

# Youth Employment and Employment Policies in Japan

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## I. Overview of youth employment

In Japan, the youth unemployment rate remained consistently low from the 1960s, a period of rapid economic growth, through the early 1990s. During this period, young people were able to obtain stable and indefinite-term (as opposed to fixed-term) contract employment immediately after they graduated from school. However, since the bursting of the economic bubble in the early 1990s, it has become increasingly difficult for young people to achieve job security. Those who graduated between 1993 and 2004, when the school-to-work transition was particularly difficult, are described as the *shushoku hyogaki sedai* (employment ice-age generation: high school graduates born between 1975 and 1985 and university graduates born between 1970 and 1980). Subsequent economic recovery enabled young people to obtain stable jobs, but the global financial crisis originating in the US and Europe caused the employment situation to worsen once again. The economy began to expand under the easy money policy that formed part of the economic strategy spearheaded by Prime Minister Shinzo Abe, known as Abenomics, which was launched around 2015, and despite the temporary impact of the COVID-19 pandemic, youth employment remains strong as of autumn 2022. Under Japanese labor policy, “youth” is defined as the 15–34 age group, and that definition is used in this article.

Let us take a look at young people's educational circumstances, first. The high school enrollment rate exceeded 90% in 1997, and today 98% of junior high school graduates go on to high school, with about 3%

withdrawing from high school each year in Japan. Approximately 70% of high school students are enrolled in academic programs, and the percentage enrolled in vocational programs is low.

Among high school students graduating in the spring of 2022, about 17% were employed immediately, 56% went on to tertiary education (university or other higher education), 22% enrolled in vocational school, and 5% fit into none of these categories (all percentages approximate). The number of new university graduates entering employment first surpassed the number of new high school graduates entering employment in 1997, and they became the majority in the new-graduate labor market. Nonetheless, even as Japan's populace has become more highly educated, labor market demand for high school graduates remains high, and Japan has maintained a system that enables high school graduates to find secure employment immediately after graduating from high school.

## II. Systems relating to the school-to-work transition

As in other countries, youth employment in Japan is directly affected by the economy, but one reason the impact tends to be particularly significant in Japan is the system of “simultaneous mass recruiting of new graduates.” This is an employment practice in which companies hire students with no work experience immediately after graduation, with the premise of indefinite-term employment, and young people are expected to develop their skills through in-house education and training, job rotation and so forth. Public vocational training is not very

widespread in Japan, and as a result, young people tend to lose opportunities to develop vocational skills if they are not hired as part of the new batch of graduates, regardless of whether they are university or high school graduates. For example, members of the generation that graduated during the “employment ice age” are already over 40 years old, but many have never been able to establish stable careers.

The details of employment practices for new graduates vary depending on level of educational attainment. In order to prevent recruiting of new university graduates earlier than the officially agreed date, (*aotagai* in Japanese which originally means “reaping rice before the harvest”) agreements have been in place since 1953 between universities and industry associations regarding outreach on the part of enterprises and the timing of the start of recruitment. However, these agreements have repeatedly been abrogated by business organizations at times when labor market demand for new university graduates is rising, and then reinstated when demand decreases. In 2021, Keidanren (Japan Business Federation), the country’s most influential business organization, withdrew from the agreement then in place, and rules for the start of the hiring process are now set by the government. Meanwhile, in Japan the use of internship programs for purposes of job selection and recruitment has been discouraged since the original purposes of internships are considered for education, where students complete the programs during long vacations and so forth. Recently, guidelines have been eased with some conditions for the extended purpose of using internships as a means of industry-academia collaboration. However, depending on how internships are used, internships could disrupt the conventional framework for new graduate recruitment. It is necessary to keep a close eye on this issue.

For new high school graduates who find jobs, there are regional practices regarding the timing of job hunting activities and submission of applications. New high school graduates in Japan often find jobs through the guidance departments of the schools they attend. In order to protect high school students, who

are still minors, and maintain order in the high school graduate labor market, each prefecture has made agreements regarding high school graduate employment practices. 2021 saw the revision of high school graduate employment practices, making it clearer that students have the right to seek employment through channels other than those offered by schools. As a general rule, applicants are required to apply to only one company at a time for a certain period of time, but in many prefectures that period has been shortened to about two weeks after the start of the application period.

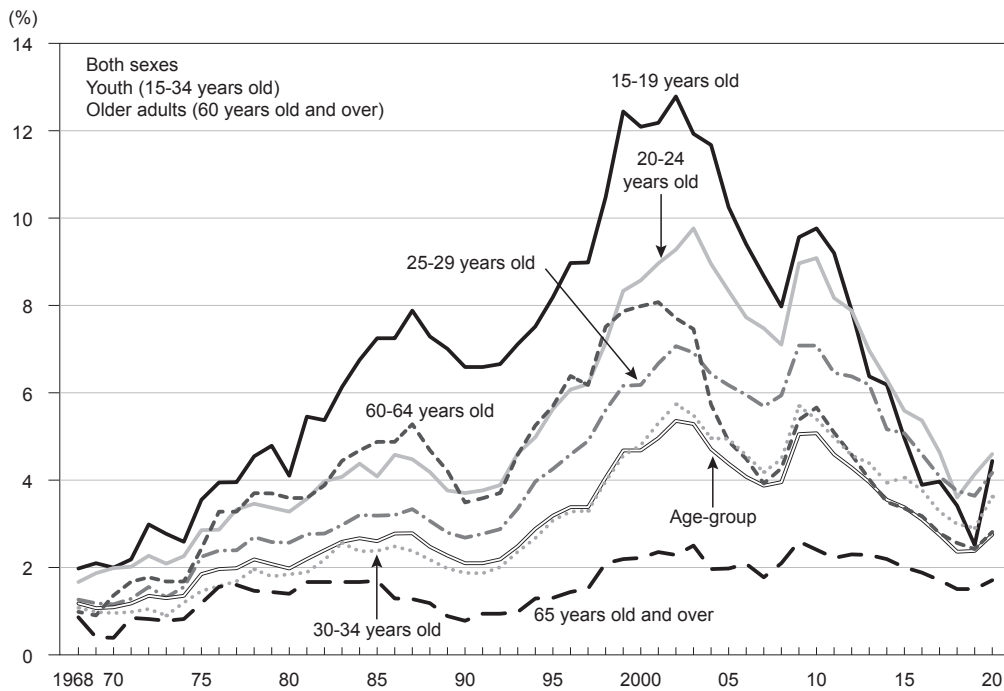
On the other hand, those who attempt to find jobs after withdrawing from high school or university have difficulty in obtaining permanent work as regular employees, and this challenge has persisted for many years.

### III. Changes in youth employment

This section of the article outlines changes in recent years with regard to youth labor in Japan. First, there has been a sharp decline in the number of young workers, from 20.35 million in 1997 to 17.11 million in 2017, and assuming the same labor force participation rate as in 2017, the number is expected to drop to 13.64 million in 2040 (MHLW 2021).

Second, Japan’s youth unemployment rate has remained low compared to those of other developed countries. Although it worsened during the “employment ice-age” of the 1990s and the global financial crisis, recently it has stayed at a consistently low level. The impact of the pandemic on the youth unemployment rate has been relatively minor compared to older age groups (Figure 1).

Third, the number of “freeters” peaked at over two million in 2003, but by 2021 the number had declined considerably to 1.37 million. This is interpreted as a result of the decline in the number of young people in the labor force, and of a favorable labor market. Freeters refer to school graduates (and the unmarried in the case of female) who are currently employed and referred to as “parttime workers or *arbeit* (temporary workers)” at their workplace, or who are currently not engaged in work and neither



Source: [https://www.jil.go.jp/kokunai/statistics/timeseries/html/g0303\\_03.html](https://www.jil.go.jp/kokunai/statistics/timeseries/html/g0303_03.html). Created by JILPT based on *Labour Force Survey* (Statistics Bureau, Ministry of Internal Affairs and Communications).

Figure 1. Change in unemployment rate in Japan (by age group)

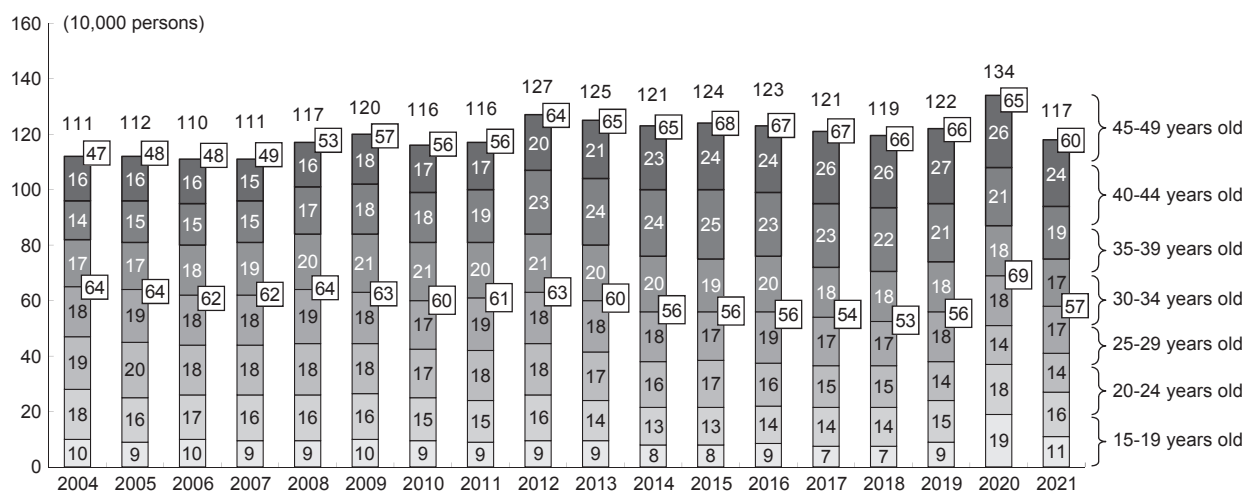
doing housework nor attending school but wish to be employed as part-time workers or *arbeit*.

The traditional image of *freeters*, perceived as having that employment format due to a lack of full-time jobs, is diversifying. According to the Japan Institute for Labour Policy and Training (JILPT 2022), among Tokyo residents aged 25-34 who had experienced being *freeters*, the percentage who did so because they were unable to find work as regular employees is the lowest in the past twenty years. On the other hand, compared to those who have never experienced being *freeters*, a certain percentage of those who have experienced it reported that they have felt difficulty working due to depression or disability, and a certain number of them have temporarily earned wages as *freeters* so as to advance their careers. During the pandemic, when many

enterprises reduced or suspended activities, the presence of *freeters* who are not eligible for allowances for absence from work became increasingly evident.

A fourth trend is that while the number of young people has declined, the number of those who are not in employment, education or training (NEETs) remains high (Figure 2). The number of young people unable to go to school or work increased temporarily in 2020 due to the state of emergency during the pandemic, but returned to its previous level in 2021.

While the number of *freeters* grows and shrinks along with ups and downs in the economy, the number of NEETs is less affected by economic factors. The reasons for becoming NEETs are complex and composite, but prolonged NEET status tends to make participation in society difficult.



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

Note: Unemployed persons refer to those in the non-working population who are neither engaged in housework nor attending school.

Figure 2. Change in number of unemployed persons (15-49 years old)

#### IV. Youth employment policies

As mentioned above, when youth unemployment and the number of freeters began to increase, these phenomena were perceived as young people's own responsibility, since systems enabling young people to obtain stable employment were in place. However, since the "employment ice age," understanding of the plight of youth has gradually become more widespread. In 2003, the government formulated the Plan to Encourage Youth's Independence and Challenges, acknowledging for the first time that young people's lack of job security was not a personal responsibility but a structural problem. Subsequently, career education was expanded, and based on a German model, a Japanese "dual system" that integrates vocational training at schools with corporate internships was developed, along with live-in vocational training facilities that promote young people's independence (not currently existent). In 2006, Regional Youth Support Stations (RYSS) were opened to provide assistance to NEETs, and *Hello Work for the youth* and *Hello Work for new graduates* were also established as specialist branches of *Hello Work*, the public employment security

offices located in all prefectures.

However, these were temporary policies and there was always concern that they would be terminated. Thus, a permanent policy to support youth (the Youth Employment Promotion Act) was formulated in 2015. In addition to providing for the establishment of youth support organizations such as RYSS, the following three measures were added based on the Youth Employment Promotion Act.

##### 1. Active provision of information about workplaces

In order to alleviate employees' early job turnover due to mismatches at the new graduate stage and to help young people lead fulfilling professional lives, a system was established to provide accurate information on terms and conditions of employment, as well as workplace information such as average length of service, availability and content of training programs and so on.

##### 2. Non-acceptance of job offers by certain business establishments at *Hello Work*

In order to ensure that *Hello Work* does not introduce new graduates to business establishments

that have violated certain labor-related laws and regulations, a system was put in place under which new graduate job offers by such establishments are not accepted for a certain period of time.

### 3. Youth Yell Certification System

The Minister of Health, Labour and Welfare has established a system to certify small and medium-sized enterprises that proactively recruit and train young people, and have excellent employment management conditions, as *Youth Yell* certified enterprises. (In Japan, the English word “yell” is used to mean “give encouragement.”)

The Youth Employment Promotion Act has already been in effect for five years. Despite the impact of the COVID-19 pandemic, the overall youth employment situation during this period has been positive, and youth unemployment and job insecurity have not become major issues.

The current key challenge is the increasingly composite nature of youth employment issues. During the “employment ice age,” employment support was provided exclusively to young people who could not find jobs, but today reasons for needing support are becoming more diverse, including housing insecurity, health concerns, disabilities, and young carers’ need to provide nursing care to relatives and so forth. Thus far Regional Youth Support Stations have endeavored to respond to these diverse needs, but in the future,

cooperation within communities will become even more essential. However, as the population shrinks, both the number of young people to be supported and the number of support providers will decline. As a result, there is a concern that RYSS will be called on to support wider target regions, and that the original concept of support within communities will fade.

In the future, Japan’s population will continue to age and youth will become a minority in numerical terms. In order to maintain Japanese society and pass it on to the next generation, it is more important than ever to provide employment support to increasingly rare young people. At the same time, it is also essential to provide support to the “ice age” generation, the youth of the past who still have unstable careers today, as part of our responsibility to future generations.

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