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News

The Kishida Administration's Near-term Policy Line Focuses on "Investment in People": Hammering out Measures to Promote Wage Increases and Require Gender Wage Gap Disclosure

The Kishida administration has finalized its near-term policy menu. On June 7, the Cabinet Office convened a joint meeting of the "Council of New Form of Capitalism Realization" and "Council on Economic and Fiscal Policy," which are chaired by Prime Minister Fumio Kishida. The meeting put together the "Grand Design and Action Plan for a New Form of Capitalism: Investing in People, Technology, and Startups" (hereinafter, the "Action Plan") and "Basic Policy on Economic and Fiscal Management and Reform: Achieving a Sustainable Economy by Harnessing Processes to Overcome Challenges to Drive Growth" (the so-called "Big-Boned Policy"). Both were approved by the Cabinet on the same day. The new policy menu is characterized by its emphasis on investment in and distribution to human capital as well as economic growth. The Action Plan includes the promotion of wage increases and the mandatory gender wage gap disclosure, as the wage gap between men and women is larger than in other developed countries.

I. The Action Plan for a New Form of Capitalism

The Council of New Form of Capitalism Realization was established in the Cabinet Office in October 2021. Its tasks are to present a vision to realize "a new form of capitalism" based on the concepts of a "virtuous cycle of growth and distribution" and "building a new society following COVID-19 pandemic," and to flesh out policies to fulfill that vision. Apart from Diet members, the council consists of private-sector experts and academics, including the heads of three economic organizations and major corporations, as well as the president of JTUC-RENGO, Japan's largest national confederation of trade unions. At the joint meeting, Prime Minister Kishida confirmed the content of the Action Plan, which calls for "perceiving social problems that cannot be solved by the market alone, involving considerable externalities, as sources of energy to achieve growth." Concrete multi-year plans for investment in startups and green transformation (GX) and doubling asset-based income will be developed and executed during 2022.

1. "Investment in people" is essential to the exercising of creativity

The Action Plan states that the new form of capitalism must achieve sustainable well-being for all citizens. It states that "the fruits that will come in the form of solutions to social problems through public and private cooperation, and the new market creation and growth that will result thereof, must realize a virtuous cycle of growth and distribution, and must be fed back and shared widely to the citizens, regions, and domains." In the era of digital transformation (DX) and GX, the source of competitiveness is no longer conventional machinery, equipment, and other goods. Instead, the importance of intangible assets rather than tangible assets is growing. People are becoming increasingly important to the exercising of creativity in the midst of such a wave of change. The Action Plan goes on to say that "increasing value by investing in people is becoming extremely important in the face of labor shortages for Japan, a nation which has tended to cut costs and

increase productivity in the past through dependence on a cheap supply of labor." Furthermore, the plan emphasizes that people are also the key to solving the issues facing society, such as responding to climate change, the declining birthrate and aging population, correcting income disparities, and securing economic security including energy and food. It states that the government will strengthen human resources investment in terms of stock such as education and asset formation, in addition to investment in terms of flow such as wages, and in terms of preparing the environments necessary for each life stage. It adds that the government will also focus on investment in science, technology, and innovation; accelerating startups and promoting open innovation; and in GX and DX.

2. A continuing public/private-sector effort to cultivate a social attitude for wage increase in *shunto*

The Action Plan presents six policy pillars: (1) promoting wage increases; (2) facilitating labor mobility through skill increases; (3) formulation of the Double Asset-based Incomes Plan for shifting from "savings to investment"; (4) supporting the efforts of all generations; (5) respect for diversity and flexible selection of career path and (6) formulating guidelines and strengthening disclosure to the stock market of non-financial information such as human capital. A five-year timeline will be created to execute the following plan objectives in detail. Follow-ups will be conducted every fiscal year on the plan's implementation, and the PDCA cycle will be applied.

(1) Promoting wage increases

(i) Increasing the minimum wage

The Action Plan states that the public and private sector will continue to work together to cultivate an attitude in society to increase wages in *shunto*, the spring wage offensive. The minimum wage will be increased as part of this, following raises over the past several years. The amount of the increase will be discussed by the Minimum Wage Council (which consists of representatives of the public interest, labor, and employers) taking into consideration living expenses, wages, and the ability to pay those wages. In addition, further use will be made of the tax system for promoting wage increase. The system allows companies that actively invest in wage increases and human resources development to deduct a certain percentage of the increase in employee wages and other payments from the previous year from their corporate tax or income tax amounts. The tax credit rate was raised to a maximum of 30% for large companies and up to 40% for SMEs in April 2022.

(ii) Promoting appropriate business subcontracting at SMEs

The Action Plan calls for the government-wide optimization of small and medium-sized business subcontracting for priority industries. In December 2021, the Cabinet Secretariat, together with the Consumer Affairs Agency; Ministry of Health, Labour and Welfare; Ministry of Economy, Trade and Industry; Ministry of Land, Infrastructure, Transport and Tourism; and Japan Fair Trade Commission, compiled what is called the "Package of Measures to Facilitate Pass-on for Value Creation through Partnerships." Additionally, the Ministry of Economy, Trade and Industry formulated the "Five Initiatives to Optimize Transactions" in February 2022. The Action Plan calls for the development of an environment based on these initiatives that allows SMEs to appropriately pass on increases in labor costs, raw material costs, and energy costs to secure funding to increase wages.

Major factors interfering with such passing on of costs by SMEs include the risks of changing or losing business partners due to demands for price increases, difficulty of accepting price increases due to price competition by the seller, and the difficulty of price negotiations when the buyer is too powerful. The Action Plan calls for the carrying out of a survey on supply chain connections for roughly 100,000 companies in 22 industries regarding the abuse of dominant bargaining positions under the Antimonopoly Act, with such connections divided into the three categories of i) the manufacture and

sale of products for daily life, ii) the manufacture of parts and finished products, and iii) service provision.

The Action Plan presents priority industries for the optimization of business subcontracting. For FY2022, "road freight forwarding," "metal products manufacturing," "production machinery and equipment manufacturing," and "transportation machinery and equipment manufacturing" were selected as priority inspection industries under the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors. The government will significantly increase the number of on-site inspections of these industries. In addition, it will conduct a further review of public prices to improve compensation for long-term care/disability welfare workers and childcare workers. Actually, the government has established a Committee for the Evaluation and Examination of Public Prices to examine the circumstances of public prices in order to increase the income of workers in these fields, and has already put in place measures to achieve a 3% raise in income. Looking ahead, the government will examine improvements in compensation for long-term care/disability welfare workers and childcare workers from the standpoint of "raising compensation to a level appropriate to the work of each job in order to secure the necessary personnel" based on the Committee's mid-term report. For nurses, the government will consider the state of wage improvements according to career promotions and continue working to improve compensation in light of the outcomes of the above measures.

(2) Facilitating labor mobility through skill increases

(i) Improving the baseline digital skill level of the entire working generation

First, the Action Plan proposes the development of "an environment enabling people to choose jobs they want to do." It explains that, in order to advance the smooth mobility of labor to growth areas, improve labor productivity, and further increase wages, it is important to increase the skill levels of workers and enrich human resources development systems not only within individual companies but also through public-private partnerships. Accordingly, "weight will be placed on working to improve the baseline digital skill level of the entire working generation."

For one month beginning in December 2021, the government solicited ideas from the general public on measures to strengthen human resources investment. The Action Plan presents a response policy that draws on the ideas that were received. The government will provide support in terms of capability development, re-employment, and stepping up by transfer to another company including in the form of a 400-billion-yen package of measures over three years. Those receiving this support will include people in non-regular employment. In addition, the Action Plan sets a course toward providing active support for "stepping up" careers via labor transfer by strengthening investment in education and training and promoting the accumulation of human capital beyond the corporate framework.

Focusing on the digital human resources who will implement digital solutions and take the lead in addressing issues faced by communities, the Action Plan also calls for gradually establishing a structure that can train 250,000 people annually by the end of FY2022 and 450,000 by the end of FY2024, and thereby increase those resources from the current one million people and secure a total of 3.3 million by FY2026. To that end, it looks to build an online platform; recruit participation from universities, educational institutions, and companies involved in digital human resources development; provide training content required of all digital human resources; and run practical case study training programs based on corporate examples.

(ii) Promoting companies' information disclosure on side job policies

Given that "significant support has been voiced for side jobs" from both workers and companies, the government aims to expand side job and multiple jobs. The Action Plan calls for encouraging companies to disclose information about whether or not they permit side jobs and multiple jobs, and what

any conditions are when imposed. The Guidelines for Promotion of Side Jobs and Multiple Jobs will be revised for this purpose.

(3) Formulation of the Double Asset-based Incomes Plan

Shifting from "savings to investment" across all generations

The government will consider making fundamental reforms to NISA (tax exemption program for small investment) to encourage shifting of personal financial assets from savings to investment across all generations. In addition, taking into account that the obligation to make efforts to secure work opportunities is being extended to age 70, the government study making reforms to iDeCo (Individual-type Defined Contribution pension plan) and creating an environment that makes it easier for children of the elderly to build assets. The government will formulate the comprehensive "Double Asset-based Incomes Plan" by the end of FY2022.

(4) Supporting the efforts of all generations

Promotion of mental health measures amid the COVID-19 pandemic

The government will take measures to prevent people from quitting their jobs to care for family by doing more to enhance awareness of the nursing care leave system, and promote mental health measures, bearing in mind the effects of the COVID-19 pandemic. It will also work with companies and insurers to promote health management including revising its scoring methods.

(5) Respect for diversity and flexibility of selection of career path

Thorough implementation of a system of equal pay for equal work

The Action Plan stresses that "flexibility of selection will be ensured by creating an environment which respects diversity and where people can work whatever their gender is." Specifically, the government will press the industries to thoroughly implement and promote a system of equal pay for equal work, and to expand the introduction of diverse full-time employee systems such as those allowing shorten working hours or the "restricted regular employment" (where the full-time employees in that category are not assigned to work outside the premised location or on the premised occupation/duties). The government also indicates the plans such as the appointment of women, younger people, and other diverse personnel to executive roles, and the implementation of a sabbatical leave system as well as secondment to startups.

With the recognition that the gender wage gap across Japanese workers in both regular and non-regular employment is large compared to other developed economies, the Action Plan states that the disclosure of information showing the wage gap between men and women will be made mandatory in accordance with the Act on the Promotion of Female Participation and Career Advancement in the Workplace. It presents specific means of disclosure, among them are i) disclosure of information will be required for each standalone company, rather than on a consolidated basis, and ii) for all workers, disclosure shall be required not of the absolute amount but the ratio of female workers' wages to male workers' wages and, in addition, disclosure will be required of this ratio separately for regular and non-regular employees. Employers subject to disclosure requirements will be those who normally employ 301 workers or more. The government will consider companies with 101 to 300 workers based on the situation after the disclosure requirements take effect. Moreover, the government will require the disclosure of similar items to those stipulated in the Act on the Promotion of Female Participation and Career Advancement in the Workplace in Annual Securities Reports under the Financial Instruments and Exchange Act. System revisions (as a Ministerial Order) will be enacted and take effect in the summer of 2022. The initial disclosure is to be made along with the other disclosure items with the financial results of the business year concluding after the revisions take effect in July 2022.

Additionally, the Action Plan calls for the revision of social security and taxation systems that impose limitations on women's work, and for consideration toward expanding the coverage of employee insurance (employees' pension insurance and health insurance) and applying social insurance coverage to freelance and gig workers. It further calls for the rectification of long working hours by broadly diffusing the work interval system as well as support the establishment of regional satellite offices in Japan's regions and migration utilizing telework.

(6) Formulating guidelines and strengthening disclosure to the stock market of non-financial information

Adding human resources development policies to Annual Securities Reports

"From personnel expenses as a cost to personnel investment as an asset." The Action Plan emphasizes that the visualization of non-financial information, including human capital, as well as strengthening mutual understanding with stockholders is necessary to create a virtuous cycle of growth and distribution. The government will move forward with strengthening disclosure of non-financial information—such as by requiring the listing of policies on human resources development and internal environmental improvement as well as indices and targets that express these—in Annual Securities Reports under the Financial Instruments and Exchange Act by the end of year 2022.

II. Big-Boned Policy 2022 on Economic and Fiscal Management and Reform

1. "Investment in people"

The Basic Policy on Economic and Fiscal Management and Reform, called the "Big-Boned Policy" (hereinafter, the "Policy"), presents key issues for the government and the direction of the budget compilation for the following fiscal year. The Policy 2022 is the second phase of economic and fiscal management following the government's efforts to deal with soaring international prices of crude oil, raw materials, grains, and other commodities due to the situation in Ukraine, and to restore economic and social activities following the COVID-19 pandemic. The Policy states that the government will implement the measures contained within it as well as formulate immediately and put into practice comprehensive measures to jump-start the economy according to the Action Plan (see Section I). At the top of its list of priority investment areas is "people." The Policy explains that in order to achieve autonomous economic growth, it is essential not only to encourage private investment to improve productivity and increase earnings and income, but also to create opportunities for further growth by investing in human capital. It states that the government will promote wage increases that strengthen the distribution of benefits to workers and accelerate the accumulation of human capital through investments in vocational training, lifelong education, and other areas. It includes the promotion of diverse work styles as a set. The government will thus create an environment in which people can choose their own work and select from a variety of work styles according to their individual wishes, with access to skill development and safety nets, regardless of their age, gender, or employment status.

2. Recurrent education: Visualization and appropriate evaluation of its results

In addition to the measures included in the Action Plan, the Policy states that the government will develop an environment that promotes relearning (recurrent education) throughout society, as well as initiatives to visualize and appropriately evaluate the results of recurrent education and to strengthen human resource development within companies. At the same time, the Policy looks to promote work style reform with the aim of increasing the engagement and productivity of workers. Through it, the government will strive to create an environment in which workers can choose from a variety of work styles, including job-based employment, according to their individual needs and thereby play active roles in the workforce. From this perspective, the government will work to clarify labor contract-based

relationships, including by requiring that the scope of changes in work location and duties be clearly stated in contracts.

3. Promotion of diverse work styles

As a measure to support young people, the Policy states that—from the perspective of enabling new graduates with specialized knowledge/skills and those for whom only a few years have passed since graduation to play active roles in the workforce—the government will join industry and academia in studying ways of facilitating job-finding and recruitment of such people and get a grasp on the direction to be taken toward this goal by March 2023. The Policy also includes the development of legal systems to bring clarity into contracts when businesses deal with freelance workers and the enhancement of a consultation system for such workers. It additionally seeks to promote high-quality telework as well as concurrent employment and side jobs in order to develop the use of diverse work styles in response to the "new normal" of the post-COVID-19 era. The Policy also mentions the widespread application of a selective three-day weekend system. Such a system could be used for the provision of childcare or nursing care and for concurrent employment in rural areas. Accordingly, the government will promote its introduction at companies by gathering and presenting good practices of its application.

4. Minimum wage: At least 1,000 yen on a national weighted average

The government will promote the revitalization of mid-tier enterprises and SMEs and promote the use of a fundamentally expanded tax system for promoting higher wages. Through the Policy, it will extend the flow of wage increases to SMEs through appropriate distribution within the supply chain and build further momentum toward higher wage in all regions of Japan. And it will promote wage increases that include local SMEs by giving priority in government procurements and the like to companies that increased their wages. To further promote increases in regional minimum wages, the government will provide fine-tuned support to SMEs that are engaged in business restructuring and productivity improvement and work to optimize business subcontracting. At the same time, it will work to raise the minimum wage to a nationally weighted average of at least 1,000 yen as soon as possible, taking into account economic and price trends and paying attention to disparities among regions.

Article

Changes in Work/Life Situations and Psychological Distress during the Prolonged COVID-19 Pandemic in Japan

TAKAMI Tomohiro

I. Introduction

This paper discusses the relationship between work/life situations and psychological distress as of June 2021, when the COVID-19 pandemic was having a prolonged impact. Specifically, we focus on psychological distress associated with the living situation under the infectious disease epidemic, such as refraining from going out and other activities, as well as household insecurity associated with job loss or income decline due to the COVID-19 crisis, and changes in work styles such as switching to remote work.

In Japan, the first case of COVID-19 infection was confirmed in January 2020, and the first state of emergency was declared in April 2020 following the first wave of infections. Although the first and second rounds of vaccinations progressed through the summer of 2021, daily life and economic activities had not fully recovered, and there was still a strong sense of anxiety about infection. In daily life, citizens continued to be asked to refrain from going out as much as possible or eating in large groups, which was a stress factor for many people. A total of four emergency declarations were issued through 2021, first targeting prefectures with severe infection situations and then expanding nationwide depending on the situation. Business operations were constrained or forced to respond over a long period of time to the government's requests to restaurants and other businesses to temporarily close or shorten their hours of operation, and companies were asked to reduce the number of commuters.

As of June 2021, the time of the fifth wave of the Japan Institute for Labour Policy and Training (JILPT) panel survey (see Section III for details), more than one year had passed since the beginning of the pandemic. However, the pandemic had not yet been controlled since its outbreak, which had a long-term impact on workers' work situations and their household budgets. With regard to the labor market, while no significant increase in the unemployment rate has been observed in Japan under COVID-19, the impact on employment was not at all small, with a sharp increase in the number of people taking leave in April 2020. During this period, many furloughs for employer reasons were observed due to employment adjustments.[1] Not only furloughs, but various other employment adjustments at companies have had a major impact on workers' lives, including reductions in overtime and scheduled working hours,[2] which in turn have reduced wages. In the case of those who lost their jobs under the COVID-19 pandemic as well as those who suffered a reduction in income or a reduction in working hours for employer reasons, it is speculated that the well-being of workers may have deteriorated significantly due to uncertainty about their livelihoods. Conversely, it can be hypothesized that those who were able to maintain secure work environments through switching to remote work as infections spread have retained their well-being.[3] This study invastingated these research questions.

II. Related literature

Changes in working and living conditions under

the COVID-19 pandemic can be a major determinant of people's psychological distress. Previous studies have discussed the impact of changes in working conditions, such as job loss, and lifestyle changes on people's psychological distress during the pandemic in the Japanese context (Kikuchi et al. 2020, Kimura et al. 2021, Nagasu et al. 2021, Shiota et al. 2022, Yamamoto et al. 2020, and Yasuda et al. 2022). Yamamoto et al. (2020) examined the mental health condition of people under a declared state of emergency and showed that psychological distress was likely to be heightened depending on people's circumstances and psychological characteristics. Kikuchi et al. (2020) discussed the tendency of low-income individuals and those with respiratory disease to have severe psychological distress under the pandemic. Regarding the effect of underlying diseases, they interpreted it as the fear of the possibility of becoming severely ill as a result of infection. Yasuda et al. (2022) found that the more infection control measures were implemented in the workplace, the more psychological distress was alleviated in the workforce. Nagasu et al. (2021) argued that inadequate sleep, nutrition, and other factors were related to psychological distress, and that younger and lower-income groups were more likely to have psychological distress. Shiota et al. (2022) noted that the experience of being laid off and changing jobs and the experience of temporary workplace closure were associated with psychological distress.

Referring to these findings of previous studies in the Japanese context, this study examined psychological distress due to changes in working conditions, such as job loss and reduced income, and the effects of remote work on reducing psychological distress when the pandemic became prolonged. In addition, we examine the impact of psychological distress caused by changes in the living environment during prolonged infectious disease conditions, such as refraining from going outside.

III. Data and variables

The dataset used in this paper is the fifth wave of the "JILPT Panel Survey on the Impact of COVID-19 on Work and Daily Life" (the JILPT survey) conducted by JILPT in June 2021. This panel survey was designed to examine changes in the situation of employed workers. It started on April 1, 2020 (first wave), and subsequently was conducted on an ongoing basis at several points in time, with the June 2021 survey being the fifth (see JILPT 2021). Series of data from the survey are available as panel survey data that track the same individuals, but in this paper, the fifth wave was analyzed as cross-sectional data rather than as panel data.

While the pandemic's major impact on the labor market was seen particularly in April and May 2020, during the early stages of the epidemic, this study used survey data from June 2021, approximately one year later, to examine the impact of changes in working and living conditions on psychological distress during the phase of the pandemic's long-lasting effects. The sample to be analyzed includes not only those who had been continuously employed by the same company from April 2020 to the time of the survey, but also those who had lost their jobs or changed jobs in 2020 or 2021. Based on the JILPT survey, it is possible to identify employment status at the time of the survey, as well as the experience of job loss, reduced income, and reduced working hours associated with COVID-19. Using this information, we mainly discuss the impact on people's psychological distress of their experiences with these changes in working conditions.

The variables for changes in working conditions under COVID-19 are as follows. First, with regard to job loss, reduced income, and decreased working hours, respondents were asked whether they experienced these events in relation to COVID-19. "Job loss" was measured by whether any of the following occurred: layoff, termination of employment contract, or loss of employment due to the closure or bankruptcy of the employer. Decrease in working hours includes reduction in working days and furloughs. The survey also asked whether the employer had implemented remote work measures under COVID-19, which was used as an indicator of remote work experience among workers.

In addition to changes in the working environment,

this study also examined stressors in daily life associated with the prolonged effects of the infectious disease. First, a matter closely related to infection anxiety is the presence of underlying medical conditions that can become severe with COVID-19 infection. The questionnaire asked about the presence or absence of illnesses, injuries, or disabilities requiring regular hospital visits, or underlying medical conditions that put the patient at high risk for severe COVID-19 infection, which was used as an indicator.

The presence of family members or business associates who have been affected by COVID-19 is also related to the risk of infection and infection anxiety. The survey questionnaire asked whether anyone around them had contracted COVID-19 between the outbreak of the pandemic and the time of the survey, and this was used as an indicator. The survey also asked whether that person had ever contracted COVID-19, which was used as a control variable in the regression analysis in Section V (Table 4).

Refraining from eating out, traveling, and other activities in daily life is also a matter of psychological distress under the spread of infection. Respondents were asked whether or not they were refraining from (cancelling, postponing, etc.) any activities due to the infectious disease. Seventeen items were listed as multiple-response options, including eating out, travel/leisure, entertainment, and dinner parties. In the aggregate, a particularly high percentage of respondents refrained from "travel and leisure," followed by "eating out," "socializing with friends," "outings to sports games, concerts, etc.," "dinner and social gatherings with colleagues," and "returning to hometowns."

Furthermore, vaccination status was also examined in relation to psychological distress, since respondents were asked whether they had received one or more doses of vaccine at the time of the survey.

Psychological distress was measured by the K6, a scale that examines psychological distress over the past 30 days (Kessler et al. 2002). The validity of the Japanese version of the K6 has been confirmed (Furukawa et al. 2008). The K6 is a six-item self-report measure asking respondents how often they have felt nervous, hopeless, restless, so depressed that nothing could cheer them up, that everything was an effort, and worthless in the past 30 days. Each response is scored from 0 (never) to 4 (always), and the total score for 6 items (0 to 24) is considered. The higher the K6 score, the higher the psychological distress, which is usually discussed with a specific cutoff point.

Many previous studies have treated a K6 score of 5 or higher as psychological distress. In addition, a K6 score of 13 or higher is often analyzed as "severe psychological distress." In light of these previous studies, this study considered a K6 score of 5 or higher as psychological distress, and in basic statistics, referring to the classification in previous studies such as Yamamoto et al. (2020), a score of 4 or lower was treated as "no or low" psychological distress, 5 to 12 as "mild to moderate" psychological distress, and 13 or higher as "severe" psychological distress.

IV. Descriptive statistics

1. Distribution of psychological distress in the target sample

First, basic statistics of psychological distress were examined. Figure 1 shows the relative frequency distribution of K6 scores. More than 30% of the respondents had a K6 score of 0, but there were also a certain number of respondents with high psychological distress, indicated by a high K6 score.

Table 1 shows the status of psychological distress by sex, age group, and marital status. Overall, the percentage of those with psychological distress, as indicated by a K6 score of 5 or higher, was 44.4% (total of "mild to moderate" 29.8% and "severe" 14.6%). There was no significant difference in psychological distress between men and women, but there were indications that psychological distress varied by age and marital status. By age group, the percentage of those with psychological distress was higher for younger age groups, such as those in their 20s and 30s. As for marital status, married respondents were less likely to be distressed.

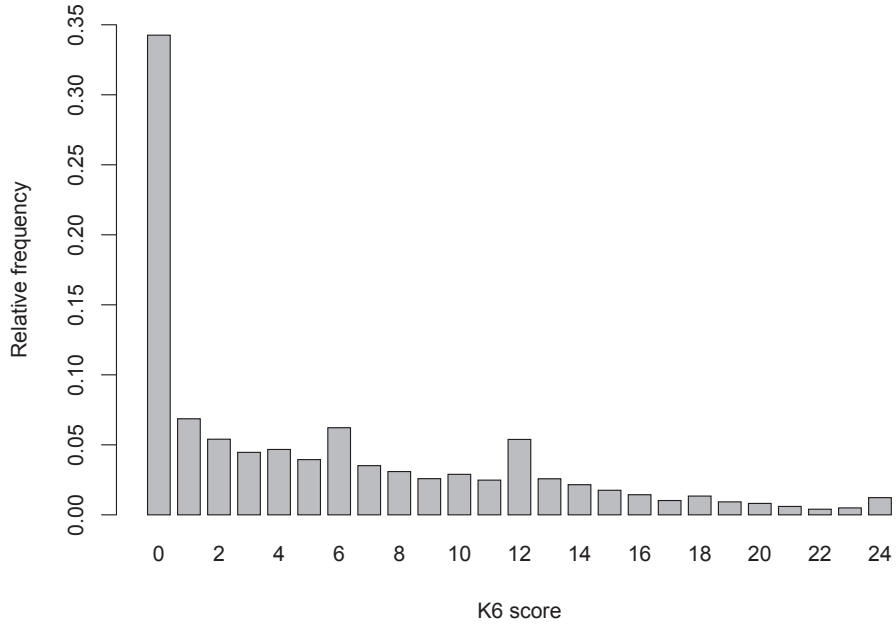

Figure 1. Distribution of K6 scores

Table 1. Psychological distress by sex, age, and marital status (%)

		Psychological Distress			
		No or Low	Mild to Moderate	Severe	(N)
All samples		55.6	29.8	14.6	4,051
Sex	Men	56.8	28.9	14.3	2,164
	Women	54.2	30.8	14.9	1,887
Age group	20s	45.6	32.8	21.6	667
	30s	49.3	31.9	18.9	954
	40s	55.8	29.7	14.6	1,153
	50s	64.3	26.6	9.1	930
	60s	68.3	27.7	4.0	347
Marital status	Not-married	49.2	32.9	17.9	2,004
	Married	61.8	26.8	11.3	2,047

2. Psychological distress by changes in work conditions

Under COVID-19, not only anxiety about infection but also livelihood insecurity were stressors that could not be ignored. The drastic changes in the working environment under the pandemic were closely related to livelihood instability. Table 2 shows the relationship between psychological distress and the following situations: job loss, reduced income, reduced working hours, and implementation of remote work. Psychological distress tended to be higher among those who suffered job loss, decreased income, and decreased working hours under the pandemic. From these trends, we can infer that those who were severely affected in a fragile labor market under the economic crisis, such as by job loss or reduced income, were more likely to be exposed to household instability. On the other hand, psychological distress was slightly lower among those who experienced remote work. We can infer that the ability or opportunity to work remotely made it likely to maintain decent working conditions even under the COVID-19 labor market.

Table 2. Psychological distress by change in work conditions under COVID-19 (%)

		Psychological Distress			
		No or Low	Mild to Moderate	Severe	(N)
All samples		55.6	29.8	14.6	4,051
Job loss	No	56.3	29.8	13.8	3,951
	Yes	27.0	29.0	44.0	100
Decreased income	No	59.3	28.1	12.6	2,819
	Yes	47.0	33.8	19.2	1,232
Decreased working hours	No	58.1	28.9	13.0	3,057
	Yes	47.8	32.8	19.4	994
Implementation of remote work	No	54.6	30.2	15.1	3,005
	Yes	58.3	28.6	13.1	1,046

3. Psychological distress by daily life changes under COVID-19

Next, we examined the relationship between daily life under COVID-19 and psychological distress, particularly in relation to the risk of infection and refraining from going out. Table 3 shows that people had higher psychological distress when they had underlying medical conditions that could be severely affected by infection or a situation where they were surrounded by affected people. We can speculate that high infection anxiety was related to psychological distress. Refraining from going out in daily life was also a stress factor. In the table, the relationship between psychological distress and the number of outside activities from which respondents refrained among the 17-item list in the questionnaire was examined, with "no" as the case of 0, "some" as the case of 1 to 3, and "a lot" as the case of 4 or more. The more the respondents refrained from going out, the higher the percentage of psychological distress.

Furthermore, this survey as of June 2021 did not show a clear trend in the relationship between vaccination status and psychological distress. Regarding this point, it is possible that the relationship between vaccination status and psychological distress was not confirmed at the time of the survey because it was a time before vaccination of the general population expanded significantly. At that time, healthcare workers and those at high risk of infection, such as those with underlying medical conditions and the elderly, were vaccinated ahead of the rest of the population. It can be expected that the expansion of vaccination to the general population through the summer of 2021 could have had an impact on distress reduction.

Table 3. Psychological distress by daily life changes under COVID-19 (%)

		Psychological Distress			
		No or Low	Mild to Moderate	Severe	(N)
All samples		55.6	29.8	14.6	4,051
Underlying medical conditions	No	57.3	29.6	13.0	3,437
	Yes	45.8	30.9	23.3	614
COVID-19 infection of surrounding persons	No	57.8	29.3	13.0	3,273
	Yes	46.4	32.1	21.5	778
Refraining from outside activities	No	61.5	26.0	12.4	676
	Some	55.7	29.9	14.4	1,871
	A lot	52.8	31.4	15.8	1,504
Vaccination status	No	55.4	29.6	15.0	3,505
	Yes	56.6	31.3	12.1	546

V. Estimation results

Based on the trends in the basic statistics above, a logistic regression was performed with psychological distress as the explained variable. Although not listed in the next table, the following variables with regard to information as of April 2020 were controlled for and estimated: employment type, industry, occupation, size of enterprise, and region of residence. As a factor affecting psychological distress, income level and COVID-19 infection (past or present) in the respondent has also been controlled for.

Table 4 shows the estimation results. In addition to the estimation results of coefficients, average marginal effects (AME) were also computed, which allows one to read the change in the probability of the explained variable when each explanatory variable changes by one unit. Looking at the results, psychological distress was more likely to be higher if the person had underlying medical conditions that could be made more severe by infection with COVID-19 or if the person had a family member or business associate with the disease. This result could be interpreted as involving infection risk and infection anxiety. In examining the relationship between COVID-19 infection in close relatives and psychological distress in the respondents themselves, the respondents' own infection could be a factor related to both. However, since the respondents' own infection was controlled for in Table 4, it was assumed that having a close relative with the disease was related to distress regardless of whether the respondents had the disease or not.

In addition, psychological distress was higher among those who refrained from many outings in their daily lives, suggesting that refraining from outside activities was a stress factor for people during the pandemic. In terms of vaccination status as of June 2021, no direct relationship with psychological distress was verified.

Furthermore, it was confirmed that major changes in the work environment during the pandemic also had a significant impact on the psychological distress of workers. First, psychological distress was more likely to be higher when the respondents experienced job loss due to employer reasons or when their income decreased. Job loss and income reduction are events related to livelihood insecurity, and the changes in the labor market during the COVID-19 crisis were thought to have had a significant impact on workers' psychological distress. Conversely, the

Table 4. Estimation results of psychological distress under COVID-19

	B	SE	AME
Age	-.026 ***	(0.003)	-.006
Women	-.163 +	(0.085)	-.037
Married	-.370 ***	(0.072)	-.084
Job loss	1.026 ***	(0.233)	.232
Decreased income	.418 ***	(0.079)	.095
Decreased working hours	.150 +	(0.086)	.034
Implementation of remote work	-.199 *	(0.091)	-.045
Underlying medical conditions	.567 ***	(0.092)	.128
COVID-19 infection of surrounding persons	.326 ***	(0.085)	.074
Refraining from outside activities	.077 ***	(0.015)	.017
Vaccination	-.153	(0.127)	-.035
$\chi 2$		346.644	
-2 Log Likelihood		5218.472	
McFadden pseudo-R2		0.062	
N		4,051	

Robust standard errors in parentheses ***p<.001; **p<.01; *p<.05; +p<.10.

implementation of remote work measures at the company was confirmed to have worked in the direction of lower psychological distress. The implementation of remote working under the spread of infection could be interpreted as having contributed to the stability of working conditions as well as to the suppression of infection anxiety.

VI. Conclusion

Based on survey data in June 2021, this study examined how changes in working and living conditions affected people's psychological distress during the prolonged pandemic. The study method was a cross-sectional data analysis, using psychological distress as the outcome variable.

In terms of changes in living conditions during the pandemic, the presence of underlying medical conditions related to infection risk and the presence of infected people around the respondent were related to psychological distress, as well as the tendency to be distressed associated with refraining from outside activities. Psychological distress caused by refraining from going out was considered to be a situation that was closely related to infection anxiety. Regarding changes in working conditions, the results revealed that job loss and reduced income were associated with high psychological distress, indicating the presence of household insecurity associated with the drastic changes in the labor market during the COVID-19 crisis.

The results of the analysis indicated that as of June 2021 people were exposed to a variety of stressors related to changes in work and life during the prolonged COVID-19 pandemic. It would not be surprising that the living environment, where people were forced to refrain from going out for a long period of time, as well as the fear of infection, played a significant role in psychological distress. In addition to these issues, the results clarified that the worsening of the employment situation during the COVID-19 crisis, such as job losses and income decline, was deeply related to people's psychological distress, and that the implementation of remote work in companies was thought to be a factor in reducing workers' psychological distress.

With the variety of stressors in a pandemic situation, reducing psychological distress is important for individual well-being. For society as a whole, the elimination of infection risk and household insecurity are important policy issues, and both infection control measures and measures to maintain economic activity are strongly required. The diversity of factors involved in individual psychological distress during a pandemic poses a difficult challenge for Japanese society.

* This is a revised article based on Takami 2021 (published on November 2, 2021, in Japanese) with additional updated analysis for *Japan Labor Issues*.

1. According to the Ministry of Internal Affairs and Communications' *Labor Force Survey*, the number of employees not at work rose to 5.97 million in April 2020 from 1.77 million in average in 2019. See also Table 1 in Statistical Indicators in the back of this issue.
2. The Ministry of Health, Labour and Welfare's *Monthly Labour Survey* noted that non-scheduled working hours such as overtime decreased markedly by 30.7% year-on-year in May 2020.
3. Based on JILPT panel survey data, 29.0% experienced remote work during the pandemic in 2020. See Takami (2022).

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Commentary

Regional Extension of Collective Agreements under Article 18 of the Labor Union Act

The Regional Extension Decision by the Minister of Health, Labour and Welfare on September 22, 2021

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I. Facts and background

On September 22, 2021, the Minister of Health, Labour and Welfare (at the time, Tamura Norihisa) passed a decision [*Kettei*] recognizing the regional extension of a collective agreement (hereinafter, "the decision") in accordance with Article 18 of the Labor Union Act (LUA). Prior to the decision, there were in Japan as few as eight precedents of the recognition of requests for the extension of collective agreements under Article 18 (LUA). Moreover, as all of these precedents involved requests for extension within one prefecture, the recognition of these extensions took the form of a resolution by the relevant Prefectural Labor Relations Commission and a decision by the relevant prefectural governor (as prescribed in Article 15 of the Order for the Enforcement of the LUA). This case, in contrast, entailed a request for the extension of a collective agreement applied to a region covering several different prefectures, and it therefore became Japan's first precedent of extension under a resolution of the Central Labor Relations Commission (CLRC) and a decision of the Minister of Health, Labour and Welfare (as also prescribed in the Order for the Enforcement of the LUA, Article 15). This commentary addresses the basis for the decision, which consisted of the resolution [*Ketsugi*] by the CLRC on August 4, 2021 ("the resolution") and a report submitted to the CLRC by a sub-commission on July 13, 2021 ("the report").

II. Overview of the case

On April 22, 2020, the labor union of electronics superstore Yamada Denki Co., Ltd., and two other enterprise unions ("the unions party to the agreement"), which are members of the industrial union UA Zensen, formed a collective agreement regarding annual days off ("the collective agreement") with Yamada Denki Co., Ltd. and two other enterprises that also operate large-scale stores for the mass retail of consumer electronics across Japan ("the employers party to the agreement"). The collective agreement applied to a region encompassing all of Ibaraki Prefecture and certain municipalities in Chiba Prefecture, Tochigi Prefecture, and Fukushima Prefecture. It covered those workers who are full-time employees with an indefinite term of employment ("indefinite full-time employees") working at such electronics superstores in said regions, and stipulated a minimum of 111 annual days off.

On August 7, 2020, the unions party to the agreement submitted a request to the Minister of Health, Labour and Welfare to pass a decision to extend the collective agreement under Article 18 Paragraph 1 of LUA ("the request"). The Minister of Health, Labour and Welfare responded by requesting the CLRC to pass a resolution as prescribed in Paragraph 1 of Article 18 (LUA). The CLRC established a sub-commission to investigate and

deliberate the request.

Based on the Sub-commission's report, the CLRC passed the resolution at its general assembly meeting on August 4 that year. Given the CLRC's resolution, the Minister of Health, Labour and Welfare made the decision and issued a public notice (LUA Art.18 Para. 3) of the decision on September 22, 2021.

III. The purpose of Article 18 (LUA)

The CLRC's resolution and the report suggest that the purpose of Article 18 (LUA) is for "working conditions prescribed in a collective agreement (that fulfills the requirements prescribed in Article 18 of LUA) to be regarded as the fair working conditions for that region and to be also applied to workers and employers other than those parties to the collective agreement, thereby (i) preventing competitive reduction of working conditions and in turn assisting to maintain and improve working conditions, as well as (ii) securing fair competition between workers and between employers." Of these two, while (ii) is definite in meaning, it is not entirely evident how it differs from (i). It should, however, be noted that the report—in its judgment of the validity of regional extension, an aspect addressed in Section V below—stated that "regional extension of this collective agreement is consistent with the objectives of the regional extension system, because said extension enables the increase in the number of annual days off to the level prescribed in said collective agreement and consequently improves working conditions for the workers in the region whose employment conditions were not at that level." When such an interpretation is also considered, it could be inferred that (i) also encompasses the objective of protecting workers not enrolled in the labor unions party to the collective agreement (non-unionized workers). It can therefore be suggested that through the report and the resolution, the CLRC revealed that the Article 18 (LUA) is a combination of multiple objectives—namely, to protect non-unionized workers and to ensure fair competition between workers and between employers.

IV. Judging the fulfillment of the substantive requirements

For the extension of a collective agreement to be recognized, Article 18 Paragraph 1 of LUA stipulates that "a majority of the workers of the same kind in a particular locality come under application of a particular collective agreement." That is, the substantive requirements for extension are that a collective agreement applies to: (1) a particular locality, (2) workers of the same kind, and (3) a majority.

Looking first at requirement (1), we see that the resolution concluded that "while the region of application prescribed in the collective agreement is taken into consideration," for application to a particular locality to be recognized, "it is necessary to identify a region that can be objectively determined, is clearly definable, and is persuasive for the related workers and employers, in the light of the system's objectives." On this basis, as noted in Section II above, although the collective agreement applied not only to all of Ibaraki Prefecture but also to certain municipalities in the neighboring prefectures of Chiba, Tochigi, and Fukushima, the report and the resolution limited the particular locality in this case to all of Ibaraki Prefecture, based on two main reasons. Namely, that prefectures—given their nature as administrative districts—are a) what can be considered definable regions, as they can be demarcated objectively, without arbitrary gerrymandering, and are b) persuasive for the workers and employers who are not participants in the collective agreement as regions for the demarcation of minimum standards in working conditions, such as regional minimum wages. This judgment appears to have considered the unique nature of the case—that is, that both the employers party to the agreement and the employers to whom the extension of the agreement would apply operate electronics superstores across Japan, and those stores are not all concentrated in the region to which the collective agreement applies.

Turning to requirement (2), the report and the resolution ultimately consider the workers specified

in the collective agreement—namely, the "indefinite full-time employees employed by electronics superstores" to which the agreement applies—to be "workers of the same kind." However, it should be noted that this conclusion was reached by the judgment that "as the mass retail of consumer electronics entails a common business model, focused on purchasing and selling in large quantities, that is consistent from enterprise to enterprise, region to region, and store to store, the job content and other aspects of the roles of 'indefinite full-time employees' of electronics superstores share the common focus of serving customers and managing sales," and it was therefore certainly not the case that the workers prescribed in the collective agreement were automatically recognized as workers of the same kind.

The indefinite full-time employees of electronics superstores in Ibaraki Prefecture—which were thereby recognized as "workers of the same kind" (requirement (2)) in the "particular locality" (requirement (1))—constituted a total of 662 workers; of which 601 workers were under the application of the collective agreement because they were employed by the employers party to the agreement and members of the unions party to the agreement. The application rate of the collective agreement under Article 16 of the LUA is therefore as high as 90.8%. Furthermore, while the parties to the collective agreement consist of both multiple unions and multiple employers, the agreement itself was concluded as a single agreement with plural signers. Given these factors, the report and the resolution recognized that the "majority" (requirement (3)) of "the workers of the same kind" in the "particular locality" are "under the application of" the collective agreement. It can be suggested that this case fulfils requirement (3) without question, when it is considered that precedents include a case in which application to the "majority" was recognized for a collective agreement with a rate of application of 73% (The *Hakodate Lumber Workers' Labor Union* case, Hokkaido Labor Relations Commission (Oct. 26, 1951)).

V. Judging validity

Having addressed the fulfillment of the substantive requirements as described in Section IV above, the report and the resolution determine the validity of the extension coverage of the collective agreement—that is, whether the extension could be considered appropriate in light of the purpose of Article 18 (LUA). Unlike the substantive requirements discussed above, the judging of validity is not directly drawn from the wording of Article 18 (LUA). We must therefore first address the question of what grounds the CLRC had for including such a judgment of the validity. It can be suggested that the report and the resolution incorporated this additional requirement of validity in the sense described above as a means of allowing the CLRC to use its own discretion, on the basis of the premise that the judgment is up to the discretion of the CLRC even in cases in which all of the substantive requirements prescribed in Article 18 (LUA) are fulfilled.

The specific factors that the report and the resolution adopted as grounds for recognizing the validity of extending coverage of the collective agreement are: (A) that the extension of the collective agreement both improves the working conditions of workers in the relevant region (the entire Ibaraki Prefecture) who have less than 111 days of annual days off, and contributes to ensuring fair competition by correcting disparities between employers and preventing the reduction of days off to levels below the standard prescribed in the collective agreement, and (B) that the request does not involve special grounds that may be an attempt to abuse the extension system as a means of restricting competition such as eliminating the new market entry of other enterprises. Moreover, in addition to these points, the report also refer to the fact that (C) the regional extension system, given its objectives, naturally presupposes that employers that fall under the extension are restricted from imposing working conditions worse than those that apply under the extension, and (D) in this case, there are no issues about the infringement of the rights to collective bargaining of the labor unions formed by the workers employed by the

employers to whom the extension applies. For each of these points, it can be suggested that the issue is whether the extension is still valid in light of the purpose of Article 18 (LUA) (see Section III) even when considering the effects of the extension of the collective agreement on those who do not belong to a party to the agreement in the context of this specific case. While recognizing that extension under Article 18 (LUA) also applies to members of labor unions other than those party to the collective agreement ("other labor unions"), (D), in particular, appears to be based on the premise that the favorability principle (the recognition of the validity of the more favorable working conditions) applies about the relationship between the standards of the extended coverage of the collective agreement and the working conditions applied to the members of the other labor unions concerned.

VI. Concluding remarks

The report and the resolution are extremely valuable as precedents because they represent the views of the CRLC directly or indirectly on various interpretive issues concerning Article 18 (LUA), which had not necessarily been the subject of active discussion in the past.

It must be noted, however, that there is a view that the purpose of Article 18 (LUA) is to protect the existence of the current collective agreements and the right to organize, neither the resolution nor the report mention these points. In addition, there may be an academic objection to the fact that the report and resolution do not interpret "particular locality" and "workers of the same kind" prescribed in Article 18 (LUA) in the same way as the applicable area and applicable workers stipulated in the collective agreement (see Section IV). It is furthermore unclear exactly what kinds of circumstances are required for the recognition of "special grounds that may be an attempt to abuse the extension system as a means of restricting competition such as eliminating the new market entry of other enterprises" touched on by the report and the resolution in their judgment of validity (see Section V). Therefore, considerable number of issues remain to be addressed about the interpretation of Article 18 (LUA).

For a detailed analysis, see Yota Yamamoto, "*Rōdō kumiai hō 18 jo no kaishaku ni tsuite: Reiwa 3 nen 9 gatsu 22 nichi kōsei rōdō daijin kettei to no igi to kadai*" [The interpretation of Article 18 of the Labor Union Act: The significance and issues of the decision, etc. of the Minister of Health, Labour and Welfare on September 22, 2021], *Quarterly Labor Law* 227 (Summer 2022): 14–30.

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Why Does the Older Population in Japan Work So Much?

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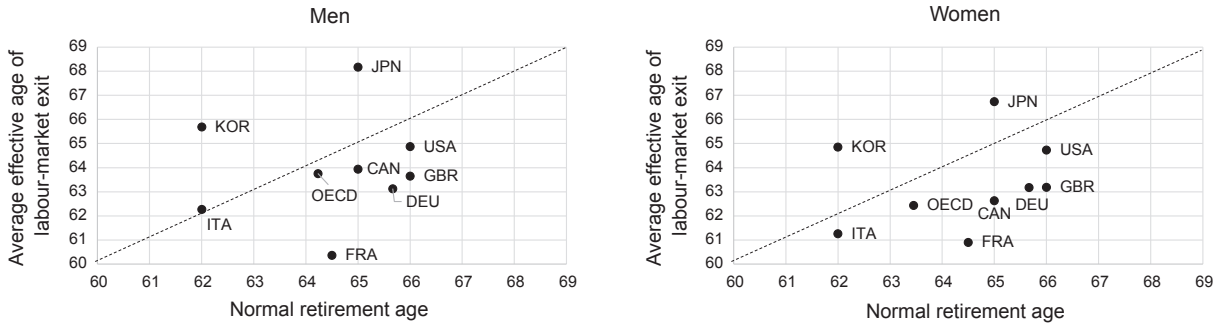
I. Introduction—Do the Japanese like to work?

Morale, or motivation to work, is high among older workers in Japan. The JILPT's 2019 "Survey on Employment and Living of Persons in Their Sixties" (JILPT 2020) asks men and women in their sixties about their ideal retirement age and their actual retirement age. "Want to work as long as possible, regardless of age" (32.1%) is the most common response, followed by those who want to work "until 70 or older" (23.6%) and those who indicate their ideal age between 65 and 69 (13.8% in total). Pensions at a Glance (OECD 2021) reports the high retirement age of workers in Japan compared to other industrial countries. Figure 1 shows the relationship between the normal (or official) retirement age and the average age when people actually exit the labor market (average effective retirement age) for Japan, Korea, the US, Canada, the UK, Germany, France, Italy, and the OECD average, by gender. Only Japan and Korea find the average effective retirement age higher than the normal retirement ages for both men and women. This means that in these two countries, the average age at which people actually retire is higher than the age at which they can receive full pension benefits through the official retirement pension. In particular, Japan has the highest average effective retirement age among all countries, exceeding the OECD average of normal retirement age by 3.2 years for men and 1.7 years for women.

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



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

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

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

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

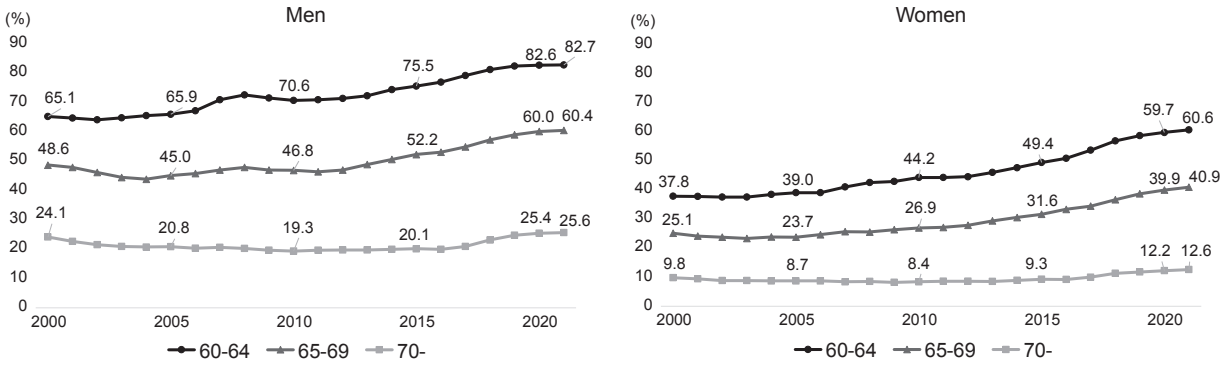
Population ageing in Japan has progressed more rapidly than in any other country. The ratio of older persons (those aged 65 or over as a percentage of the total population) rose from 9.1% in 1980 to 17.4% in 2000 and 28.7% in 2020. Meanwhile, the ratio of Japan's working-age population (aged 15–64) to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

As the demographic structure has changed, the employment rate of older workers in Japan has increased. Not only are most men and women in their early 60s staying in labor force today, but so are 60% of men and 40% of women in their late 60s. Figure 2 shows the employment rate by gender for the age groups of 60–64, 65–69, and 70 and over since 2000. The male employment rate rose from 65.1% to 82.7% for those aged 60–64, and from 48.6% to 60.4% for those aged 65–69 between 2000 and 2021, while the employment rate for those aged 70 and over did not change much between 2000 (24.1%) and 2021 (25.6%). Meanwhile, the female employment rate also rose between 2000 and 2021, from 37.8% to 60.6% for those aged 60–64, from 25.1% to 40.9% for those aged 65–69, and from 9.8% to 12.6% for those aged 70 and over.

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

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

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



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

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

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

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

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

Thus the gap between mandatory retirement age and the age of eligibility for pension payments was resolved by 1998, but by that time it had already been decided to gradually raise the age eligibility for employee's pension and mutual-aid pension benefits to 65 between 2001 and 2025.[2] So, the question arose once more of how to fill the gap between the end of employment and the start of pension payments for those in their early 60s.

IV. Legislative amendments to ensure employment for older adults

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

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

Until April 2013, even if a continued-employment

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

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

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

V. Occupational diversification and stratification of older workers

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

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

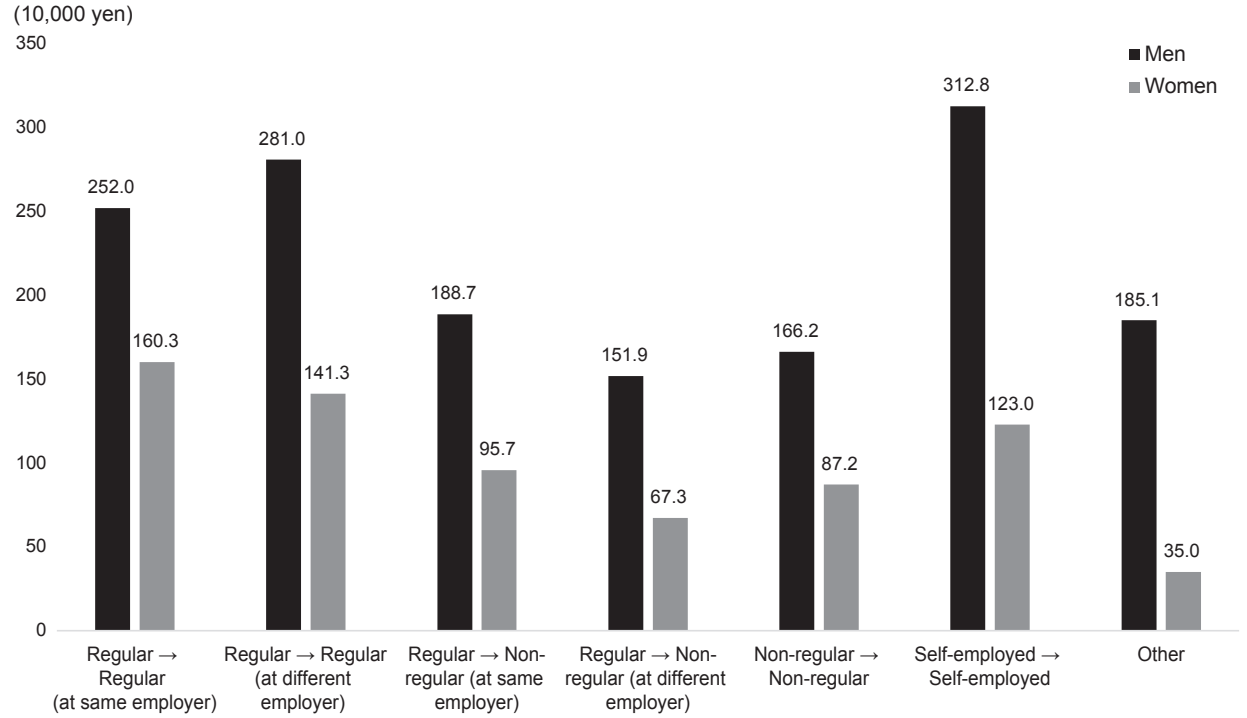
This is reflected in the gender disparity seen in careers of older workers. Moriyama (2022) analyzed Japan's leading stratified survey, the Social

Stratification and Social Mobility of 2015, the employment rate at age 59, just before the old age, was 94.0% for men and 62.7% for women, with less than 30% of all women working as regular employees. Moreover, a comparison of estimates of earned income for men and women aged 61-80, disaggregated by employer and employment status around age 60, reveals gender disparities in the estimated value of earnings[5] for all patterns of change (Figure 3). The estimated average annual income of the group that transitioned from regular employment (at age 59) to other enterprises where they worked as regular employees (at age 61) is about 1.4 million yen higher for men than for women. In the group of workers who continue to work as regular employees in the same enterprises, men's average annual income is about 900,000 yen higher than that of women. Furthermore, for the group that switched from regular to non-regular employment within the same enterprise, men's annual earned income was about 900,000 yen higher than that of women.

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

VI. Challenges ahead for employment of older adults

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



Source: Moriyama (2022).

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

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

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

Another challenge is that of developing an external labor market so as to reduce unemployment and poverty among older workers and enable smooth labor mobility. Old age is a period when occupational mobility occurs with similar frequency as it does among younger people. It is also an age group with a relatively high risk of poverty. Until now, the problem of unemployment among the older persons has not received as much attention as that of unemployment among the young, because the hiatus between retirement and eligibility for pension benefits is short, and many people have sufficient pension funds, savings, and assets to live on. In the future, however, people who were forced to work in unstable employment forms during their youth and prime of life, and thus were unable to accumulate sufficient savings by the time they reached old age, will enter old age, and the problem of unemployment of older persons will become more apparent. There is a need for social systems and policies that enable people who must continue to work for economic reasons to find work easily, regardless of their age.

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

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I. Main Labor Economic Indicators

1. Economy

The Japanese economy is picking up moderately. Concerning short-term prospects, the economy is expected to show movements of picking up, supported by the effects of the policies while all possible measures are being taken against infectious diseases, and economic and social activities proceed to normalization. However, full attention should be given to the downside risks due to fluctuations in the financial and capital markets amid global monetary tightening, rising raw material prices and supply-side constraints. (*Monthly Economic Report*,[1] July 2022).

2. Employment and unemployment

The number of employees in June increased by 240 thousand over the previous year. The unemployment rate, seasonally adjusted, was 2.6%.[2] Active job openings-to-applicants ratio in June, seasonally adjusted, was 1.27.[3] (Figure 1)

3. Wages and working hours

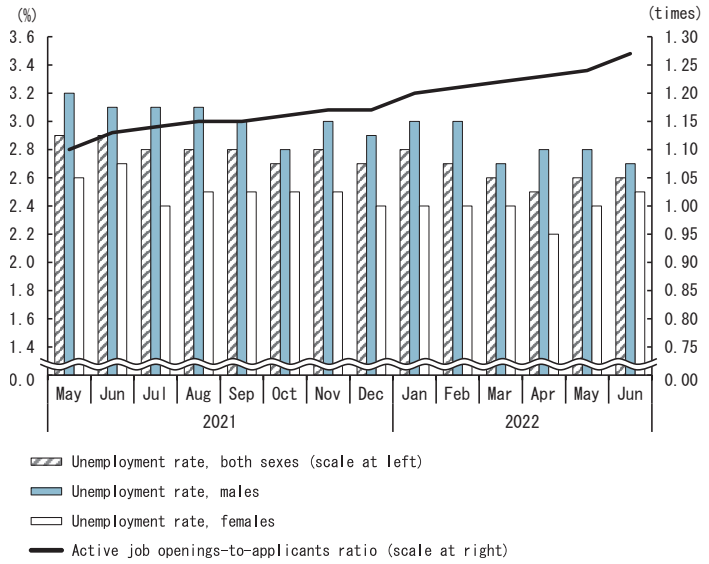
In June, total cash earnings increased by 2.0% year-on-year and real wages (total cash earnings) decreased by 0.6%. Total hours worked increased by 1.2% year-on-year, while scheduled hours worked increased by 0.8%.[4] (Figure 2 and 6)

4. Consumer price index

In June, the consumer price index for all items increased by 2.4% year-on-year, the consumer price index for all items less fresh food increased by 2.2%, and the consumer price index for all items less fresh food and energy increased by 1.0%.[5]

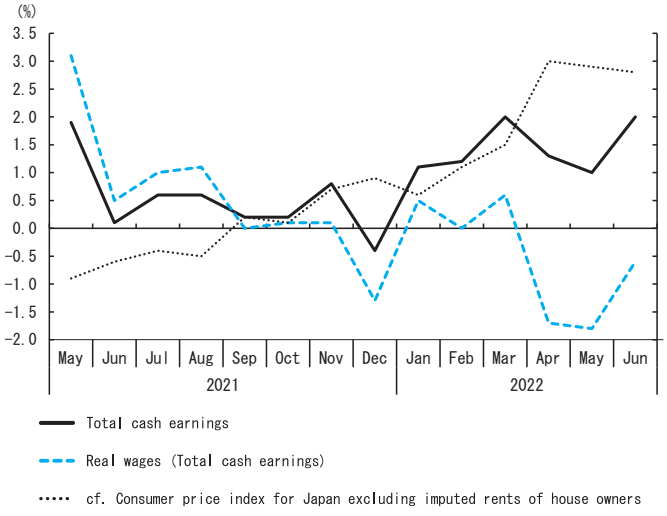
5. Workers' household economy

In June, consumption expenditures by workers' households increased by 6.9% year-on-year nominally and increased by 4.0% in real terms.[6]



Source: Ministry of Internal Affairs and Communications (MIC), *Labour Force Survey*; Ministry of Health, Labour and Welfare (MHLW), *Employment Referrals for General Workers*.
Note: Active job openings-to-applicants ratio indicates the number of job openings per job applicant at public employment security. It shows the tightness of labor supply and demand.

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



Source: MHLW, *Monthly Labour Survey*; MIC, *Consumer Price Index*.

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

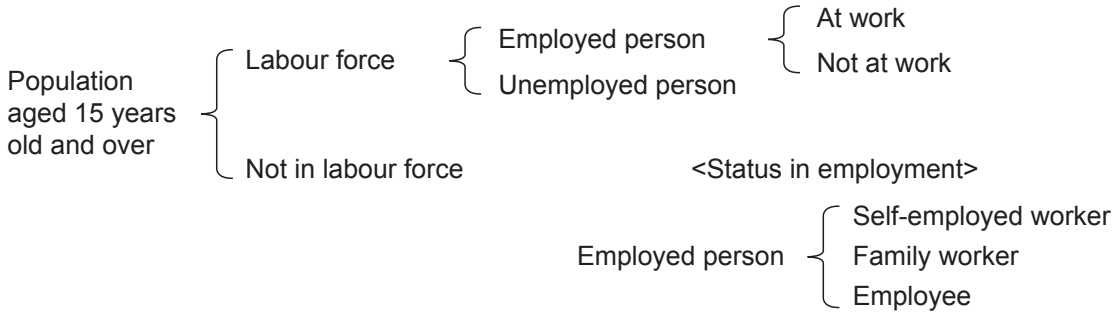
1. Cabinet Office, *Monthly Economic Report* analyzes trends in the Japanese and world economies and indicates the assessment by the Japanese government. Published once a month. https://www5.cao.go.jp/keizai3/getsurei-e/index-e.html
2. https://www.stat.go.jp/english/data/roudou/results/month/index.html
3. https://www.mhlw.go.jp/english/database/db-l/general_workers.html
4. For establishments with 5 or more employees. https://www.mhlw.go.jp/english/database/db-l/monthly-labour.html
5. https://www.stat.go.jp/english/data/cpi/index.html
6. MIC, *Family Income and Expenditure Survey*. https://www.stat.go.jp/english/data/kakei/index.html

II. Impacts of the COVID-19 pandemic on employment and unemployment

The following outlines the recent trends shown in statistical indicators relating to employment. See JILPT website *Novel Coronavirus* (*COVID-19*) for the latest information (https://www.jil.go.jp/english/special/covid-19/index.html).

1. Employment and unemployment

(1) Definitions of *Labour Force Survey*[7]



(2) Labor force

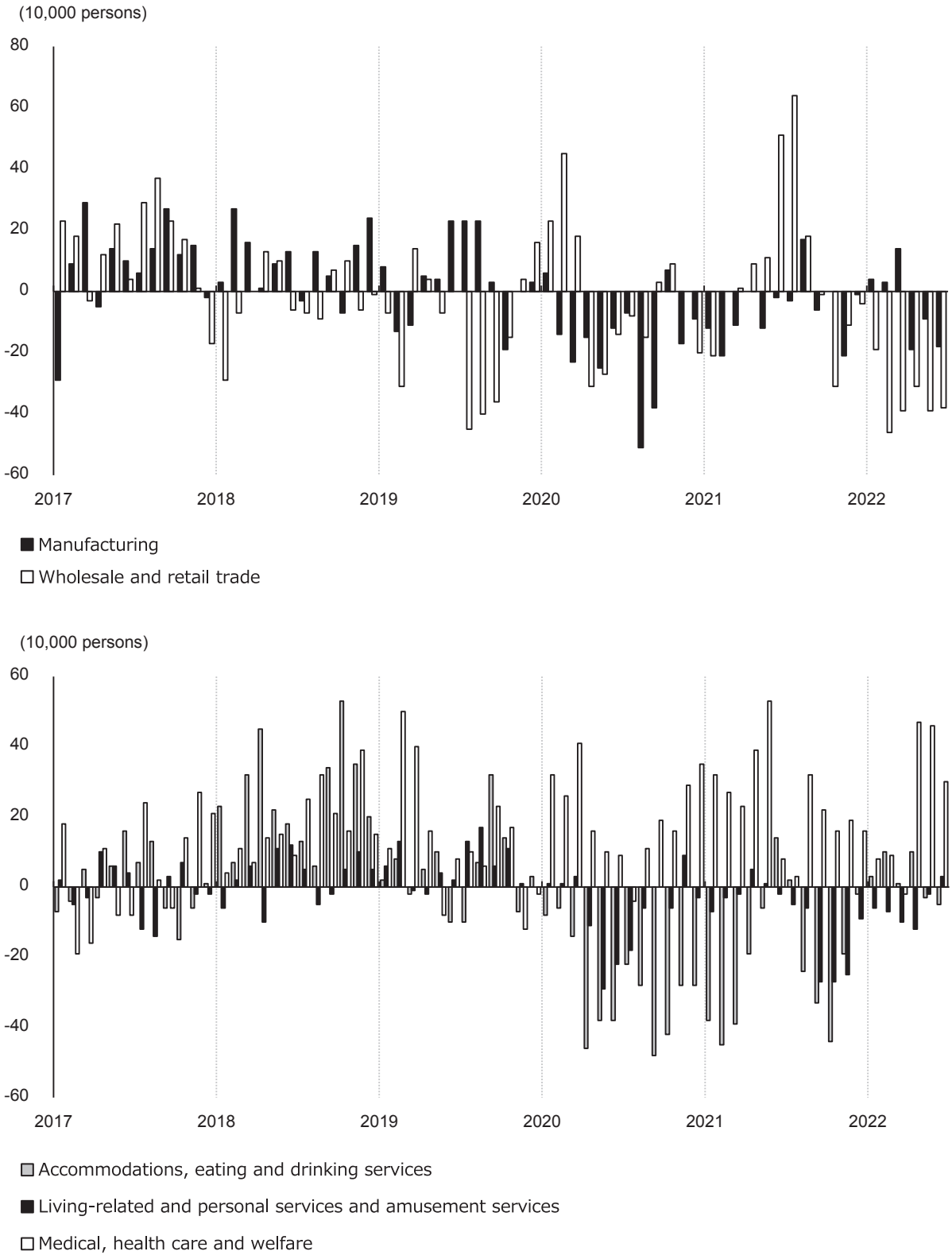
Table 1. Labor force

(10,000 persons)

		Labor force			
		Total	Employed person		Unemployed person
				Not at work	
2019		6,912	6,750	177	162
2020		6,902	6,710	258	192
2021		6,907	6,713	208	195
	June	6,945	6,738	184	207
	July	6,950	6,757	214	193
	August	6,934	6,739	250	194
	September	6,920	6,726	210	194
	October	6,889	6,705	166	184
	November	6,879	6,696	167	183
	December	6,879	6,706	190	173
2022	January	6,830	6,646	249	185
	February	6,838	6,658	242	180
	March	6,864	6,684	243	180
	April	6,915	6,727	190	188
	May	6,921	6,730	164	191
	June	6,945	6,759	157	186

Source: Compiled by JILPT based on Ministry of Internal Affairs and Communications (MIC), *Labour Force Survey* (Basic Tabulation) (unadjusted values).[8]
Note: Figures in the past have been changed according to revisions of the switch in the bench mark population in the *Labor Force Survey*. The same applies to Figure 1 and Figures 3 to 5.

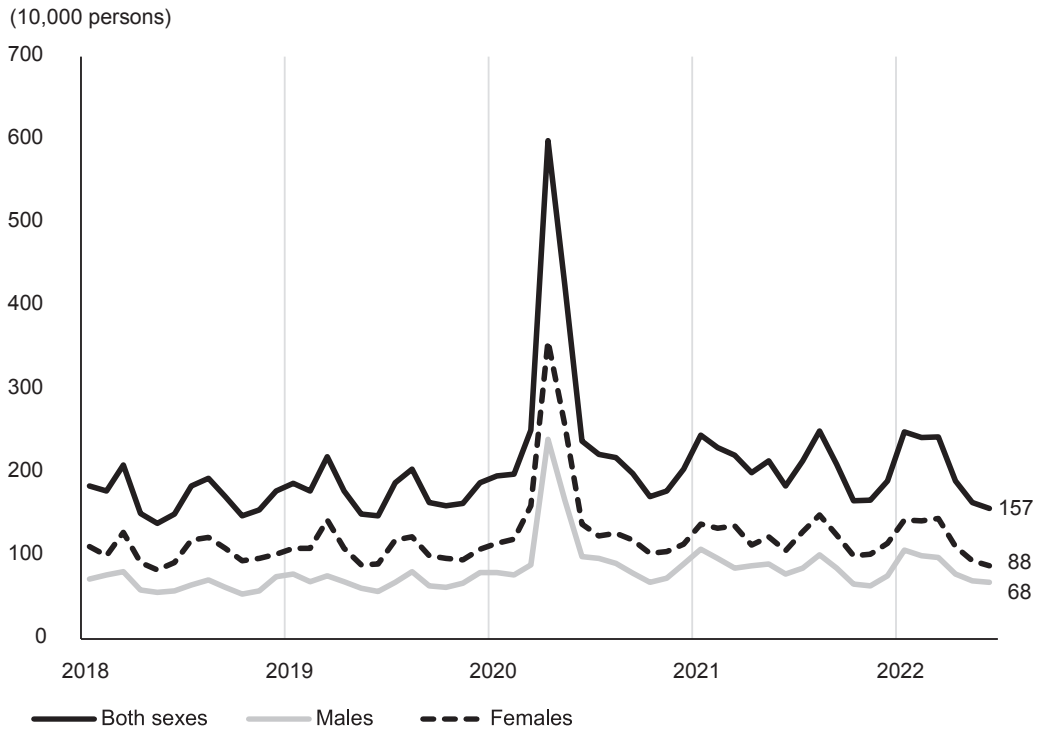
7. Ministry of Internal Affairs and Communications (MIC), *Labour Force Survey*, Concepts and Definitions. https://www.stat.go.jp/english/data/roudou/pdf/definite.pdf
8. For up-to-date information, see https://www.jil.go.jp/english/estatis/eshuyo/index.html (in English), for "employed person not at work" https://www.jil.go.jp/kokunai/statistics/covid-19/c23.html#c23-1 (in Japanese).



Source: Ministry of Internal Affairs and Communications (MIC), *Labour Force Survey* (Basic Tabulation).[9]

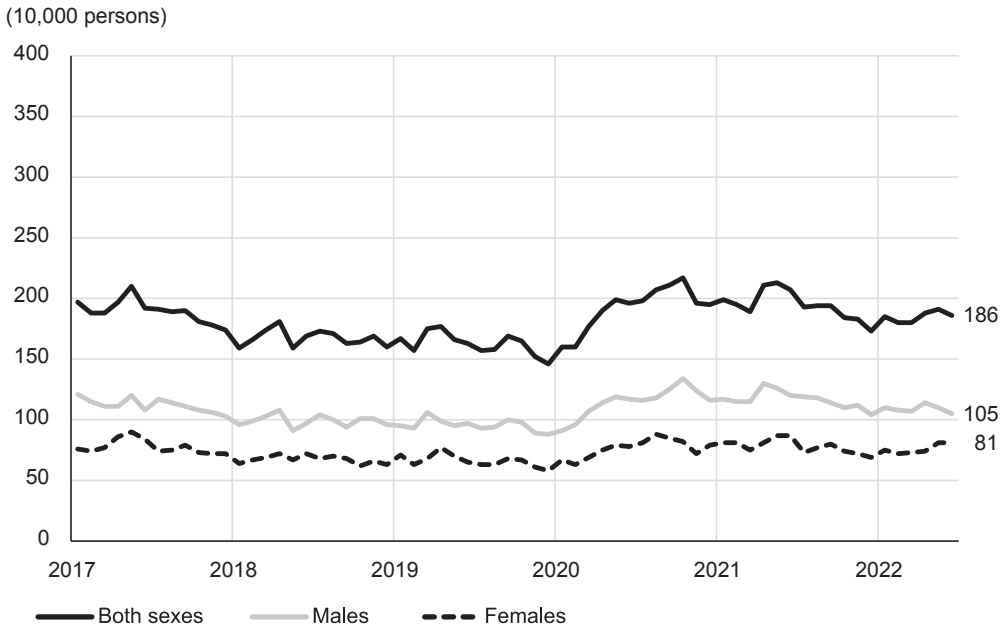
Figure 3. Number of employed persons by main industry (unadjusted values, year-on-year change) (January 2017 to June 2022)

9. For up-to-date information and further details, see https://www.jil.go.jp/kokunai/statistics/covid-19/c01.html#c01-7 (in Japanese).



Source: MIC, *Labour Force Survey* (Basic Tabulation).[10]

Figure 4. Number of employed persons not at work (unadjusted values, by sex) (January 2018 to June 2022)

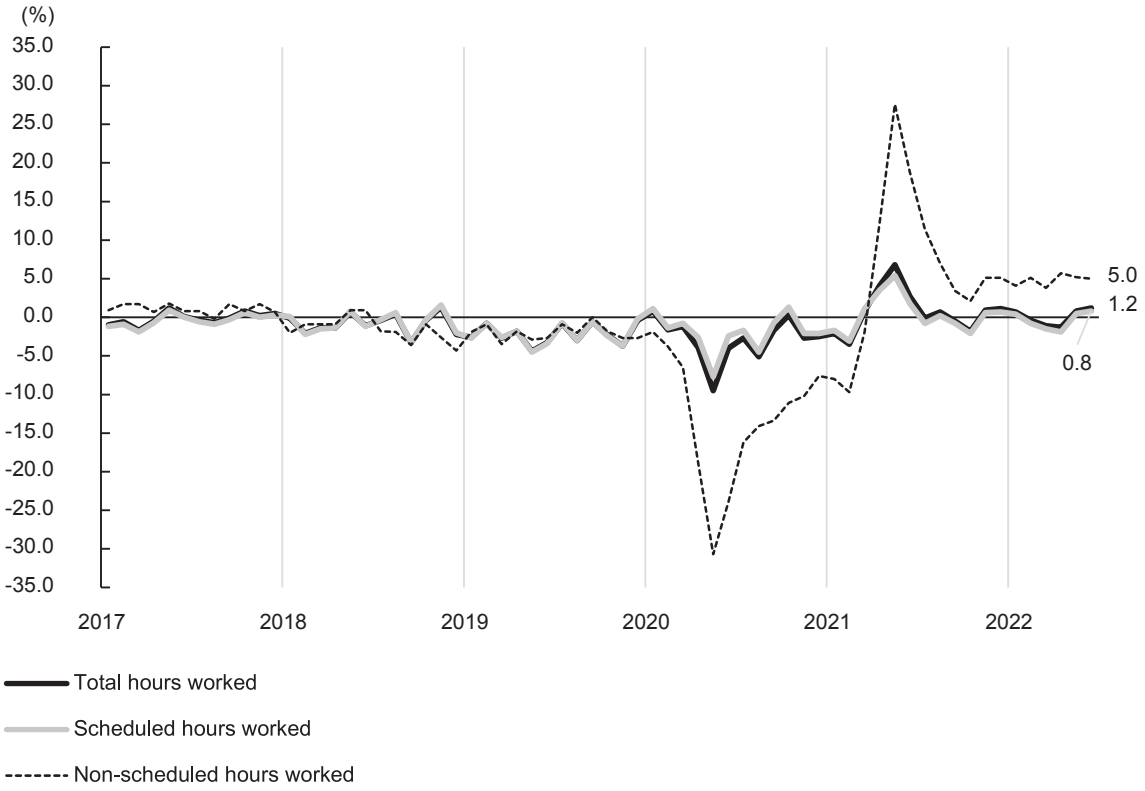


Source: MIC, *Labour Force Survey* (Basic Tabulation).[11]

Figure 5. Number of unemployed persons (unadjusted values, by sex) (January 2017 to June 2022)

10. For up-to-date information and further details, see https://www.jil.go.jp/kokunai/statistics/covid-19/c23.html (in Japanese).
11. For up-to-date information and further details, see https://www.jil.go.jp/kokunai/statistics/covid-19/c03.html#c03-1 (in Japanese).

2. Working hours



Source: Compiled by JILPT based on MHLW, "Monthly Labour Survey."[12]
Notes: 1. Beginning in June 2019, values are based on a complete survey of "business establishments with 500 or more employees."
2. "Business establishments with 500 or more employees" for the Tokyo metropolitan area are re-aggregated beginning in 2012.

Figure 6. Total hours worked, scheduled hours worked, and non-scheduled hours worked (year-on-year change, total of full-time employees and part-time workers) (January 2017 to June 2022)

For details for the above, see JILPT *Main Labor Economic Indicators* at https://www.jil.go.jp/english/estatis/eshuyo/index.html

12. MHLW, *Monthly Labour Survey*. https://www.mhlw.go.jp/english/database/db-l/monthly-labour.html. For up-to-date information and further details, see https://www.jil.go.jp/kokunai/statistics/covid-19/c11.html#c11-1 (in Japanese).

What's on Next Issue

Japan Labor Issues

Volume 6, Number 40, November 2022

Tentative

Country Reports on "The Impact of COVID-19 on Labor Market and Policy Responses: Strengthening Social Protection for Vulnerable Workers" presented at the 5th JILPT Tokyo Comparative Labor Policy Seminar (held online on March 9, 2022) by ten researchers from countries and regions in the Asia-Pacific area.

Japan/COVID-19's Impact on Labor Market and Policy Responses in Japan
Koji TAKAHASHI

India/Strengthening India's Social Protection Architecture for the Informal Sector: Lessons from the Covid-19 Crisis
Radhicka KAPOOR

Indonesia/The Social Security and Unemployment Trends during COVID-19 Pandemic in Indonesia
Ike FARIDA

Malaysia/Impact of the COVID-19 Pandemic on Malaysian Labour Market and Policy Responses
Beatrice Fui Yee LIM

Australia/COVID-19 and Australian Labour Regulation: An Overview Impacts, Policy Responses and Future Directions
Adriana ORIFICI

China/Resilience and Its Reinforcement: How China's Labor Market Resists the COVID-19 Epidemic and Policy Efficacy
Tianyu WANG

Korea/Giving a New Present or Returning the Original Share: New Insight about Law and Policy for Working People in Korea
Sukhwan CHOI

New Zealand/Added Pressure: Exploring the Impacts of Covid-19 on Workers and Labour Laws in Aotearoa New Zealand
Dawn DUNCAN

Philippines/Mitigating the Covid-19 Pandemic Impact on the Philippine Labor Market
Ronahlee A. ASUNCION

Taiwan/COVID-19 and Labor Law in Taiwan
Wanning HSU

* Entries are arranged based on the seminar program.

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