is currently trying to bring the principle of “equal pay for equal work” into legislation. The aim of the Report, therefore, was to present policy proposals based on quantitative analysis of the other three issues.

After summarizing the situation of working style polarization based on official statistics, the Report contains articles providing quantitative analyses on the conversion from non-regular to regular employment, the workload on regular employees,



Source: Ministry of Health, Labour and Welfare, *Monthly Labour Survey*.

Notes: 1. The survey targeted businesses with at least five full-time workers.

2. Full-time workers are classified into “ordinary workers” and “part-time workers.” “Part-time workers” are workers who have fewer scheduled working hours per day, or who have the same scheduled daily working hours but fewer working days per week than “ordinary workers.”

3. Although the categories of “ordinary workers” and “part-time workers” are not identical with those of “regular employees” and “non-regular employees,” those are broadly seen as corresponding to “regular employees” and “non-regular employees” respectively in this paper.

Figure 2. Trends in total annual working hours

and the intermediate employment category. Some of those will be introduced here, with a few additional comments.

Two types of questionnaire survey, A and B, were used in the quantitative analyses. Survey A was a “Survey on diverse employment forms and human resource portfolios” targeting private establishments and their employees. The establishment questionnaire was distributed nationwide to 8,000 establishments employing 30 or more employees. The employee questionnaire was distributed to 10 employees aged under 40 at each establishment. Survey B was a “Survey on the present status of workload and workplaces of regular employees,” an internet survey targeting regular employees aged under 35. Both surveys were conducted by JILPT in 2014.

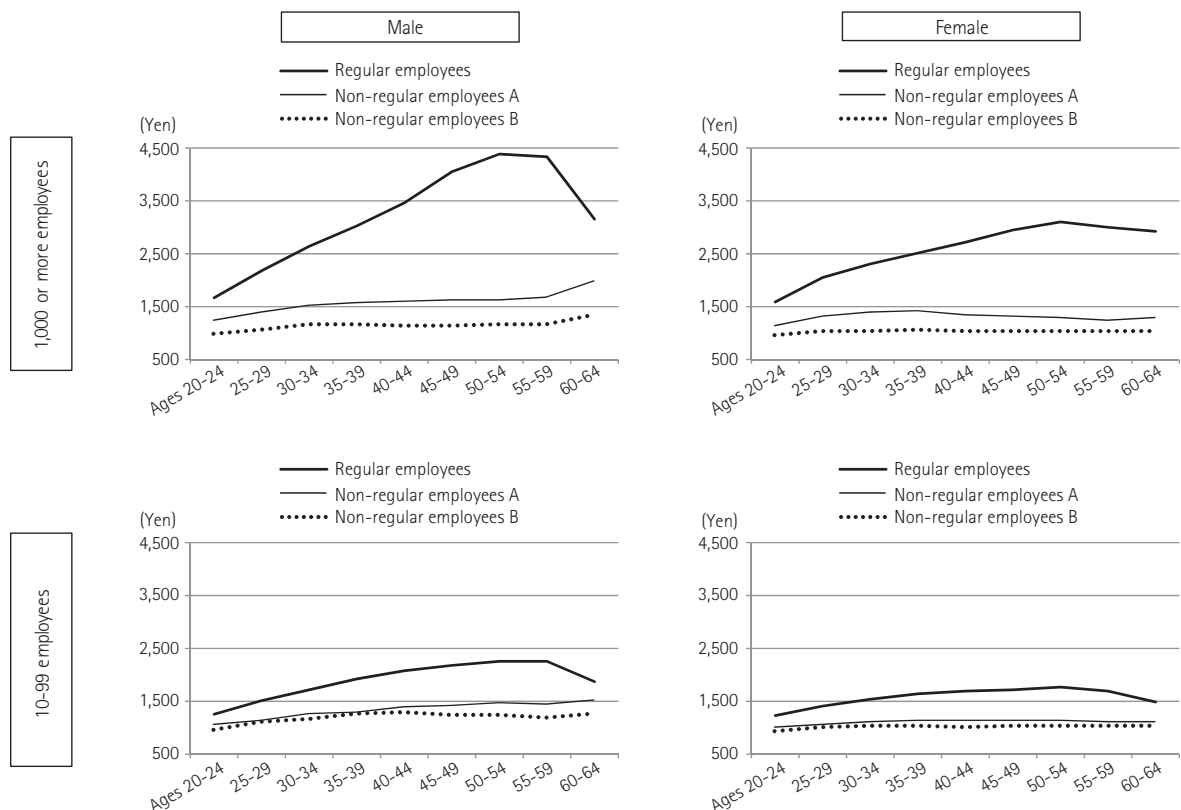
III. Analysis Results

1. Realities of polarized working styles

Figure 3 shows the age and wage profiles of

regular and non-regular employees divided by gender and company size. From this, we can see that the wage levels of non-regular employees are far below those of regular employees. Moreover, the gap between the two is wider for middle-aged than for younger workers. It is also wider among men than among women, and wider in large corporations than in small and medium enterprises. An underlying factor is the difference in the composition of academic background, industry and occupation. Another factor is that the wages of non-regular employees can be characterized by job-based pay while those of regular employees are determined considering skill and experience.

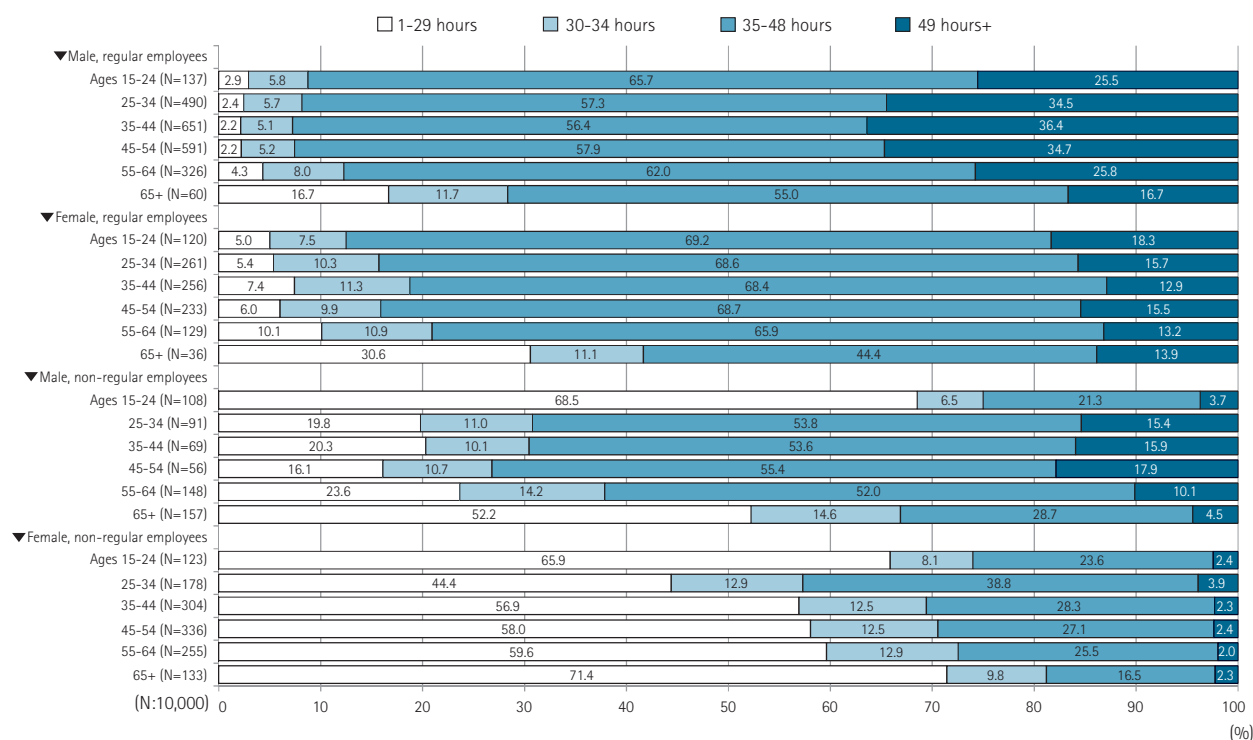
Figure 4 shows the difference in weekly working hour distribution for regular and non-regular employees by gender and age. This reveals that more than a third of male regular employees aged 25-54 work at least 49 hours per week. Working hours for female regular employees in the same age brackets



Source: Ministry of Health, Labour and Welfare, *Basic Survey on Wage Structure*, 2014.

Notes: “Non-regular employees A” are full-time workers other than regular employees. “Non-regular employees B” are part-time workers other than regular employees.

Figure 3. Age and hourly wage profiles by gender, company size, and employment forms



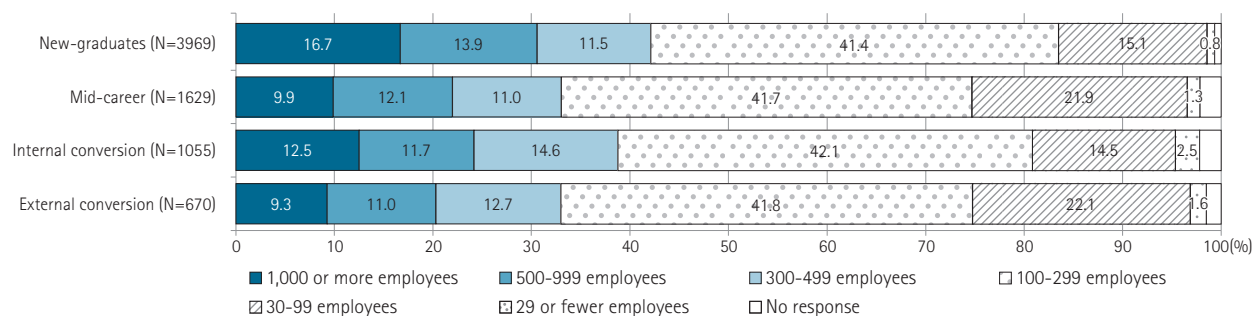
Source: Statistics Bureau, Ministry of Internal Affairs and Communications, *Labour Force Survey*, 2016.
 Note: "Non-regular employees" are also known as "part-time workers," "Arbeit (temporary workers)," "dispatched workers from temporary labor agencies," "contract employees," "entrusted employees," or "others."

Figure 4. Distribution of weekly working hours of regular and non-regular employees by gender and age

are shorter than those of men, but even then, female regular employees working for 34 hours or less account for fewer than 20%. From this we can see the reality that if a woman who mainly bears home responsibilities wants to find a job with less than 34 workweek, the only option she has is to work as a non-regular employee.

2. Actual situation of workers converted to regular employment

There are plenty of previous studies on conversion from non-regular to regular employment. As a result, it has already been made clear that male, young, and highly-educated non-regular employees are more likely to convert to regular employment. What is hardly known at all, however, is what sort



Source: Compiled from data in Figure 3-3-1 of JILPT Research Report No.185.

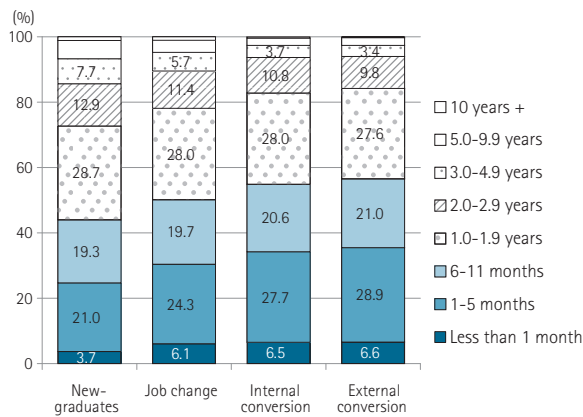
Figure 5. Distribution of company size regular employees are working for

of work these converts do, and for what kind of employers. The author analyzed this point in the Report.

Figure 5 divides respondents working as regular employees at the time of the survey into four categories, those who joined their employers as new-graduates (new-graduate regular employees), those who were regular employees in their previous job but changed jobs via mid-career hiring (mid-career regular employees), those who converted from non-regular to regular employment within their present company (internal conversion regular employees), and those who converted from non-regular to regular employment by changing their employer (external conversion regular employees), based on

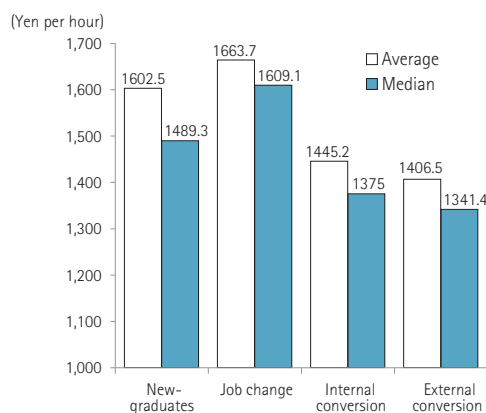
the employee questionnaire in Survey A. The figure shows the distribution of company size for each of these. The results reveal that, while more than about 30% of new-graduate regular employees work for companies with 500 employees or more, the ratio is lower at 20-24% for external and internal conversion regular employees.

Figure 6 shows how job levels differ among these four categories. Job levels are measured by the number of years taken to master a job. From this, we know that both internal and external conversion regular employees have lower job levels than new-graduate regular employees. Again, Figure 7 compares wage levels. This tells us that internal and external conversion regular employees have lower wage levels than new-graduate regular employees and mid-career regular employees.



Source: Compiled from data in Figure 3-4-1, *ibid.*
Note: Excludes "No response."

Figure 6. Job levels of regular employees measured by years taken to master a job



Source: Compiled from data in Figure 3-4-4, *ibid.*
Note: Only respondents giving wage and working hours.

Figure 7. Hourly wage of regular employees

3. Factors behind the workload on regular employees

Long working hours are undeniably the prime factor in the workload on regular employees. To improve this situation, rates of overtime pay were increased in an amendment to the Labor Standards Act (effective from 2010), while the government is currently considering the introduction of a cap on overtime work. In order to enhance the effectiveness of these legal regulations, we need to elucidate what factors help to shorten/lengthen working hours.

The analysis by Kazuya Ogura makes it clear that systems of work management have an impact on working hours. Ogura conducted regression analysis on the employee questionnaire in Survey A, using the actual weekly working hours of regular employees as an explained variable. The result confirmed that the working hours of regular employees grow significantly longer if they have no discretion over their own work volume, or if they are subject to frequent "progress management" by their superiors.

The analysis by Tomohiro Takami shows that the causes of psychological stress among regular employees differ from industry to industry. Takami first specified three industries in which the response "I may get psychological stress (in my job)" was particularly common in Survey B. They were "education, learning support," "finance and insurance" and "accommodations, eating and drinking services." Takami then hypothesized,

Table 1. Problems in the workplace or company cited by regular employees

	Education, learning support (%)	Finance and insurance (%)	Accommodations, eating and drinking services(%)
Working hours	32.8	16.0	27.7
Holidays, leave	15.1	11.2	25.3
Quotas, results, progress management	4.5	21.9	4.7
Bullying, harassment	6.3	5.3	2.7
Soliciting voluntary retirement	1.0	1.6	1.4
Others	6.3	6.7	6.9
No particular problem	33.9	37.2	31.3
N	872	489	364

Source: Compiled from data in Table 5-2-4 originally made by Tomohiro Takami, JILPT Research Report No.185.

Note: Responses above 20% are shown in bold.

Table 2. Reasons for overtime work by regular employees (multiple responses)

	Education, learning support (%)	Finance and insurance (%)	Accommodations, eating and drinking services(%)
Heavy workload	69.3	61.6	50.7
Tight deadlines	17.3	12.4	14.6
High targets or quotas	6.2	20.9	6.2
Unnecessary work	21.1	21.9	14.2
Staff shortages	23.5	30.7	48.2
Sense of responsibility	41.2	24.5	32.8
Persistence in work and results	30.2	16.5	15.7
To secure an income	3.5	5.9	6.9
Unexpected assignment	25.9	26.3	25.5
Atmosphere in the Workplace	12.5	14.9	8.4
N	711	388	274

Source: Compiled from data in Table 5-2-5 originally made by Tomohiro Takami, *ibid.*

Notes: 1. Aggregation only targets those who work overtime. Excludes "Other" reasons.

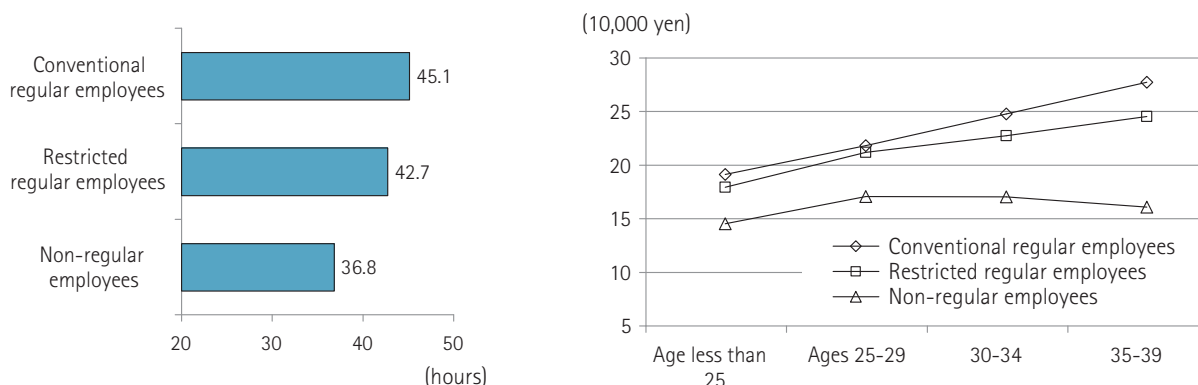
2. Parts referred to in this paper are shaded, with figures shown in bold.

considering problems in the workplace or company (Table 1) and reasons for overtime (Table 2) that workplaces in “education, learning support” are characterized as having long working hours due to a heavy workload; in “finance and insurance,” the principal factor is the rigid performance quota management; and in “accommodations, eating and drinking services,” it is an inability to take time off owing to staff shortages. On that basis, regression analysis reveals that a factor behind psychological stress in “education, learning support” is “take-home overtime,” in “finance and insurance,” it is the “fierce competition among employees,” and in “accommodations, eating and drinking services,” it is the lack of holidays and annual paid leave.

4. Working styles and attitudes of restricted regular employees

Faced with the polarization of working styles, many workers seek the employment stability and high wages of regular employees but want to reduce burdens of overtime and relocation. Currently attracting attention in this regard are moves to create an intermediate employment category between the conventional patterns of regular and non-regular employees. Although the intermediate employment category includes many subcategories, the employee questionnaire in Survey A focused on people who are regular employees but have restrictions on their working hours and/or place of employment – i.e. “restricted regular employees” – and attempted to grasp their working styles and attitudes.

In the analysis by Tomohiko Moriyama, restricted



Source: Compiled from data in Figures 9-2-10 and 9-2-11 originally made by Tomohiko Moriyama, *ibid.*

Figure 8. Weekly working hours (left) and monthly salary (right) of conventional regular, restricted regular and non-regular employees

Table 3. Job-related worries of conventional regular, restricted regular and non-regular employees (multiple responses)

	Conventional regular employees (%)	Restricted regular employees (%)	Non-regular employees (%)
Unsure about company's future prospects	39.3	29.2	18.8
No career vision	21.2	24.9	16.0
Own ability does not improve	23.2	28.0	21.1
Given no opportunities for education, training or vocational development	8.1	11.6	8.3
No role models among seniors or superiors	14.0	18.5	10.6
Cannot maintain motivation in the job	30.2	34.7	23.6
Too much job responsibility	14.3	12.2	10.9
Too heavy workload	24.4	18.2	15.3
Long working hours	16.1	10.9	7.9
Cannot take day or time off	18.2	17.6	9.1
Low salary	40.2	44.1	41.3
N	5806	329	2215

Source: Compiled from data in Figure 9-3-3 originally made by Tomohiko Moriyama, *ibid.*

Notes: 1. Items with the response rate less than 10% in any employment category have been removed.

2. The employment categories with the highest response rates are shown in bold.

regular employees have a lighter workload than conventional regular employees, but they face issues in terms of wages, human resources development and career development. Figure 8 shows that the weekly working hours and monthly salaries of restricted regular employees are midway between those of conventional regular and non-regular employees. Table 3 reveals that, while conventional regular employees are concerned about the volume of work, job responsibility, length of working hours and lack of holidays, restricted regular employees are worried about low salary, inadequate vocational development, loss of vision for their career path and

goals, and lowering of motivation.

IV. Policy Implications

A solution to the polarization of working styles is required in Japan's labor policy. Firstly, on the problem of unfavorable treatment of non-regular employees, one would expect the discussion on "equal pay for equal work" to come to mature. However, this research has confirmed that, even when converting from non-regular to regular employment, the employer is very often a small and medium enterprise, and both the job level and the wage level are lower than those of new-graduate

regular employees. To substantially reform the treatment and working condition of non-regular employees, productivity improvement in peripheral labor markets where many non-regular employees and converts to regular employees are working, is essential.

Another conclusion drawn from this research is that, to reduce the workload on regular employees, legal regulation of working hours will need to be underpinned by a revision of work management – i.e. respecting workers’ wishes when deciding work volumes, refraining from excessive progress management – and the characteristics of workplaces in each industry also need to be considered. Furthermore, the introduction of restricted regular employees will be meaningful in lowering the workload on regular employees. In their present situation, however, restricted regular employees

face issues in terms of wages, human resources development and career development; further study is required to find the ideal intermediate position between conventional regular and non-regular employees.

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Job Changes for Re-employed Retirees

The Toyota Motor Case

Nagoya High Court (Sept. 28, 2016) 1146 *Rohan* 22

Keiichiro Hamaguchi

Facts

Under Japanese law, if an employer fixes the mandatory retirement age of workers, it must not be below 60 years of age. If they set the retirement age under 65, they are required to provide continued employment (re-employment) up to age 65. Until March 2013, these re-employed workers could be restricted based on certain standards of eligibility under labor-management agreements. However, a legal amendment in 2012, with effect from April 2013, obliges companies to retain all employees until age 65 if they wish to continue working. To be precise, the age of mandatory re-employment has been raised by one year of age, in line with the starting age of employee pension payments. When this case occurred, mandatory re-employment applied to all employees up to age 61, beyond which certain restrictions are allowed for continued employment.

Worker X employed by Company Y retired on reaching the mandatory retirement age of 60 in July 2013. Y's work rule was to re-employ workers in their original jobs (known as "skilled partners") up to a maximum age of 65, but only if they met certain standards specified in their labor-management agreement. Workers who did not meet those standards were re-employed until age 61 as part-time workers on hourly wages. X had been employed in a clerical post, but the company proposed to re-employ him in cleaning work for four hours a day. X rejected this and filed a lawsuit in which he sought to have his status as a "skilled partner" confirmed. The Okazaki Branch of the Nagoya District Court dismissed X's suit on January 7th, 2016, whereupon X appealed.

Judgment

Nagoya High Court ordered the company to pay damages on September 28th, 2016, not recognizing X's status as a "skilled partner," but ruled that the company had contravened the law in proposing cleaning work that was completely different from X's job before retirement. The judgment stated that "though an employer has some discretion in deciding which working conditions to propose when re-employing workers after mandatory retirement, if the proposed conditions cannot be deemed to offer a substantial opportunity for re-employment, for example, providing for an unacceptably low level of wages in light of preventing periods of no pension and no income, or a job content that is utterly unacceptable to the worker in light of social norms, the action by the said employer is clearly against the gist of the Revised Act on Stabilization of Employment of Elderly Persons." Y did not contest the judgment, which therefore became final.

Commentary

Japan's legal policy concerning the employment of older persons has gradually tightened the obligation on companies to continue employing workers up to age 65 as long as the workers wish continued employment. This obligation used to be non-binding as a duty to endeavor, and from April 2006 it basically became legally binding with exceptions only permitted when they were based on labor management agreements. From April 2013 even those exceptions were removed. This case occurred immediately after the 2013 amendment. The key issue in the argument is that the company was still practicing the old system of selecting workers for re-employment based on a labor-management

agreement, but proposed re-employment in part-time cleaning work for a worker who would not have been re-employed under that system.

This case brings about two different arguments. The first is that the form of employment proposed to X was not a “skilled partner,” provided in the company’s work rule, but an hourly-paid part-time worker. The second is that the proposed job involved cleaning work, completely different from the previous clerical work. The judgment did not deem the former to be illegal. X’s expected annual income as a part-time worker would have been about 1.27 million yen, equivalent to about 85% of the earnings-related component of employees’ pension benefit. For this reason, the court ruled that “this cannot be deemed an unacceptably low level of wages.” What the judgment deemed illegal was the change of job from clerical work to cleaning. However, this assertion is dubious on two counts.

On the assessment of expected wages in this case, X’s annual income before retirement was around 9.7 million yen, and X claimed that his annual income would have been around 5.7 million yen if he had been re-employed as a skilled partner. The difference between the two amounts of estimated wage (5.7 million yen and 1.27 million yen) is too large, and any judgment deeming this difference as appropriate would need to have been accompanied by a justifying explanation (the need for a change of job to cleaning could have been used as justifying evidence, but the judgment refuted that).

On the job change from clerical to cleaning work, the judgment ruled that “if two job types belong to completely different job categories, they would already lack substance as continued employment, and would be regarded as a combination of regular dismissal and new hiring.” For this reason, the court ruling severely criticizes

the job change, stating that “unless there has been a situation warranting regular dismissal, proposing work with this content is not acceptable.”

However, if the range of a job change is possible in the middle of an employment contract without any general agreement on restricting job types, a change of job should be even more possible in cases of re-employment. In the past, Japan’s doctrine of judicial precedence has accepted a wide range of job changes on the premise of the Japanese-style employment practice and system. The possibilities are endless: examples might include a TV announcer being transferred to an information center, a nurse changing to a clerk, a taxi driver to a sales assistant, an editor to welfare office work, a child-care worker to kitchen staff, or a bartender to a room clerk. At least, rejecting this case of job change on the grounds that it “belongs to a completely different job type” runs counter to the trend set by these judicial precedents.

Some exceptional precedents that have deemed a job change illegal have been made in cases accompanied by a decrease in wages or transfer involving harassment. As mentioned above, however, this judgment did not deem low wages to be a problem. On the subject of harassment, the judgment suggests that “the doubt even arises that the intention was to deliberately propose the work that would cause a feeling of humiliation (i.e. cleaning), giving X no option but to take retirement.” If the judgment had been composed with this as its main argument, it might have assumed a degree of persuasiveness.

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▶▶ Human Resource Management

▼ Labor-Management Relations

▼ Labor Market

▼ Labor Administration and Legislation

▼ Social Security System

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

Makoto Fujimoto

I. Employee tenure in Japan

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

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

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

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

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

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

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

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

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

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

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

accumulated.

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

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

III. Changes in long-term employment system

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

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

This kind of risk did not surface during the 1950s

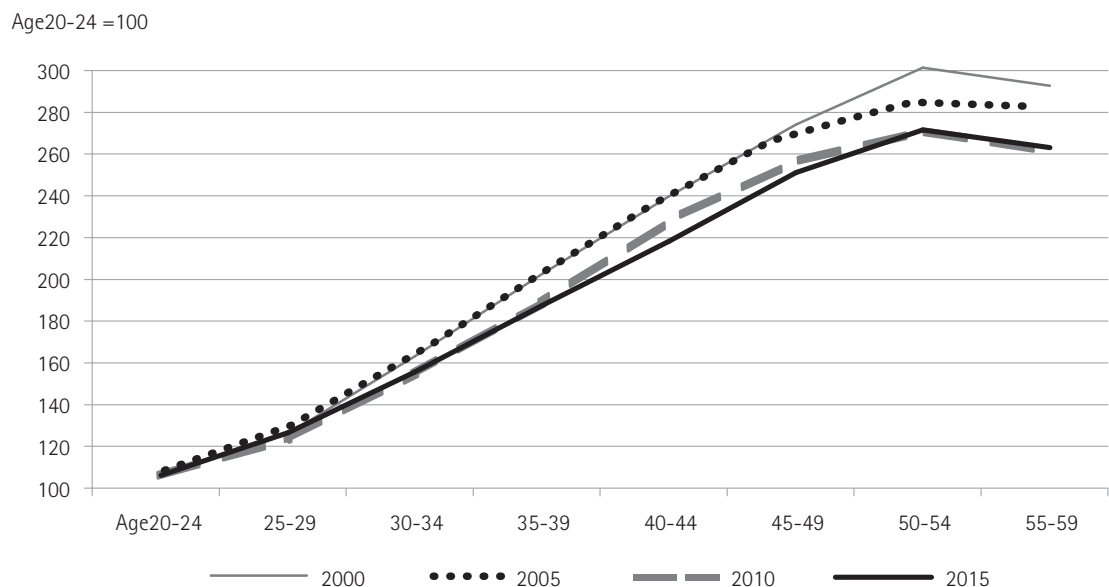
to 1970s, when Japanese companies were enjoying rapid growth. But from the second half of the 1970s, when the Japanese economy stopped growing as robustly as before, companies increasingly saw the high cost of middle-aged and older workers' wages as problematic. Particularly among large corporations,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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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Economy

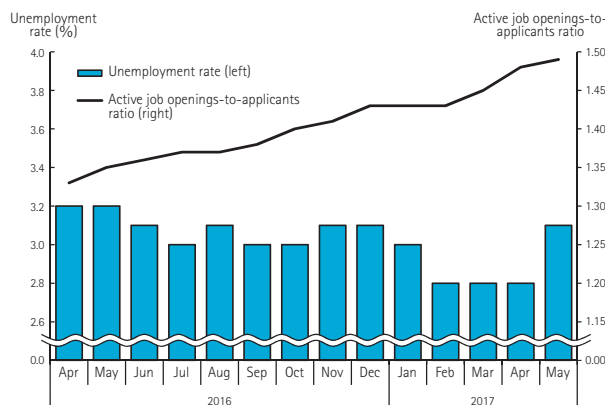
The Japanese economy is on a moderate recovery. Concerning short-term prospects, the economy is expected to recover, supported by the effects of policies, while employment and income situation is improving. However, attention should be given to the uncertainty in overseas economies and the effects of fluctuations in financial and capital markets (“Monthly Economic Report”¹, June, 2017).

Employment and unemployment (See figure 1)

The number of employees in May was 570 thousand increases over the previous year. The unemployment rate, seasonally adjusted, was 3.1%².

Active job openings-to-applicants ratio* in May, seasonally adjusted, was 1.49⁵.

* Active job openings-to-applicants ratio: An indicator published monthly by MHLW, showing the tightness of labor supply and demand. It indicates the number of job openings per job applicant at public employment security offices.



Source: “Labour Force Survey”²; “Employment Referrals for General Workers.”⁵

Figure 1. Unemployment rate and active job openings-to-applicants ratio (seasonally adjusted)

Wages and working hours (See figure 2)

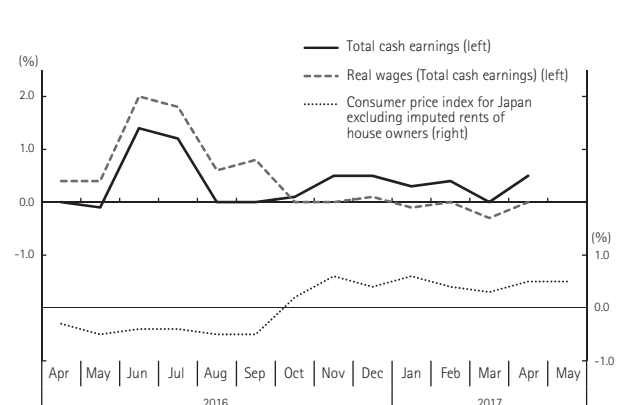
In April, total cash earnings (for establishments with 5 or more employees) increased by 0.5% and real wages (total cash earnings) were on a par year-on-year. Total hours worked decreased by 0.7% year-on-year, while scheduled hours worked fell by 0.8%⁶.

Consumer price index

In May, the consumer price index for all items increased by 0.4% year-on-year, the consumer price index for all items less fresh food rose by 0.4%, and the consumer price index for all items less fresh food and energy was on a par year-on-year³.

Workers’ household economy

In May, consumption expenditure by workers’ households increased by 2.8% year-on-year nominally and by 2.3% in real terms⁴.



Source: “Monthly Labor Survey”⁶; “Consumer Price Index”³; “Employment Referrals for General Workers.”⁵

Figure 2. Total cash earnings / real wages annual percent change

See the websites below for details.

The Japan Institute for Labour Policy and Training. “Main Labor Economic Indicators,” <http://www.jil.go.jp/english/estatis/eshuyo/index.html>

Notes: 1. Cabinet Office, “Monthly Economic Report” analyzes trends in the Japanese and world economics, and indicating the assessment by the Japanese government. Published once a month, <http://www5.cao.go.jp/keizai3/getsurei-e/index-e.html>

2. Ministry of Internal Affairs and Communications (MIC), “Labour Force Survey,” <http://www.stat.go.jp/english/data/roudou/results/month/index.htm>

3. MIC, “Consumer Price Index,” <http://www.stat.go.jp/english/data/cpi/index.htm>

4. MIC, “Family Income and Expenditure Survey,” <http://www.stat.go.jp/english/data/kakei/index.htm>

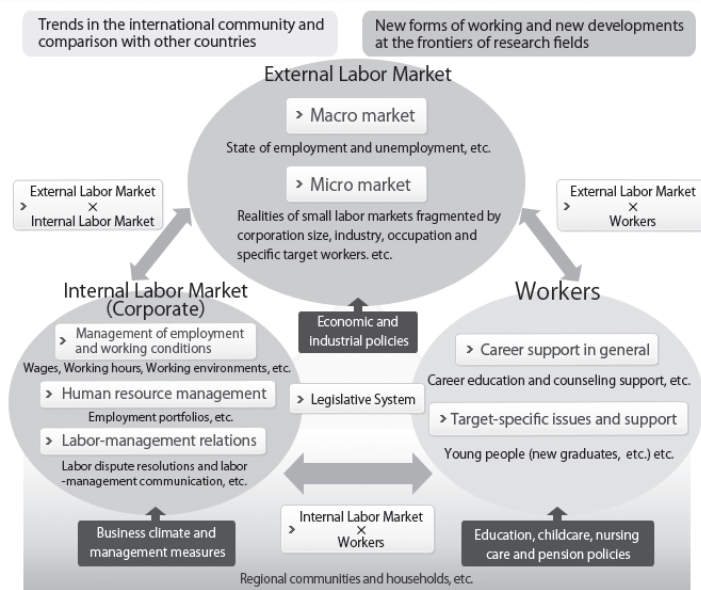
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6. MHLW, “Monthly Labour Survey,” <http://www.mhlw.go.jp/english/database/db-l/29/2904pe/2904pe.html>

JILPT Research Activity

The Japan Institute for Labour Policy and Training is conducting surveys and research focused on producing valuable insights that assist the Ministry of Health, Labour and Welfare in planning and pursuing labor policies and initiatives.

The Fields of Our Research



Comprehensive Research on Labor Policies

The following research projects are now being conducted.

• Research on Employment Systems

This research analyzes the current state and directions of Japan's long-term employment systems amid significant changes in industrial and demographic structures, using an analytical approach that incorporates a range of perspectives including the viewpoints of companies, workers, and society as a whole. Once we have established an overview of the current state and changes in Japanese employment systems, we consider how employment systems should be developed in the future.

In FY 2017, we seek to ascertain the actual state in both labor supply and demand, through interview surveys for cases of human resource management in new industrial fields, and secondary analysis of existing data, etc.

• Research on Labor and Employment Policies Adapted to Correspond with Changes, etc. in Demographic and Employment Structures

As Japan experiences rapid population aging and decline and a continued increase in non-regular workers, this project encompasses surveys and research that contribute to promoting measures and presenting policy implications in areas such as the creation of a society where people remain in the workforce throughout their lives (*shōgai*

gen-eki shakai) and the improvement of working conditions for non-regular workers.

In FY 2017, we are conducting case studies regarding the employment and work of older people, engaging in interview surveys of companies that dispatch non-regular workers, and defining points for discussion as to the improvement of the treatment of non-regular workers, etc. We are also analyzing the special tabulation of the Ministry of Health, Labour and Welfare's General Survey on Diversified Types of Employment as a means of developing basic data regarding non-regular employment.

• Research on Potential Future Developments in Employment and Labor along with Technological Innovation, etc.

In light of major economic and social trends—including the rapid progress of technological innovation in A.I., the internet of things (IoT), and other such areas, etc., and changes in the structure of labor supply and demand—this research looks ahead to consider potential developments in employment and labor, and employment opportunities in the regional community, and also presents policy implications for the future.

In FY 2017, we are defining points for discussion regarding the impact of technological innovation on working environments, etc., and regional differences in employment opportunities and ways of working. We are also utilizing government statistics to analyze labor productivity.

• Research on Worker and Corporate Behavior Strategies amid "Work Style Reform"

In preparation for "Work Style Reform", this research picks out the issues involved in the behavior strategies of both workers and companies—such as the appropriate state of working hour systems and other such aspects of human resources management, promotion of the active participation of women, and balancing child-rearing and long-term care for families, with pursuing a career—and sets out policy implications that contribute to improving the quality of employment.

In FY 2017, our research includes case studies on the actual state of time management in work and daily life, the setting of wage level in the labor market and the determining of wages within companies, and surveys on balancing work with long-term care for families.

- **Research on Vocational Skills Development Suited to Diverse Needs**

This research ascertains and analyzes the various needs involved in enhancing vocational skills, and sets out policy implications regarding the appropriate state of infrastructure for vocational skills development across Japan as a whole, human resource development in new industrial fields, etc., and mechanisms for young people to make a smooth transition into employment and develop careers.

In FY 2017, we are ascertaining the actual conditions of advanced education and training in the field of IT, proactive learning by workers, and other aspects of vocational skills development infrastructure. In addition, we are using case studies to investigate and analyze conditions in the job market for high-school graduates.

- **Research on Career Formation Support toward the Achievement of a “Society in which All Citizens are Actively Engaged” (*zen’in-sanka-gata shakai*)**

This research looks at the actual state of work and job-seeking environments to identify the issues that need to be addressed—such as the appropriate state of lifetime career development support, job matching and counselling to promote the labor participation of people who have difficulties in the job-seeking activities, and the development of occupational information and tools suited to the current age—and proposes effective support methods.

In FY 2017, we are working on research aimed at ascertaining the issues related to career consulting, the actual needs and challenges regarding occupational information and occupation classifications and how career support should take into account characteristics of young people. We are also revising tools for career guidance and developing programs to support job-seeking activities.

- **Research on Mechanisms for Establishing Terms and Conditions of Employment, Centering on Labor Management Relations**

This research ascertains the actual state of the changes in the notion of employees and labor-management relations and the ongoing shifts in mechanisms for establishing terms and conditions of employment amid increasing diversity in ways of working. While also comparing domestic developments with international trends, we identify the challenges with regard to labor law and policies, and present policy implications to prepare for developments in the future.

In FY 2017, we are pursuing research on labor law policies for responding to the development of atypical work organizations and other such changes in work society in other countries, and conducting surveys on collective labor-management relations and workplace harassment.

Results of Research Activities

The results of our research activities will be published quickly in research reports on labor policies, newsletters and on the web site with an eye to contributing to the planning and drafting of labor policies and the stimulation of policy discussions among different strata. At the same time, the Institute will organize policy forums and other events to provide opportunities for open discussion on policies.

Collection and Analysis of Information on Labor and Related Policies

JILPT collects and analyzes a variety of labor-related statistical data and information, both domestically and internationally, with the aim of contributing to promoting research and debate on labor policy.

Domestic Labor Information

Information on domestic labor trends, such as employment, human resource management, industrial relations and so on, is gathered and sorted through surveys including “Monitoring Survey on Business and Labor” and other researches which are carried out through questionnaires or interviews to businesses, management and labor organizations.

International Labor Information

- ▶ Information on the labor situation in key countries is continuously and systematically assembled, and then sorted by country as well as by policy issue.
- ▶ JILPT networks with foreign research institutions, participates in joint field surveys when necessary, and collects information on pressing issues for labor policy research.

Compilation and Dissemination of Various Statistics Data

A variety of statistical data related to labor is collected from a broad range of information sources. This data is analyzed and processed, and is used to provide information that cannot be obtained from existing numerical data.

International Research Networks

Creating Networks with Foreign Institutions

JILPT networks with research institutes in foreign countries with the aim of exchanging and utilizing to the extent possible the results of each other's research activities including joint study programs.

Accepting Foreign Researchers and Intellectuals, and Sending Researchers Abroad

Exchange of researchers and intellectuals is undertaken to foster research into Japanese labor issues, as well as creating a basis for future joint international research.

What's on Next Issue

Japan Labor Issues

Volume 1, Number 2, October 2017

tentative

● Trends

[Key Topic]

▷ Rengo wavering in party support and joint struggle by opposition parties

[News]

▷ Nearly 40% of companies aim to spend more on training: Corporate focus on training comes clear

● Research

[Article]

▷ Elderly Employment in a Society of Population Decline

[Research Notes]

▷ Basic information on recent elderly employment trends in Japan

▷ From the results of the “7th Survey on Working Life(2015)”

● Judgments and Orders

▷ Case of dismissal:

The *Fukuhara Gakuen Case*, the Supreme Court (Dec.1, 2016)

● Series: Japan's Employment System and Public Policy

▷ Recruiting and hiring

● Statistical Indicators



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JILPT, or the Japan Institute for Labour Policy and Training, is a government-related organization. The objective of The Japan Institute for Labour Policy and Training is to contribute to the planning of labor policies and work toward their effective and efficient implementation, as well as to promote the livelihood of workers and develop the national economy by conducting comprehensive research projects on labor issues and policies, both domestically and internationally, and capitalize on the findings of such research by implementing training programs for administrative officials.

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