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CONTENTS

Special Feature on Research Papers (II)

Japan Labor Issues is pleased to present its annual special feature on research papers. The Editorial Office has selected significant papers from various relevant ones written in Japanese and published within a year or two, from the viewpoint of communicating the current state of labor research in Japan to the rest of the world.

This year, seven papers will be presented for four parts (I-IV). They address the latest subjects or conventional themes on labor and offer useful information and deeper insights into the state of labor in Japan. We hereby sincerely thank authors for their kind effort arranging their original papers for the benefit of overseas readers.

Editorial Office, *Japan Labor Issues*

Japanese Wives' Decisions on Co-Residence and Employment Choices upon Husbands' Workplace Relocation (*Tenkin*)

SEKIJIMA Kozue
ABE Mayuko

This paper studies married women's decisions on the co-residence and employment choices when their husbands are ordered by company to relocate for work (*tenkin*). In Japan, a broad range of companies—not limited to particular business sectors—rotate employees across positions and offices including the cases where employees need to migrate to live near new workplace with or without their families. Compared to married couples' migration due to a change in work in the United States and Europe, such migration in Japan is a less voluntary action of employees. We use the Japanese Panel Survey of Consumers from 1994 to 2019, which is an individual level data set that contains information on whether husbands have been relocated within the past year, as well as wives' co-residence and employment status before and after the relocation. First, we analyze wives' co-residence and employment status when their husbands were relocated, and organize descriptive statistics of wives' employment situation at that time and then compare the 2000s and 2010s for any changes. Next, considering the simultaneous decision of wives to accompany their husbands and to engage in work, we examine correlations between these two choices and analyze attributes of the wives. In this paper, the presence of children is of interest, since it is considered to influence the couples' choice. We find that, from the 2000s to the 2010s, the number of wives who accompanied their husbands and chose not to work decreased, while the number of dual-earner couples in which the husbands relocated alone (*tanshin-funin*) increased. We also show that there is a negative correlation between the wives' choices to accompany their husbands and choices to work. Furthermore, wives with only preschool children have a higher probability of following their husbands and leaving the job market.

I. Introduction

A change in the place of residence due to workplace relocation (*tenkin*, job reassignment entailing migration) may affect not only the situation of relocated workers themselves but also their spouses' decisions on the

employment choices. In particular, husbands' workplace relocation may have a negative impact on their wives' employment: for example, some wives of relocated husbands may choose to leave their current job and migrate in order to co-reside with their husbands (co-residence behavior), while others may choose not only to leave their current job but also to remain in the non-labor force after migration (Ota, 2017; Kawabata, 2018). In Japan, where the working-age population is expected to shrink because of its aging society with a low birth rate, engaging women in work is a critical challenge. Although female empowerment continues to grow, if husbands' workplace relocation is still acting as an inhibiting factor for married women's employment, some corrective action must be taken. Our study reviews the migration and employment behaviors of wives whose spouses were relocated from the 2000s to the 2010s and also examines correlation between wives' decisions on the co-residence choice and the employment choice and identifies the individual attributes that affected the choices. In particular, the study aims to identify the attributes of wives who are likely to migrate with a relocated husband and forced to leave work after migration. Furthermore, focusing on remote work as a way of preventing migration from forcing wives to leave their current job, we describe some relevant existing studies.

Although double-income couples have become the majority, companies' policy on workplace relocation in Japan still gives excessive precedence to their own intentions over employees' desires. According to Sato (2007), job reassignment entailing migration, which is a relatively rare practice in the United States and Europe, is an important element of the Japanese-style employment system. In Japan, when workers have received a workplace relocation order from their employer, they accept it as something that must be followed even if some sacrifice becomes necessary on the part of their family. According to the Survey on the Actual Situation of Workplace Relocation conducted in 2016 by the Japan Institute for Labour Policy and Training (JILPT), 33.7% of companies have the possibility of workplace relocation for most of their permanent employees. Also, 79.7% of companies order the workplace relocation entirely at the companies' discretion. The survey also asks permanent employees about their attitude toward workplace relocation, and 79.5% chose the reply "It is natural to follow a workplace relocation order because it comes from the employer" (JILPT, 2017). In addition, few companies have a workplace change system that allows employees whose spouses are relocated to continue working at a new location or a leave system that allows such employees to migrate with their spouses and take leave of absence (Takeishi, 2016; Kawabata, 2018). It has been pointed out that it is difficult even for relocated workers themselves to obtain advance information on the details of their own workplace relocation. Therefore, even if some type of support system becomes available at companies employing relocated workers' spouses, it would not provide a sufficient solution (Kawabata, 2018).

In considering workplace relocation and spouses' employment, a model based on the human capital theory is a theoretical framework of economics regarding married couples' migration (change in the place of residence) and wives' employment behavior. This theory regards migration as investment in human capital and assumes that individuals earn a return from migration in the form of expected income and employment. According to Mincer (1978), when making migration decisions, married couples aim to maximize net family gain and choose family-wide migration when the return from migration outweighs the cost. Even when the wife suffers costs on a net basis, for example, she chooses to migrate with their husband if the net gain for their husband outweighs her own net costs, resulting in net gain on a family-wide basis. Conversely, if the wife's net costs outweigh their husband's net gain, the wife chooses not to migrate because net costs are incurred on a family-wide basis. Although returns and costs associated with migration include non-financial ones, they are measured in financial terms in most cases. Mincer (1978) points out that for wives, migration has the effect of reducing labor force participation and wages when their economic status is lower than their husbands.

In the study of sociology, the effects of gender-role ideology and the relative resource theory which maintains that either member of a married couple has the final say over migration, have been cited to explain the co-residence behavior. For example, using U.S. data, Bielby and Bielby (1992) shows that "wives in dual earner

couples are less willing than husbands" to relocate for better employment opportunities, pointing out an asymmetry that cannot be explained by hypotheses based on neoclassical economics.

Based on the abovementioned theoretical hypotheses, a large amount of empirical research literature has been accumulated in the United States and Europe (e.g., Shihadeh, 1991; Cooke et al., 2009). However, in many cases, U.S. and European studies discuss cases of voluntary migration, such as when the husband or wife seeks a better employment opportunity. For example, Taylor (2007), which uses British data, identifies migration cases related to husbands' work and to wives' work, respectively, and analyzes how each of the two sets of cases affected the post-migration employment probability for husbands and wives. The result shows that for both husbands and wives, migration related to their spouse's work lowers their own employment probability and that the intensity of the impact was almost the same for both. Taylor (2007) also shows that having a preschool child (a child aged 6 or younger who has yet to attend elementary school) reduces the employment probability for wives and that the employment probability for mothers with a young first child is much lower than the probability for mothers without a child or with an older child.

Among the foreign studies that analyze workplace relocation similar to the situation in Japan is a study by Burke and Miller (2017). Using U.S. military administrative records, Burk and Miller (2017) analyzes how servicemen's permanent change of station (PCS), which exogenously determines the timing and destination of migration, affects their spouse's employment and income. As a result of an estimation controlled for the spouse's fixed effects, the paper shows that PCS has a significant negative impact on the spouse's employment and income and that the decrease in income is large in the case of couples with a preschool child aged six or younger.

The workplace relocation discussed in our study is one entailing migration. Unlike married couples' migration commonly observed in the United States and Europe, workplace relocation in Japan is considered to be a less voluntary action by employees. Also, in Japan, a broad range of companies—not limited to particular business sectors—rotate employees between different business locations on a routine basis. Since workplace relocation is a matter that has an impact on the entire labor market, it is an object of strong research interest and surveys with companies and individuals have frequently been conducted. For example, according to a study by Ota (2017) which uses data from the Japanese Panel Study of Employment Dynamics (JPSED) (2016) that was conducted by the Recruit Works Institute in order to analyze married women's reasons for leaving a job, the non-employment probability for wives is 34.6 percentage points higher when the reason is their husband's workplace relocation compared with when the reason is dissatisfaction with wages. Moreover, Ota (2017) shows that women who left a job because of their husband's workplace relocation had a relatively high level of educational attainment, raising concerns that such cases inflict significant costs not only on the individuals but on society at large.

However, because of data constraints, a sufficient volume of precedent studies has not been accumulated in Japan. Nowadays, in most cases, married workers who have been ordered to relocate are given the choice of whether they migrate alone (*tanshin-funin*) or with their family (*taido-funin*).[1] Some wives leave a job in order to migrate with their husband. There are also those who choose not to migrate in order to retain their current job or those who were full-time housewives since before their husband's relocation. Wives in the latter cases cannot be captured by data consists of women who left their job. Among related literature, Chitose (2006), which is close to our study in teams of research interest, analyzes the relationship between married couples' migration, including cases of migration not related to workplace relocation, and wives' employment situation. Meanwhile, He (2021) uses an individual dataset from the Employment Status Survey, conducted by the Ministry of Internal Affairs and Communications, in order to identify the reasons for migration and analyzes how migration related to family members' work affect employment. He (2021) shows that for married women who had a job before migration, the probability of shifting to non-permanent worker or unemployment is high due to migration related to family members' work.

Some relevant studies are conducted from different viewpoints. Sasaki (2002) shows that "co-residence with

one's own parents or in-laws has significant positive effects on Japanese married women's labor force participation." Meanwhile, Compton and Pollak (2014) shows that "close geographical proximity to mothers or mothers-in-law has a substantial positive effect on the labor supply of married women with young children." Compton and Pollak (2014) argues that "the mechanism through which proximity increases labor supply is the availability of childcare." With whom to live and where to live are considered to be important factors of married women's employment.

Based on the abovementioned knowledge, our study focuses on both the co-residence choice and the employment choice faced by wives when their spouses have been ordered to relocate. We examine the decisions made on these choices at the time of workplace relocation considering the situation and attributes of individuals and their families before relocation. For the analysis, we use the Japanese Panel Survey of Consumers (JPSC), which includes information on whether or not workplace relocation occurred in samples' families. Specifically, first, we check whether wives whose spouses were relocated migrated with them and wives' employment situation (whether or not they were working). Then, we summarize their decisions on the co-residence and employment choices. We also check whether any trend change occurred between the 2000s and the 2010s. Next, using the Bivariate Probit model, we conduct a simultaneous estimation regarding the co-residence and employment choices and examine whether there is a correlation between the two choices. Furthermore, we analyze how individuals' attributes are related to these choices. Through this analysis, we identify the attributes of wives who are likely to leave work and suffer significant costs due to their spouse's relocation. We focus particularly on the impact of the presence of children, which has been pointed out in preceding studies.

As a result of the analysis, we find that compared with the 2000s, the percentage of families in which wives migrated with relocated spouses and became full-time housewives (leave work) fell in the 2010s, while the percentage of families in which wives chose not to migrate and remained working rose. We also find a negative correlation between the co-residence and employment choices: wives are less likely to remain working if they choose to migrate with spouses and are more likely to do so when they choose not to migrate. Another finding is that wives are more likely to migrate with relocated spouses and not working when the couple has only a preschool child. This finding was obtained when we controlled for wives' employment situation and occupation before relocation, and a similar result was obtained when the sample group was limited to wives who were working before their spouses' workplace relocation. This suggests that wives with a young child are more likely to choose to migrate with a relocated spouse and quit working.

Our study makes the following three contributions to research literature. First, paying attention to workplace relocation entailing migration as a corporate practice peculiar to Japan, the study analyzes the co-residence and employment choices faced by spouses of relocated workers based on an estimation considering the simultaneity of the two choices. To the best knowledge of the authors, it is rare in the United States and Europe that workers or their families involuntarily migrate for work-related reasons. Our study provides new knowledge on how workplace relocation orders for workers affect their spouses' co-residence and employment. Second, by using a unique dataset recording the occurrence of husbands' workplace relocation and couples' co-residence and employment status before and after relocation, our study identifies changes in the situation of couples who experienced workplace relocation before and after their relocation. Third, our study highlights anew the difficulty of balancing work and childcare duties—that is, mothers with a young child are less likely to remain working when their spouses are relocated.

Our study is structured as follows. Chapter II explains the data used, and III presents the analysis results. Chapter IV discusses the results and introduces readers to preceding studies related to remote work as a solution for the employment challenge (difficulty of remaining to work) for wives of relocated workers. Chapter V provides a summary.

II. Data

Our study uses an individual dataset from the JPSC, an annual survey started in 1993 by the Institute for Research on Household Economics. The JPSC has been conducted by the Panel Data Research Center at Keio University (PDRC) since 2018. In the first year of survey by the Institute for Research on Household Economics, 1,500 samples were adopted from the women aged between 24 and 34 who were randomly selected from across the nation. Roughly once every five years, women in their late 20s are added to the original sample group as new samples. Below, data for the period until 2019, the latest year for which relevant data are available, will be used.

The JSPC's panel of married women provides detailed records of the employment behavior, personal attributes and various living circumstances of each of husbands and wives, such as family relationship matters, including the presence or absence of children and parents, income, expenses, and savings. In addition, since 1994, the survey asks about changes in their living and work situation that had occurred in the past one-year period, and as a result, we can identify not only whether either the husband or wife (or both) experienced workplace relocation but also whether the couple continued to live together and whether they remained working after workplace relocation. In this study, we use samples of wives whose husbands continued to work for the same company over the past one-year period (including those who were on a leave of absence at the time of the survey) and who replied that their husbands experienced "transfer to another office entailing migration" (or "transfer to another office and, as a result, moved location") in the past one-year period (workplace relocation sample group). The percentage of wives who experienced their spouse's workplace relocation in each year was 2.8% on average. We obtain 776 workplace relocation samples from the pooled data between 1994 and 2019.[2]

The variables used for the analysis are constructed as follows. First, we construct a co-residence dummy that takes the value 1 when a wife lives with her spouse and the value 0 in the case of living apart. If the subject's spouse experienced workplace relocation in the past one-year and the couple currently lived together, the wife was deemed to have migrated with the spouse. Regarding wives' employment situation, we construct a dummy variable that takes the value 1 when the subject replied that she was working at the time of the survey and the value 0 when she was on a leave of absence (i.e., was not working currently but was set to return to the former workplace), was a "student," a "full-time housewife," or "otherwise non-working." Regarding the co-residence and employment status before the husband's workplace relocation, we construct dummy variables based on the replies given at the time of the previous year's survey.

For our estimation, we use data concerning the presence of children, wives' own attributes, and household finance as variables that affect wives' decisions on the co-residence and employment choices at the time of their spouse's workplace relocation. We focus particular attention on the presence of children. We construct a category variable that takes the value 0 when the couple has no child, the value 1 when the couple has only a preschool child (children), and the value 2, when the eldest child attends elementary or higher school, i.e., when the couple has at least one school-age child.

With respect to wives, in addition to using the variable for educational attainment (university graduate or higher degree dummy), we construct variables for wives' employment situation (form of employment) in the year prior to their spouse's workplace relocation and for wives' occupation based on the previous year's survey.[3] Regarding wives' employment situation, we construct a category variable that takes different values which each correspond to "full-time and permanent employee," "part-time employee," "other types of employee (temporary employee, fixed-term employee, self-employed, or others)," or "non-working." As for occupation, in order to capture occupational skills that are more likely to continue to work after migration, we construct three dummy variables: "self-employed/freelance" dummy, which takes the value 1 when the sample was a self-employed worker (working for companies with a workforce of nine employees or less in commercial, industrial and services industries) or a freelance worker (medical practitioner, lawyer, writer, etc.), and otherwise the value 0; the

"professional/engineer" dummy, which takes the value 1 when the sample was a professional worker (hospital doctor, researcher, etc.) or an engineer (engineer, programmer, nurse, etc.) and otherwise the value 0; and the "teacher" dummy, which takes the value 1 when the sample was a teacher (teacher at elementary, junior- or senior-high school, kindergarten, or nursery school) and otherwise the value 0.

As a variable related to husbands and household finance, we use husbands' annual income. The total sum of husbands' salary income from their employer and their own business income (income from self-operated business) in January-December of the previous year—the samples are asked about those figures in each year's survey—is deemed to be the husbands' annual income in the previous year. Regarding the residence ownership status before workplace relocation, we use a dummy variable that takes the value 1 when the sample lived in an owner-occupied house (a detached house or a condominium) at the time of the previous year's survey and otherwise the value 0. We also count the total number of workplace relocations experienced by husbands, including the latest relocation.

When using the JPSC panel, it is necessary to keep in mind the following points. First, the sample groups in the early years of the survey have an age bias, with the sample group limited to young people in their 20s and 30s. Although the younger cohorts were added, the age of original samples advanced year after year, and the age mix of the sample group differs depending on the survey year. When we examine the employment situation of wives, it is possible that the age effect may be working: when women are in their 20s and 30s, they are likely to face relevant family events such as birth-giving and childcare, while at older ages, they are likely to be charged with caring for aging parents, for example. Therefore, when we examine changes that occurred over periods of time based on descriptive statistics in Chapter III-1, we exclude the period when the sample group's age distribution is skewed and use only samples obtained after 2000. In addition, as the JPSC does not use sample weighting, we cannot present weighted descriptive statistics.

III. Analysis

1. Changes in wives' co-residence and employment status at the time of their husbands' workplace relocation

Figure 1 shows changes in the co-residence rate of the household and wives' employment rate among families in which the husband experienced workplace relocation in the past one-year period. The co-residence rate stayed at around approximately 70–80% in the 2000s and followed a moderate downtrend, declining to approximately 50–60%, in the 2010s. On the other hand, the employment rate among wives whose spouses experienced workplace relocation stayed at slightly below 40% in the first half of the 2000s but followed a moderate uptrend, rising to approximately 50–60%, in the latter half of the 2010s.[4] These results indicate that previously, wives were likely to migrate with relocated spouses and become full-time housewives, but that as an increasing number of women continue working after marriage, the percentage of those who choose to maintain a double-income status regardless of living apart or together with their relocated spouses has increased.

Let us take a closer look at the decisions on the co-residence and employment choices made by wives whose spouses were relocated. First, we divide the sample of wives who were living with their spouses at the time of the previous year's survey into two groups: one comprising those whose spouses experienced workplace relocation in the 2000s and the other comprising those whose spouses did so in the 2010s. The number of samples is 233 for the first group and 203 for the second group. Based on this categorization, Table 1 (A) shows changes in the co-residence status after relocation (whether or not wives co-resided with relocated spouses) and in the employment situation before and after relocation. The percentage of co-residing wives (the total in the lower row in each period) in the sample group (A) fell from approximately 70% in the 2000s to approximately 50% in the 2010s. According to a cross-tabulation with changes in the employment situation, in the 2000s, the

Source: The Japanese Panel Survey of Consumers (JPSC).
Note: The sample group comprises married women who replied that their spouses experienced "transfer to another office entailing migration" (or "transfer to another office and, as a result, moved location") in the past one-year period at the time of each survey in each year. Wives' co-residence rate refers to the percentage of those who were living with their spouses at the time of the survey. Wives' employment rate refers to the percentage of those who were working at the time of the survey. Workers on a leave of absence, students, housewives, and others not working are included among those who are categorized as "not working." The number of observations in the overall sample group for 2000-2019 is 593.

Figure 1. Changes in wives' co-residence and employment status after husbands' workplace relocation (2000-2019)

Table 1. Changes in wives' co-residence and employment status after husbands' workplace relocation (2000s, 2010s)

		(A) Distribution of wives' co-residence and employment status among wives whose husbands experienced workplace relocation in 2000s or in 2010s (%)				(B) Distribution of wives' co-residence and employment status among wives who were working in the previous year	
		Not working in the previous year		Working in the previous year			
		Not working	Working	Not working	Working	Not working	Working
2000s	Not co-resided	12	3	1	14	2	38
	Co-resided	46	3	10	11	29	31
2010s	Not co-resided	14	5	2	25	5	52
	Co-resided	26	5	9	12	18	25

Source: The Japanese Panel Survey of Consumers (JPSC).
Note: In (A), the sample group is limited to wives who replied that their spouses experienced "transfer to another office entailing migration" (or "transfer to another office and, as a result, moved location") in the past one-year period at the time of each survey and who were also co-residing with their spouses at the time of the previous year's survey. In (B), the sample group is further limited, to wives who were working in the previous year. The numbers of observations in (A) are 233 for the 2000s and 203 for the 2010s, and the numbers of observations in (B) are 84 for the 2000s and 99 for the 2010s.

percentage of wives who were "co-resided and remained not working" was the highest, 46%. In other words, nearly half were full-time housewives since before relocation and migrated with relocated spouses. The percentage of wives who were "not co-resided and remained working" was the second highest, 14%. On the other hand, in the 2010s, each of the percentages of wives who were "co-resided and remained not working" and wives who were "not co-resided and remained working" was approximately 25%. In other words, while the percentage of families in which the wife was a full-time housewife and migrated with a relocated spouse declined, the percentage of double-income families in which the husband migrated alone increased. Each of the percentages of wives who were "co-resided and not working" and wives who were "co-resided and working" remained almost flat at approximately 10% in the 2000s through the 2010s. In the entire workplace relocation sample group, we do not observe a significant change in recent years such as a decrease in the percentage of working wives who migrated with relocated spouses and not working or an increase in the percentage of working wives who remained working after migrating.

Table 1 (B) shows a comparison using sample groups limited to wives who were working before their spouses' workplace relocation. The numbers of observations are small, 84 (36% of the entire workplace relocation sample group) for the group of wives whose spouses experienced workplace relocation in the 2000s and 99 (49%) for the group of wives whose spouses did so in the 2010s, but we can observe an increase in the percentage of wives who were working before their spouses' relocation, a trend that is consistent with the recent increase in the percentage of double-income families. In those two sample groups, the percentage of wives who migrated with relocated spouses (the total in the lower row in each period) fell from approximately 60% in the 2000s to approximately 40% in the 2010s. As for the employment situation, the percentage of wives who remained working rose moderately, from approximately 70% in the 2000s to approximately 80% in the 2010s.[5] According to a cross-tabulation between changes in the co-residence status and in the employment status, the percentage of wives who were "not co-resided and working" increased in the 2010s compared with the 2000s. Those wives accounted for more than half of the sample group of wives in double-income families in which the spouse experienced workplace relocation. On the other hand, the percentage of wives who were "co-resided and not working" declined, and the percentage of those in the sample group of wives in double-income families in which the spouse experienced workplace relocation fell below 20%. In addition, the percentage of wives who were "co-resided and working" declined slightly, indicating that wives in double-income families can work at the time of their spouses' workplace relocation if the spouses migrate alone. In Japan, it may still difficult for working wives to choose to migrate with a relocated spouse and continue working. JILPT (2017) find that among male permanent employees whose wives also worked as permanent employees, the percentage of husbands who migrated with their family at the time of their workplace relocation within Japan was approximately 40%. Of those male employees, the percentage of those whose wives left their current employer at the time of relocation was 73%. This suggests that in many cases of husband-wife co-migration in Japan, wives tend to be forced to leave their current job and face difficulty remaining to work.

2. Decisions on wives' co-residence and employment at the time of their husbands' workplace relocation

What attributes affect wives' decisions on the co-residence and employment choices at the time of their spouses' workplace relocation? Below, we look at whether wives migrated with their spouses at the time of relocation and whether they were working after relocation. To take into consideration the simultaneous decisions (co-residence and employment), we estimate the Bivariate Probit model using the maximum-likelihood approach.

$$y_1^* = x'\beta + \epsilon_1 \quad y_1 = 1 \text{ if } y_1^* > 0,\ 0 \text{ otherwise} \qquad (1)$$

$$y_2^* = x'\beta + \epsilon_2 \quad y_2 = 1 \text{ if } y_2^* > 0,\ 0 \text{ otherwise} \qquad (2)$$

$$\mathrm{E}[\epsilon_1] = \mathrm{E}[\epsilon_2] = 0,\ \mathrm{Var}[\epsilon_1] = \mathrm{Var}[\epsilon_2] = 1,\ \mathrm{Corr}[\epsilon_1, \epsilon_2] = \rho$$

(1) represents the co-residence function and (2) represents the employment function. We conduct simultaneous estimation of (1) and (2) and test the simultaneity. When simultaneity is acknowledged, we interpret the results of the Bivariate Probit estimation.

In the co-residence function, the dependent variable is a dummy indicating whether the wife was currently living with the spouse. In the employment function, the dependent variable is a dummy indicating whether the wife was currently working. Regarding both functions, the explanatory variables include the following: the presence of children; the wife's educational attainment (university graduate or higher degree dummy); the wives' employment situation in the year prior to relocation; the wife's occupation in the year prior to relocation (self-employed/freelance dummy, professional/engineer dummy, and teacher dummy); the spouse's income in the previous year (10,000 yen); a dummy indicating whether the couple lived in an owner-occupied house in the year prior to relocation; and the total number of workplace relocations experienced by the spouse. In particular, we focus on the presence of children. The number of observations used for the basic estimation is 542, and the descriptive statistics are as shown in Table 2.

The meanings of those variables and expected results are as follows. First, regarding the co-residence function, given the effects of the presence of children, when couples desire to live together with the childcare burden and the parent-child relationship in mind, the co-residence probability is expected to be high. On the other hand, when couples have a school-age child and want to avoid change of schools and the child's surrounding environment, the co-residence probability is expected to be low. With respect to wives' employment situation in the year prior to workplace relocation, the probability of wives' choosing not to migrate is expected to be high when they work as permanent employees and want to avoid workplace change, giving precedence to their own working career, or when they earn stable income and are unlikely to face budget constraint even if their families have to maintain two separate households due to husbands' relocation.[6] Budget constraint problems are also unlikely to occur when husbands are high income earners. Wives may choose to migrate with relocated spouses if wives are permanent employees and their own employer is expected to provide generous support measures—such as granting a leave of absence associated with the spouse's workplace relocation or offering reemployment—when they have returned from migration. Regarding wives' occupation, when wives are freelance workers whose work is unlikely to be affected by location constraints or workers in the professional/engineer/teacher category who have special skills or government-certified qualifications and are therefore likely to find a job anywhere, the co-residence probability is expected to be high. On the other hand, when wives are self-employed or freelance workers who own a store or a local business network, the co-residence probability may be low. Meanwhile, the probability of wives choosing not to migrate is expected to be high when their families live in an owner-occupied house.

With respect to wives' employment function, the effects of having children are expected to be as follows: when wives cannot secure the time for work because of time constraints due to household chores and childcare, or when they think that mothers should concentrate on childcare, the employment probability is expected to be low. When couples have a school-age child and want to earn income to cover education expenses, the employment probability is expected to be high. Preceding studies also suggest that whether or not the child is of school-age is important for mothers' employment probability (indicated by preceding studies by Taylor [2007], etc.). When wives' educational attainment level is high, the employment probability is expected to be high because they are likely to be strongly eager to work in order to take advantage of their capabilities and to earn high income. Furthermore, when wives currently work as permanent employees or are freelance workers, professionals, or engineers who have special occupational skills, the employment probability is expected to be high. On the other hand, in the case of families in which the husband is a high income earner, the wife may choose not to work but to concentrate on household chores. When couples live in an owner-occupied house, they may choose to maintain a double-income status in order to repay housing loans.

Table 2. Descriptive statistics

Variables	(1) Overall workplace relocation sample group				(2) Sample group of the period from 2000		(3) Sample group of wives who were working in the previous year	
	Mean	Standard deviation	Min. value	Max. value	Mean	Standard deviation	Mean	Standard deviation
Employment dummy	0.35	0.48	0	1	0.39	0.49	0.71	0.46
Co-residence dummy	0.69	0.46	0	1	0.63	0.48	0.56	0.50
Wife university graduate or higher degree dummy	0.24	0.43	0	1	0.25	0.43	0.25	0.44
Self-employed/freelance dummy (wives' occupation in the previous year)	0.01	0.09	0	1	0.01	0.10	0.02	0.14
Professional/engineering dummy (wives' occupation in the previous year)	0.06	0.23	0	1	0.07	0.25	0.13	0.34
School teacher dummy (wives' occupation in the previous year)	0.02	0.13	0	1	0.02	0.13	0.04	0.19
Husbands' income in the previous year (10,000 yen)	690.87	291.17	230	3600	709.18	312.21	691.36	325.13
Owner-occupied house dummy	0.43	0.49	0	1	0.44	0.50	0.57	0.50
Number of workplace relocations experienced	2.99	2.05	1	12	3.03	2.07	2.83	1.98
Presence of children (%)								
Without a child	12.55				13.35		21.25	
With only a preschool child	31.37				27.18		14.90	
With a school-age child	56.09				59.47		63.94	
Wives' employment situation in the previous year (%)								
Not working	61.62				58.25			
Full-time/permanent employee	9.96				9.22		25.96	
Part-time employee	23.99				27.18		62.50	
Temporary employee, fixed-term employee, self-employed or others	4.43				5.34		11.54	
Number of observations	542				412		208	

Note: The overall workplace relocation sample group comprises wives who replied that their spouses experienced "transfer to another office entailing migration" (or "transfer to another office and, as a result, moved location") in the past one-year period and who were also co-residing with their spouses at the time of the previous year's survey. The data for 1994–2019 were pooled.

Workplace relocation that occurred in the estimation sample is presumed to be exogenous, but the following points should be kept in mind. First, the sample group does not include wives whose spouses never experienced workplace relocation. As a result, the sample group may have a selection bias: the sample group is limited to women who married men engaging in jobs that might entail workplace relocation. If wives make work-related adjustments in anticipation of their spouses' possible workplace relocation, such as refraining from working in the first place or obtaining professional qualifications so that they can find a job anywhere after migration, they

are expected to be resilient to a shock caused by relocation. Next, when wives were expecting their spouses' workplace relocation from early on, wives may make arrangements so that the timing of life events such as leaving a job or migrating corresponds to the timing of birth giving. However, as mentioned in Chapter I, it is rare for employers to consider the wishes of workers being relocated and that it is difficult to accurately predict the timing or duration of future workplace relocation. It should be noted that among wives aged 40 or younger in the data set used in this study, the percentage of those who gave birth in the past one-year period was 12% in the group of wives who experienced their spouses' workplace relocation and 11% in the group of wives who did not: in other words, we do not observe a significant difference between the results for those two groups.

The estimation presented below is conducted as follows: (1) in the basic estimation, in order to secure a sufficient number of samples, we do not limit the sample to particular age groups, and we include samples of wives who were not working in the previous year. Regarding the employment function, we look at whether wives were working after their spouses' workplace relocation, (2) we also conduct an estimation limited to samples whose spouses experienced workplace relocation in the 2000s or later, and (3) we also conduct yet another estimation limited to samples who were working in the previous year in order to identify whether working wives remained working after relocation.

Table 3 shows the coefficients of the estimation results. In the basic estimation (1), the ρ value is -0.471, and the null hypothesis of ρ=0 is rejected. This means that there is simultaneity between wives' co-residence and employment choices. In addition, the negative ρ value indicates a negative correlation between the two choices. In other words, for wives whose spouses experienced workplace relocation, their own co-residence and employment have a trade-off relationship, which means that if wives migrate with their spouse they find it more difficult to work, while if wives do not migrate, they find it easier to do so. The choice of migrating with a relocated spouse and the choice of working after relocation are difficult to make at the same time.

Let us look at the coefficient of the co-residence function in (1). The coefficient is positive in the case of mothers with only a preschool child and is negative in the case of mothers with a school-age child. However, statistical significance cannot be confirmed at a significance level of 5%. With respect to other variables, the coefficient of the full-time/permanent employee dummy takes a significant negative value, which means that wives are more likely to choose not to migrate when they work as permanent employees compared with when they are not working. The self-employed/freelance dummy, the owner-occupied house dummy, and the total number of workplace relocations experienced also take a significant negative value.

Regarding the employment function in (1), the coefficient takes a significant negative value in the case of mothers with a preschool child. On the other hand, in the case of mothers with a school-age child, the coefficient is positive but is not statistically significant. When the estimation is controlled for the employment situation in the previous year, the employment probability is low among mothers with only a preschool child when their spouses are relocated. The coefficient takes a significant positive value for the dummy for the wife's educational attainment (university graduate or higher degree dummy), for the dummies for the various types of employment situation for wives in the previous year as compared with those are not working, for the self-employed/freelance dummy, and for the teacher dummy. The results can be interpreted to mean that the employment probability after husbands' relocation is high for wives who possessed a high level of work skills and capabilities since before relocation. The coefficient of the owner-occupied house dummy also takes a significant positive value, which means that the probability of a couple choosing to maintain a double-income status is high when they live in an owner-occupied house.

The results of the estimation (2), in which the sample group was limited to wives whose spouses experienced workplace relocation in the 2000s or later, show that on the whole, there is not much difference compared with (1) in terms of whether the value of each variable's coefficient is positive or negative or whether or not the coefficient is statistically significant. Similar results were obtained from the estimation (3), in which the sample

Table 3. Estimation results regarding wives' choices on the co-residence and employment choices

	(1) Overall workplace relocation sample group		(2) Sample group of the period from 2000		(3) Sample group of wives who were working in the previous year	
	Co-residence function	Employment function	Co-residence function	Employment function	Co-residence function	Employment function
Presence of children (ref. "Without a child")						
With only a preschool child	0.414*	-0.887***	0.308	-0.787**	0.194	-1.197***
	(0.241)	(0.072)	(0.265)	(0.319)	(0.390)	(0.397)
With only a school-age child	-0.432*	0.040	-0.419*	0.033	-0.430	0.716**
	(0.227)	(0.243)	(0.246)	(0.278)	(0.341)	(0.311)
Wives' educational attainment (university graduate or higher degree dummy)	-0.035	0.370**	0.073	0.342*	0.016	0.620**
	(0.159)	(0.170)	(0.174)	(0.187)	(0.243)	(0.260)
Wives' employment situation in the previous year (ref. "Not working")						
Full-time/permanent employee	-0.506**	1.685***	-0.611**	1.876***	-0.876**	1.775***
	(0.241)	(0.231)	(0.283)	(0.286)	(0.419)	(0.405)
Part-time employee	-0.132	1.524***	-0.032	1.537***	-0.407	1.184***
	(0.164)	(0.160)	(0.182)	(0.178)	(0.362)	(0.333)
Temporary employee, fixed-term employee, self-employed or others	0.320	0.643**	0.287	0.570*	(ref.)	
	(0.348)	(0.285)	(0.361)	(0.302)		
Wives' occupation in the previous year						
Self-employed/freelance dummy	-7.361***	6.467***	-7.308***	6.458***	-7.886***	8.211***
	(0.437)	(0.388)	(0.450)	(0.406)	(0.514)	(0.528)
Professional/engineering dummy	-0.188	0.195	-0.265	0.019	0.327	0.345
	(0.321)	(0.281)	(0.339)	(0.317)	(0.317)	(0.331)
Teacher dummy	-0.148	1.556**	0.052	0.868	0.028	1.530**
	(0.416)	(0.729)	(0.494)	(0.602)	(0.450)	(0.708)
Husbands' income in the previous year	-0.00039*	0.00002	-0.00021	0.00004	-0.00022	0.00028
	(0.00021)	(0.00025)	(0.00022)	(0.00026)	(0.00028)	(0.00033)
Owner-occupied house dummy (previous year)	-1.102***	0.498***	-1.212***	0.563***	-1.077***	1.027***
	(0.144)	(0.146)	(0.161)	(0.166)	(0.238)	(0.246)
Number of workplace relocations experienced	-0.0773**	-0.0007	-0.0865**	0.0179	-0.2245***	0.0087
	(0.0306)	(0.0347)	(0.0345)	(0.0379)	(0.0585)	(0.0537)
Constant	1.855***	-1.251***	1.631***	-1.287***	2.341***	-1.889***
	(0.254)	(0.291)	(0.260)	(0.324)	(0.560)	(0.486)
Log likelihood	-458.948		-364.425		-186.614	
ρ value	-0.471***		-0.453***		-0.650***	
	(0.104)		(0.114)		(0.168)	
Number of observations	542		412		208	

Note: The table shows the coefficients of the estimation results and the robust standard errors (in parentheses) under the Bivariate Probit model. * p<0.1, ** p<0.05, *** p<0.01.

Table 4. Presence of children and wives' co-residence and employment choices (average marginal effects)

	Co-resided and working	Co-resided and not working	Not co-resided and working	Neither co-resided nor working
A. Overall workplace relocation sample group				
With only a preschool child	-0.106**	0.202***	-0.0932***	-0.00282
	(0.0507)	(0.0619)	(0.0534)	(0.0333)
With a school-age child	-0.0537	-0.0725	0.0643	0.0619*
	(0.0511)	(0.0587)	(0.0398)	(0.0343)
B. Sample group of wives who were working in the previous year				
With only a preschool child	-0.208***	0.262***	-0.148*	0.0937
	(0.0779)	(0.0971)	(0.0822)	(0.0588)
With a school-age child	0.0308	-0.162**	0.151*	-0.0207
	(0.0917)	(0.0731)	(0.0897)	(0.0276)

Note: "A" shows the average marginal effects calculated based on the estimation results in Table 3 (1), and "B" shows the average marginal effects calculated based on the estimation results in Table 3 (3). The numbers of observations are 542 for "A" and 208 for "B." The figures in parentheses represent standard errors. * p<0.1, ** p<0.05, *** p<0.01

group was limited to those wives in the sample group of the estimation (1) who were working in the previous year. Wives who were working before their spouses' workplace relocation are less likely to work after relocation when they have a preschool child, and they are more likely to work when they have a school-age child.

Table 4 shows the marginal effects of the presence of children on wives' probability of choosing to migrate and of choosing to work shown in Table 3. More specifically, the table shows differences in that probability, in terms of the average probability within each sample group, between wives with only a preschool child and wives with a school-age child with respect to the four patterns of outcomes regarding a binary choice between the co-residence and employment functions. The four patterns are: (1, 1) = migrated and working; (1, 0) = migrated and not working; (0, 1) = did not migrate and working; and (0, 0) = neither migrated nor working. In the overall sample group A, the figure takes a significant negative value in the case of wives who migrated and remained working and wives who did not migrate and remained working if they had a preschool child. On the other hand, the figure takes a significant positive value in the case of wives who migrated and not working. This means that compared with other women, wives with only a preschool child are more likely (specifically, the probability is 20% higher) to migrate with a relocated spouse and choose not to work. In other words, the choice of migrating with a relocated spouse and not working is likely to be made by wives with a young child. Similar results were obtained when the sample group is limited to wives who were working in the previous year, indicating that the probability of migrating with a relocated spouse and not working is high among women with a preschool child. The finding that the employment probability after migration is low among mothers with a young child is consistent with the results of preceding studies (as indicated by Taylor [2007], etc.).

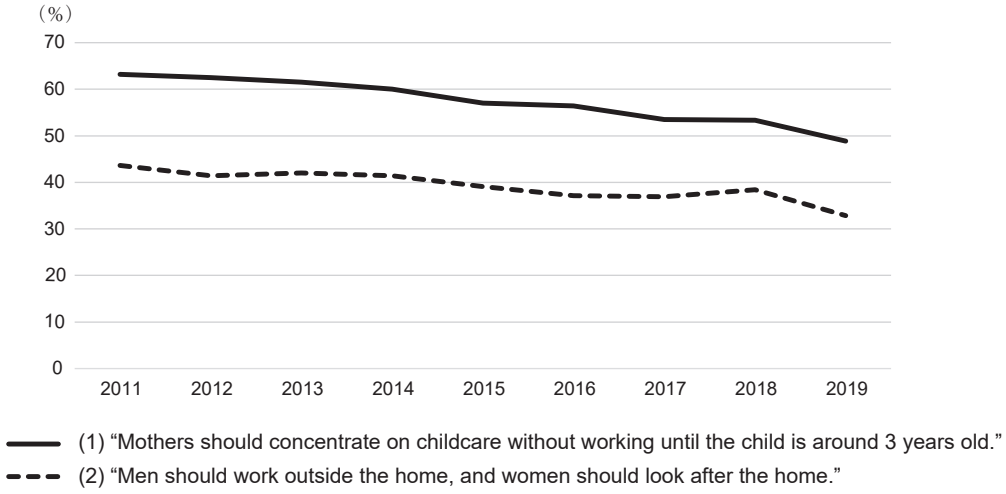
IV. Discussions

1. Reasons why wives migrated and not working

Why is the tendency to choose to migrate with a relocated husband and not to work stronger among women with a young child? As a possible reason, let us look at time constraints due to household chores and childcare. As the presence of a young child increases the burden of household chores and childcare, it is necessary to share the burden between husband and wife, a situation that makes it more likely that wives choose to migrate with a

relocated spouse. In that case, if wives were working before their spouses' workplace relocation and if they left their current job at the time of migration, they are expected to face difficulty finding a new job, and that may be the reason why they are forced to leave work. Meanwhile, time constraints due to household chores and childcare may in itself become a reason why wives are forced to leave work after migration. That is because the migration to a new place of residence may impose an additional household chores burden. If a change in the circumstances, such as increased inconvenience for household chores and childcare due to locational factors, causes an additional burden for a couple with a young child and if the wife bears the additional burden, the wife may be forced to leave work so that she can concentrate on household chores and childcare. For example, childcare services and facilities may not be available in the new place of residence. Some preceding studies (Imada and Ikeda, 2004) have indicated that the availability of childcare services and childcare in the community and assistance provided by parents living nearby affect wives' employment. In particular, in the case of wives who were working before migration while receiving childcare services, if the services become unavailable, they are forced to give up on working even though they may be eager to work. Reasons like these are consistent with the finding that the tendency to be forced to leave work after migration is significant only among wives with a young child, for whom the availability of childcare services is essential.

Wives' values are also presumed to be a factor behind their tendency to bear an additional burden due to change in families' living arrangements and time constraints. In JPSC surveys conducted in 2011 and later, respondents were asked whether they "agree," "somewhat agree," "somewhat disagree" or "disagree" with the following values-based notions: "Men should work outside the home, and women should look after the home." and "Mothers should concentrate on childcare without working until the child is about 3 years old." Figure 2 shows changes in the percentage of those who replied that they agreed or somewhat agreed among wives aged 50 or younger. While the percentage of women who agreed with those notions declined over time, approximately 30% agreed with the first notion and around half agreed with the second notion as of 2019. Some preceding studies have indicated the presence of the impact of values (e.g., Bielby and Bielby, 1992). In Japan, traditional values, such as "women should concentrate on childcare while their child is young," have still persisted in recent years despite the progress of female empowerment. Factors like this may be behind the tendency of working



Note: The sample group comprises married women aged 50 or younger, excluding those who did not respond to the question. The numbers of observations are 10,531 for the graph legend (1) and 10,536 for (2).

Figure 2. Changes in wives' values related to household chores and childcare (percentage of wives who agreed)

wives with a young child to leave a job and migrate with a relocated spouse when the spouse's workplace relocation brings a shock to household.

2. Possibility of using remote work

What should be done to encourage wives to continue working after migrating with a relocated husband? For wives, in addition to using a support program available at their employer, such as one that allows them to change workplace when their husband is relocated, there are two alternative options. One is to leave their current employer and find a new job at another company in their new location of residence. The other is to stay with their current employer and do remote work. As one way of making the first option more feasible than now, Takeishi (2016) cites the "Regional Banks' Human Resource Bank" initiative. Under this initiative, regional banks have formed a network of cooperation whereby workers at regional banks who are forced to leave a job for reasons such as their spouse's workplace relocation are introduced to other regional banks located in their new place of residence. However, initiatives like this have a demerit in that employers must release employees whom they have recruited and trained at their expense.

In this respect, if remote work can be successfully used, workers can stay with their current employer and continue working after migration while the employer is spared the loss of workers. Although this point has already been examined by preceding studies (e.g., Kantani, 2005), in Japan, remote work was not in widespread use before the COVID-19 pandemic, so many companies remained institutionally unprepared. As working from home has become popular across the world because of the COVID-19 pandemic,[7] relevant empirical research and knowledge is rapidly being accumulated. In the future, remote work may become a realistic option for women to avoid not working due to migration.

Remote work[8] has the potential to encourage women with a young child in particular to work. That has been pointed out since before the COVID-19 pandemic. According to Edwards and Field-Hendrey (2002), fixed costs associated with working from home, such as commuting hours, are low, making it easier to perform childcare and other domestic production activities while working. As a result, for women, the levels of reservation wage and reservation hours are different between working from home and working onsite. Even though the presence of a young child has the effect of inhibiting women's labor force participation, the inhibiting effect is smaller in the case of working from home. This indicates that the probability of choosing to work from home is high among women participating in both household production and market labor. Mas and Pallais (2017) shows that "women do place a higher value on working from home and this is particularly true for women with young children." In Japan as well, Kawaguchi and Motegi (2021) shows that the probability of choosing to work from home is high among workers with a child aged 6 or younger.

Although working from home has been adopted widely amid the COVID-19 pandemic, it should also be kept in mind that this style of working is not necessarily useful for all women. It has been pointed out that the availability of working from home (working-from-home potential) differs from occupation to occupation (Dingel and Neiman, 2020; Kotera, 2020; Ishii, Nakayama, and Yamamoto, 2021). Some analysis results have shown that the use of remote work by mothers decreased after the end of the across-the-board closures of elementary and junior high schools introduced under state of emergency declaration (Hansen, Sabia and Schaller, 2022). However, a study by Okubo (2022), which analyzes panel data concerning the use of telework amid the COVID-19 pandemic in Japan shows that women are more likely than men to continue to use telework even when the working-from-home potential is taken into consideration. At present, regarding remote work, discussions are ongoing on various matters, including the impact on productivity and mental health (Ishii, Nakayama, and Yamamoto, 2021; Morikawa, 2022). In the future, it is desirable to consider using remote work from the viewpoint of promoting women's employment.

V. Summary

Our study, using the JPSC panel, examined wives' co-residence and employment behavior associated with their husbands' workplace relocation. It also estimated simultaneity between wives' co-residence and employment choices and looked into correlation between these two choices. At the same time, the study analyzed how individuals' attributes, such as the presence of children, affect wives' decisions on the choices of whether or not to migrate with a relocated spouse and of whether or not to work after migration.

As a result of the analysis, we found that in the 2010s, the percentage of families in which the wife migrated with a relocated spouse and became a full-time housewife declined, while the percentage of families in which a relocated spouse migrated alone and the wife continued to work increased. It was also found that the choice of migrating with a relocated husband and not working was more likely to be made by wives with only a preschool child. As reasons for that, we considered the following possibilities: if the husband and wife migrated together and the wife left a job in order to share the burden of household chores and childcare, the wife may face difficulty working after migration; the wife may face difficulty working because of an additional burden of household chores and childcare following migration because she bears the additional burden. Our study also indicated the possibility that traditional values regarding household chores and childcare may have persistent effects on wives' decisions on the employment choice. In addition, the study looked at remote work as an option for wives to continue to work after migrating with a relocated spouse and cited relevant preceding studies.

As for future research, while our study conducted an estimation based on pooled data because of the limited sample size of the workplace relocation group, it is necessary to verify the robustness of the results by using a panel structure to conduct an estimation controlled for individuals' fixed effects. Other factors that should be controlled include whether or not wives live with parents and expectation for a wage rise and promotion for husbands after workplace relocation. Moreover, it is desirable that more research be accumulated, including the analysis of the co-residence and employment choices that treats workplace relocation as an exogenous shock.

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Notes

1. According to Tanaka (2013), the percentage of companies that made it a principle that relocated employees migrate with their family was higher than 80% in the 1980s but declined in the 1990s. According to a survey conducted in a recent year, the percentage was 25.5% (JILPT, 2017).
2. Wives whose spouses experienced multiple workplace relocations are treated as separate samples at the time of each relocation. That is because the situation of wives of relocated spouses remains the same at the time of each relocation regardless of the number of relocations experienced in that it is impossible to foresee with certainty how many years later the next relocation will occur and when they can return from migration. In the estimation, expectations for a future return are controlled to a certain degree by including the owner-occupied dummy among the variables.
3. As wives' age has a strong correlation with the variable for the presence of children, it is excluded from our study due to identification problems.
4. It should be kept in mind that the "M-shaped curve," which represents the trend line of female labor participation over age groups, also changed because of a rise in the female employment rate caused by improvements in the macroeconomic conditions from 2012 onwards.
5. When we checked the employment status regarding wives who migrated and continued to work or who did not migrate and continued to work, we found very few samples whose form of employment changed: from permanent employment to part-time employment, for example. As the numbers of observations who continued to work were limited, in the future, it is desirable to conduct an analysis paying attention to wives' form of employment.
6. Among other factors that may affect household budget constraints when husbands migrate alone are benefits for employees living apart from their family. According to the General Survey on Working Conditions (2018), conducted by the Ministry of Health, Labour and Welfare, the percentage of companies offering such benefits is 14% among all respondent companies and 67% among large companies

with a workforce of 1,000 or more employees. However, the average level of benefits paid per employee is 47,600 yen, a financial compensation that is not necessarily sufficient for families to maintain two separate households.

7. Among studies that show the spread of telework in Japan amid the COVID-19 pandemic are Okubo (2020) and Morikawa (2022).
8. Remote work, also known as telework, may be variously defined, but the remote work as referred to here is mainly "working from home."

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The Diffusion of Parental Leave for Fathers in Japanese Firms: Exploring Antecedents and Performance Outcomes

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This study examines the diffusion of parental leave for fathers in Japanese firms, specifically exploring antecedents and performance outcomes. Using panel data on the Nikkei 225 firms from 2004 to 2020, we found that parental leave for fathers is more prevalent in firms that are proactive in work-life balance practices and that once the practice begins to diffuse, it diffuses by itself through peer effects within the firm. Meanwhile, we did not find any statistically significant effect on firm performance. These results imply that it may be difficult to expect the diffusion of parental leave for fathers through voluntary efforts by firms alone. The benefits of fathers taking parental leave are not necessarily limited to firms that employ them; rather, such benefits can be reaped by their wives, firms that employ their wives, and even society as a whole. In fact, to ensure that women can continue to build on their careers without interruption due to marriage, childbirth, or child-rearing, reforming men's work including parental leave is required. In this sense, externalities exist in parental leave for fathers, and efforts by individual firms alone may not be enough for a socially sufficient level, suggesting the need for policy intervention by the public sector.

I. Introduction

In June 2021, the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (hereinafter "CCFCLA") was amended, and then enforced in phases. The amended CCFCLA introduced a new scheme that enables fathers to take up to four weeks of parental leave (paternity leave)—which can be taken all at a time or as divided into two separate blocks—during the first eight weeks after a child's birth, in addition to the existing parental leave system. As a result, male workers can take parental leave in four separate blocks, including the paternity leave provided under the amended CCFCLA.

In addition, for firms with a workforce of 1,000 or more employees, information on male workers' use of parental leave should be available to the public from April 2023 under the amended act. This indicates that the development of a workplace environment conducive to parental leave for farther is emerging as an important challenge for Japanese firms.

Promoting parental leave for farther is a work-life balance (hereinafter, "WLB") practice to enable fathers to balance the needs of work and child-rearing. By providing parental leave for a certain period of time, relieving fathers of the burden of work, and encouraging their proactive involvement in child-rearing and other household responsibilities, the practice is expected to alleviate the disproportionate burden on mothers. There is an abundance of research so far concerning the antecedents that affect WLB practices and their impact on employing firms' performance, both in Japan and internationally (Konrad and Mangel 2000; Spell and Blum 2005; Yang and Konrad 2011; Anezaki 2010; Kawaguchi 2008; Yamamoto and Matsuura 2011), and recent research on Japanese firms has focused on WLB practices targeted at women (married women in particular) (Abe, Kodama, and Saito 2017; Yamaguchi 2017; Yamaguchi 2021). While research on WLB practices for women have accumulated, much less is known about WLB practices for men in Japanese firms. This is surprising given that the implementation of WLB practices for men in Japanese firms has also been gradually becoming an important point of debate, as exemplified by the promotion of the *Ikumen* Project (which aims to encourage more men to actively involved in child-rearing) by the Ministry of Health, Labour and Welfare (MHLW) since FY2010.[1]

From this perspective, our study analyzes the diffusion of parental leave for father in Japanese firms using panel data on the Nikkei 225 firms from FY2004 to 2020. In the past, few male workers took parental leave. As will be mentioned later, however, male parental leavers have started to rise in the late 2000s. Our study aims to contribute to research on WLB practices by identifying the antecedents of fathers' use of parental leave (what factors affect the diffusion of parental leave for father at firms) and its impact on firm performance (how the diffusion of parental leave for father affects firm performance).

This article is structured as follows. Chapter II provides an overview of previous studies on fathers' use of parental leave and Chapter III explains what Japan's parental leave system is. Chapter IV presents the data and analytical framework used in our study and Chapter V provides detailed explanations about the contents of our analysis. Chapter VI summarizes the estimation results obtained from the analysis and argues the implications obtained from the analysis. Finally, Chapter VII states the conclusion of our study and mentions unresolved research issues that should be addressed in the future.

II. Literature Review

Previous studies related to the diffusion of parental leave for father can be broadly divided into those investigating the antecedents that affect father's use of parental leave and those examining its consequences. Some studies that examined the antecedents that affect fathers' use of parental leave pointed out the importance of policy measures to encourage fathers to take parental leave. According to a study by O'Brien (2009), which analyzed parental leave systems in 24 countries, including European countries and other English-speaking countries (the United States, Canada, and Australia) in 2003–2007, fathers' use of statutory leave is greatest when high income replacement (50 percent or more of earnings) is combined with extended duration (more than fourteen days). Furthermore, a series of studies examining the effects of the father's quota system (a system that assigns fathers to take a certain amount of parental leave), which was adopted in Sweden (Duvander and Johansson 2012; Ekberg, Eriksson and Friebel 2013), Norway (Dahl, Løken and Mogstad 2014), Iceland (Olafsson and Steingrimsdottir 2020), and the Canadian province of Quebec (Patnaik 2019) to encourage men to take parental leave, have indicated that the introduction of these systems resulted in a significant increase in father's use of parental leave.

In particular, Dahl, Løken and Mogstad (2014) examined how the introduction of the father's quota system in Norway affected father's use of parental leave. In order to encourage fathers' involvement in child-rearing, Norway introduced the father's quota system in 1993. This system grants couples an additional month of parental leave when the father also takes paternity leave, compared to when only the mother takes such leave.[2] As a result of an analysis using data for the period from 1992 to 2006, it was found not only that the parental leave take-up rate among men rose 32% immediately after the introduction of the system but also that the rate rose further when there was a male sibling or workplace colleague who had taken parental leave. Such peer effect snowballs, with the first peer (the sibling or workplace colleague) affecting the behavior of the second peer, whose behavior in turn affects the third peer, and so on. As a result, the parental leave take-up rate among men in Norway rose to as high as around 70% in the first half of the 2000s.

Studies that examined the effects of father's use of parental leave found that fathers' leave-taking affected not only the parental sharing of child-rearing and other household responsibilities (Patnaik 2019) but also the affairs related to the medium- to long-term spousal relationship, including birth-giving (Duvander et al. 2019; Lappegård and Kornstad 2020) and divorce (Lappegård et al. 2020; Olafsson and Steingrimsdottir 2020). For example, Patnaik (2019) examined the effects of fathers' use of parental leave of parents living in Quebec on the sharing of child-rearing and other household responsibilities during the first to third years after the leave period. It was found that when fathers took parental leave, not only did they spend more time on child-rearing and other household responsibilities than when they did not, but mothers also devoted more time in paid work and were more likely to be employed full-time. This suggests that fathers' use of parental leave may have sustained effects on both parents' behavior and contribute to correcting the uneven parental sharing of child-rearing and other household responsibilities. On the other hand, Ekberg, Eriksson, and Friebel (2013) and Ugreninov (2013), who focused on the number of sick leave days taken to care for sick children as an indicator of the parental-sharing of child-rearing and other household responsibilities, did not observe any significant effect of fathers' use of parental leave. This suggests that the effects of paternity leave may differ depending on the specific household responsibilities and child-rearing.

Duvander et al. (2019) examined the effects of fathers' use of parental leave on the birth of a second and third child in Iceland, Norway, and Sweden from 1995-2009. The study found that fathers' use of parental leave had a positive effect on the birth of a second child in all of the three countries but that in the case of a third child, it did not have any statistically significant effect in Sweden and had a negative effect in Norway and Sweden. This suggests that fathers' use of parental leave may not necessarily encourage parents to have more children (particularly when the couple already has two children). Meanwhile, Lappegård and Kornstad (2020) investigated how social norms that developed in local communities as a result of the diffusion of parental leave for father may affect the decision on childbirth taken by parents living in the communities. Specifically, the study focused on Norway in 1989–2013 and found that the parental leave take-up rate among men in a certain community had a positive effect on the birth of first and second children for couples living in the community. In addition, this effect was found to be stronger in relation to the birth of a second child compared to that of a first child. These results suggest that in communities where parental leave for father diffuses widely and where fathers' involvement in child-rearing is taken for granted, fathers' engagement in child-rearing can be expected to be greater than in other regions, and thus it is easier to plan for childbirth and implement the plan.

Lappegård et al. (2020) analyzed the effects of fathers' use of parental leave on spousal relationship.[3] Specifically, the study, focusing on three Nordic countries—Iceland, Norway and Sweden—in 1993–2011, examined the effects of the fathers' use of parental leave on the divorce/separation of married or cohabiting couples. It was found that among couples where the man took parental leave, divorce/separation was less likely to occur compared to couples where the man did not take parental leave. This effect was consistently observed in the three countries. This is presumably because fathers' use of parental leave, through the sharing of child-

rearing and other household responsibilities, lead to greater couple satisfaction and stronger family ties. The results of the above analysis are consistent with the results of an analysis conducted by Olafsson and Steingrimsdottir (2020), which examined the effects of parental leave reforms implemented in Iceland in 1990–2016 to promote the wider use of parental leave among men. This study showed that after the reform, the probability of divorce is lower among parents who are entitled to paternity leave.[4] Moreover, it found that this effect not only persists throughout the first 15 years after the child is born but also has the strongest impact among couples where the mother has higher, or equal, educational attainment to that of the father.

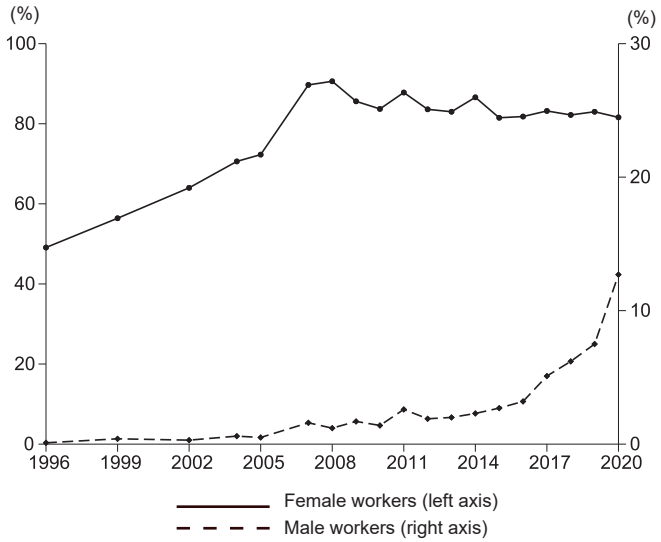
These previous studies suggest that the benefits of fathers' use of parental leave can be reaped by their wives, by the firms employing the wives, and, eventually, by society as a whole. On the other hand, there have been few studies conducted with respect to the benefits that may be reaped by the employer firms of the fathers. If the employer firms cannot enjoy the benefits, efforts made by individual firms alone may not be sufficient to raise the take-up rate of parental leave up to a socially satisfactory level. In fact, many of the reasons cited by Japanese fathers for not taking parental leave are attributable to factors related to the workplace environment, and thus efforts made by individual firms alone may not have been sufficient.[5] Therefore, focusing on firms where male workers took parental leave, this study considers what factors affect the diffusion of parental leave for father at firms and how it affects firm performance.

III. Japan's Parental Leave System

The Act on Childcare Leave, etc. (hereinafter the "Childcare Leave Act"), the predecessor of the current CCFCLA, was enforced in 1992.[6] Before that, the legal provisions for parental leave were contained in the Working Women's Welfare Act. Those provisions were inherited by the Act on Equal Opportunity and Treatment between Men and Women in Employment (hereinafter, the "Equal Employment Opportunity Act"), which was enforced in 1986 as an amended version of the Working Women's Welfare Act. Around the time of enforcement of the Equal Employment Opportunity Act, even before the enforcement of the Childcare Leave Act, some firms started to introduce a parental leave system as part of their efforts to develop a work environment conducive to retaining female workers.[7] However, in most of these cases, parental leave was granted only to female workers. Later, following the "1.57 Shock" in 1990,[8] social concerns over the declining birthrate grew, and as part of the legislative initiative to address this problem, the Childcare Leave Act was enacted in order to provide for parental leave as an entitlement for workers, including men (Sato and Takeishi 2004).

The Childcare Leave Act was based on the Workers with Family Responsibilities Convention, 1981 (No.156) and the Family Responsibilities Recommendation, 1981 (No.165), which was adopted by International Labour Organization in 1981. It enabled workers, both men and women, to take leave for a period of one year after a child's birth and stipulated that employer firms cannot deny employees' requests to take leave (Inoue 2018). After its enforcement in 1992, the Childcare Leave Act has undergone amendments to adapt it to changing circumstances. Specifically, the scope of workers eligible for parental leave, which was initially limited to regular workers, was later expanded to cover fixed-term workers as well. Furthermore, it was later allowed to extend the duration of parental leave, which in principle is one year after a child's birth, to a maximum of two years in cases where access to a childcare facility was not available.[9]

In parallel with the implementation of the succession of amendments, economic support during the period of parental leave were also introduced. At first, no income compensation was provided during the period of parental leave, but as a result of the amendment of the Employment Insurance Act in 1994, parental leave cash benefits were set up, and the payment of cash benefits equivalent to 25% of the pre-leave wage level started in 1995. Later, the wage replacement rate was gradually raised to 40% of the pre-leave wage level in 2001 and to 50% in 2007. In 2014, it was raised to 67% for the first six months of the leave while the rate for the rest of the leave



Source: Created by the authors based on the Basic Survey of Gender Equality in Employment Management (MHLW 2019).

Figure 1. The parental leave take-up rate in Japan

period was kept at 50% (MHLW 2016).[10]

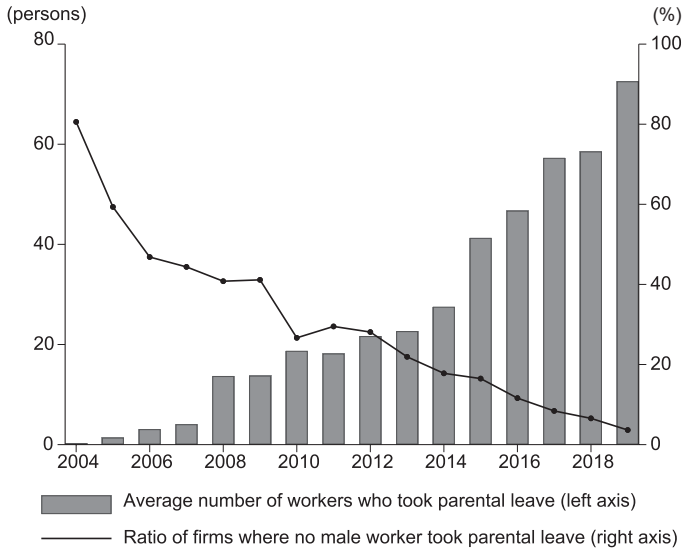
As a result of the enhancement of such public support for parental leave, Japan's parental leave system has become a generous one by global standards. Indeed, according to UNICEF's 2021 report *Where do rich countries stand on childcare?*, Japan ranked first among 41 countries (members of the Organization for Economic Cooperation and Development and the European Union) for providing the longest period of paid leave for fathers (Gromada and Richardson 2021). However, in practice, women mostly take parental leave, and the parental leave take-up rate among fathers still remains low. Figure 1, which shows the gender-wise parental leave take-up rates, demonstrates that the take-up rate among mothers started to rise gradually from 49.1% in FY1996 and has stayed at above 80% since the middle of the 2000s. On the other hand, the take-up rate among fathers, which was 0.1% in FY1996, remained flat for a while but started to rise moderately after surpassing 1% for the first time in FY2007. Although the uptrend became more pronounced in the second half of the 2010s, the take-up rate among fathers in FY2020, at 12.7%, remained much lower than the rate among mothers. That being said, given that the take-up rate among fathers remained below 1% until the middle of the 2000s, father's use of parental leave is steadily spreading, albeit at a moderate pace.

IV. Data and Analytical Framework

1. Data

The core data of our study is the number of male workers who took parental leave[11] that is contained in *CSR Company Hand Book* (published by Toyo Keizai). *CSR Company Hand Book*, which has been published annually since 2005, contains data on corporate social responsibility activities of Japanese firms. In our study, we collected data on the numbers of male workers who took parental leave in FY2004–2019 at the 225 firms that were designated as the components of the Nikkei 225 stock index as of the end of FY2019.[12] As data contained in *CSR Company Hand Book* are gathered through a questionnaire survey, firms that did not respond to the survey are not included. The data for the study was available for 210 Nikkei 225 firms.

Figure 2 shows changes over time in the average numbers of male workers who took parental leave and the



Source: Created by the authors based on *CSR Company Hand Book*. (Toyo Keizai 2007–2020).

Figure 2. Diffusion of parental leave for male workers at the Nikkei 225 firms

percentage of firms where no male worker who took parental leave among firm that responded to the survey in our sample. The average number of male workers who took parental leave, which was almost nil in FY2004, started to rise moderately in late 2000s, and the uptrend became more prominent in late 2010s. This is consistent with the trend indicated in Figure 1. The percentage of firms where no male worker who took parental leave continued to decline from the middle of the 2000s, falling below 5% in FY2019. This implies that the number of male workers who took parental leave increased at many firms, rather than that the number increased at particular firms.

In our study, the above data on the numbers of male workers who took parental leave is combined with other CSR data collected from *CSR Company Hand Book* and financial data obtained from *Financial QUEST* (provided by Nikkei) and *eol* (provided by I-N Information Systems). Regarding employer firms' performance, we collected data for the period until FY2020 because it presumably takes time before the effects of changes in the number of fathers who take parental leave appear in firm performance. Ultimately, the data used in our study are panel data concerning 210 Nikkei 225 firms in FY2004–2020.[13]

2. Analytical Framework

We first analyze the antecedents of the number of male workers who took parental leave (what factors affect the number of male workers who took parental leave in firms) and then examine its impact on the firm performance of the employer firms (how the number of male workers who took parental leave affects employer firms' performance). Regarding the antecedents, our study predicts that the use of parental leave increases at firms adopting a proactive approach to WLB practices and that once the fathers' use of parental leave has started to diffuse, the momentum of diffusion snowballs. That is because, at firms adopting a proactive approach to WLB practices, it is expected to be a well-established environment for promoting fathers' use of parental leave, resulting in the widespread of the practice, and because once the practice has started to diffuse, it will become more and more widespread of its own momentum through peer effect.[14]

With respect to the effects of the diffusion of parental leave for father on employer firms' performance, we consider the following three possibilities.[15] The first is the possibility that the diffusion of fathers' use of parental

leave may have a positive impact on firm performance. That is because the employee retention rate and morale are expected to improve in line with an increase in fathers' use of parental leave, resulting in better firm performance. The second is the possibility that the diffusion of fathers' use of parental leave may have a negative impact on firm performance. That is because if the work taken over by replacement employees during the period of parental leave does not proceed smoothly or if the procedures necessary for ensuring smooth implementation of the work taken over are too onerous, the employer firms are expected to endure a heavy burden of parental leave, leading to a decline in firm performance. The third is the possibility that the diffusion of fathers' use of parental leave will have no impact on firm performance because even if the employee retention rate and morale improve, the benefits for firm performance are expected to be offset in cases where the employer firm suffers equally strong countervailing costs.

V. Estimation Method and Measures

1. Antecedents

First, we conduct estimation concerning the factors that affect the number of male workers who took parental leave. Since the number of male workers taking parental leave is a count variable, we use the Poisson regression model and the negative binomial regression model: both models are representative approaches for handling count data.[16] In the case of the Poisson regression model, it is assumed that the Poisson distribution, which is usually used to describe the distribution of the numbers of events whose occurrence probability is small, represents the probability distribution of the explained variable Y_{it}. In this study, the number of male workers who took parental leave, expressed as *male parental leaversit*, is used as the explained variable Y_{it}, and it is assumed that the mean value of this variable, indicated as $E(Y_{it})$, is affected by other independent variables. The relationship between this variable and the various antecedents that affect male parental leavers, indicated as $x_{i, t-1}$, is expressed by Equation (1) below, which represents our estimation model.

$$\mathrm{E}(\textit{Male parental leavers}_{it} | x_{i,\,t-1}, \phi_i) = \phi_i \cdot \exp(x_{i,\,t-1}\beta + \tau_t) \qquad (1)$$

The meanings of the subscripts in the equation are as follows: i = each firm; t = each fiscal year; ϕi = unobservable random scalar; β = estimated parameter vector. In our study, the impact of point-in-time differences, indicated as τ_t, is controlled by including the FY2007–2013 dummy (the dummy variable that takes 1 in the period from FY2007 to FY2013 and 0 in the period before FY2006 and after FY2014) and the FY2014–2019 dummy (the dummy variable that takes 1 in the period from FY2014 to FY2019 and 0 in the period before FY2013), with consideration to changes in the level of cash benefits of parental leave.[17]

As the Poisson regression model involves a constraint—the expected value of the explained variable Y_{it} is limited to the scope of the model's assumed probability distribution—our estimation also uses the negative binomial regression model, which is used for generalizing the Poisson regression model. In the case of the negative binomial regression model, it is assumed that the negative binomial distribution represents the probability distribution of the explained variable Y_{it}. As a result, this is a model that is more appropriate in cases where the distribution of the number of event occurrences is larger than the expected value.

The main explanatory variables used in our study are WLB practices and cumulative male parent leavers. As for WLB practices, we selected the following seven practices implemented by firms to support WLB: flexible working time arrangements (mean: 0.88; standard deviation: 0.33); short working hours scheme (mean: 0.96; standard deviation: 0.20) ; half-day paid leave (mean: 0.97; standard deviation: 0.17); childcare facilities/cash benefits (mean: 0.62; standard deviation: 0.49); working at home (mean: 0.47; standard deviation: 0.50); satellite office spaces (mean: 0.27; standard deviation: 0.44); and the discretionary work system (mean: 0.42; standard

Table 1. Analysis results (principal component analysis)

	First principal component
Flexible working time arrangements	0.213
Short working hours scheme	0.287
Half-day paid leave	0.209
Childcare facilities/cash benefits	0.460
Working at home	0.533
Satellite office spaces	0.436
Discretionary work system	0.378
Eigenvalue	2.154
Contribution rate	30.76%

Table 2. Descriptive statistics (antecedents)

		Mean	S.D.
(1)	Male parental leavers	33.01	84.89
(2)	WLB practices	0.06	1.39
(3)	Cumulative male parental leavers	120.35	438.46
(4)	ROE (%)	6.86	10.73
(5)	Per-employee sales (million yen)	336.96	1644.64
(6)	Number of employees (1,000 persons)	8.96	10.44
(7)	Male worker ratio (%)	81.26	13.00
(8)	Labor equipment ratio (million yen)	137.73	822.83
(9)	Average employee longevity	17.11	3.06
(10)	Paid leave take-up rate (%)	63.95	16.48
(11)	Female parental leavers	105.02	197.74
(12)	Foreign investor ratio (%)	28.87	10.70
(13)	FY2007–2013	0.47	0.50
(14)	FY2014–2019	0.41	0.49

Note: N=2,202. The figures for cumulative male parental leavers, per-employee sales, the number of employees, the average employee longevity, and female parental leavers are those before conversion into logarithm.

deviation: 0.49). Regarding each of those practices, we created a dummy variable which takes 1 when the practice was introduced and 0 when it was not. We conduct the principal component analysis and use the first principal component (contribution rate at 30.76%) whose eigenvalue is 1 or higher in reference to the scree plot. Table 1 shows the results of the principal component analysis. Cumulative male parent leavers refers to the cumulative number of male workers who took parental leave at each firm (expressed in logarithm) in the period after FY2004, which is the starting year of the analysis period.[18] As those variables are related to organizational systems for promoting parental leave and the peer effect, our study predicts that they have positive effects on male parental leavers.

While one of main explanatory variables is the cumulative male parent levers, it increases with the passage of time. Thus, it may be possible that the use of FY2007–2013 dummy and the FY2014–2019 dummy cannot sufficiently control for time effects. Therefore, we also conduct an additional analysis using the dummies developed for individual fiscal years.

Given the previous studies related to practice diffusion, including WLB practices (Naumovska, Gaba and Greve, 2021; Uchida, 2016), we included the following nine control variables: ROE (%); per-employee sales (expressed in logarithm); number of employees (expressed in logarithm); male worker ratio (%); labor equipment ratio (value of tangible fixed assets per employee; expressed in logarithm), average employee longevity (expressed in logarithm); paid-leave take-up rate (%), female parental leavers (the number of female workers who took parental leave, expressed in logarithm); and foreign investor ratio (%). All those explanatory variables took 1 year lag. Table 2 shows the descriptive statistics (mean and standard deviation) of the variables used in the Estimation Model (1).[19]

2. Impact on firm performance

We also analyze how fathers' use of parental leave affects employer firms' performance. To address endogeneity problems such as the presence of simultaneity[20] and omitted variables, we use industry male parental leavers as an instrumental variable. We calculate this variable by dividing the total number of male workers who took parental leave in each industry in each fiscal year by the total number of employees in each industry in each fiscal year[21] (mean: 0.01; standard deviation: 0.01). When calculating the variable for each firm, the number of male workers who took parental leave at the focal firm is excluded from the calculation. Thus, the value of the variable differs from firm to firm and from year to year. The estimation model that uses firm performance as an explained variable is expressed by Equation (2) below.

$$Performance_{i,\,t} = \alpha + \beta_1\, Male\ parental\ leavers_{i,\,t-k} + Z_{i,\,t-k}\,\gamma + \tau_t + F_i + \varepsilon_{i,\,t} \qquad (2)$$

The subscript i in the above equation represents each firm and the subscript t represents each fiscal year. The explained variable $Performance_{i,\,t}$ represents the employer firms' performance. In order to verify the robustness of the analysis, we use not only ROE and per-employee sales (expressed in logarithm) (Bloom, Kretschmer and Van Reenen, 2011) but also ROA and per-employee value added (expressed in logarithm).[22] β_1 is a parameter for male parental leavers. $Z_{i,\,t-k}$ is a matrix for other important variables that presumably affect firm performance. The subscript γ represents the vector of the parameter for each explanatory variable. F_i represents the fixed effect of each firm, while $\varepsilon_{i,\,t}$ represents an error term in cases where the presence of i.i.d is assumed. Taking into consideration changes in the level of parental leave benefits as in the case of Estimation Model (1), τ_t, which represents the effects of point-in-time differences, is controlled by including the FY2007–2013 dummy and the FY2014–2020 dummy (the dummy variable that takes 1 in FY2014–2020 and 0 before FY2013).[23]

The main explanatory variable of this analysis is male parental leavers— the number of male workers who took parental leave at each firm in each fiscal year. In addition to using the number of male workers who took parental leave in the t-1 (expressed in a logarithm),[24] the analysis also uses the variables for the t-2 and t-3 as well to examine the medium-term impact on firm performance. Moreover, in order to check whether or not male workers' use of parental leave had cumulative effects on firm performance, we also conduct an analysis using a stock basis, rather than flow basis, variable, i.e., the cumulative male parental levers in the t-1 (expressed in logarithm) [25] at each firm since FY2004, the starting year of this analysis.[26]

The control variables incorporated in this model are mainly variables used in Estimation Model (1): WLB practices; number of employees (expressed in a logarithm), male worker ratio (%), labor equipment ratio (expressed in a logarithm), average employee longevity (expressed in a logarithm), paid-leave take-up rate (%), female parental leavers (the number of female workers who took parental leave; expressed in a logarithm), and foreign investor ratio (%). Table 3 shows the descriptive statistics (mean and standard deviation) of the variables used in the Estimation Model (2).[27]

Table 3. Basic quantitative values (impact on business performance outcomes)

		Mean	S.D.
(1)	ROE (%)	6.49	9.59
(2)	ROA (%)	3.31	4.66
(3)	Per-employee sales (million yen)	215.77	355.98
(4)	Per-employee value added (million yen)	54.18	149.13
(5)	Male parental leavers	30.59	81.64
(6)	Cumulative male parental leavers	143.42	495.27
(7)	WLB practices	0.15	1.41
(8)	Number of employees (1,000 persons)	9.01	10.58
(9)	Male worker ratio (%)	81.24	13.14
(10)	Labor equipment ratio (million yen)	98.26	482.95
(11)	Average employee longevity	17.11	3.11
(12)	Paid leave take-up rate (%)	64.89	16.41
(13)	Female parental leavers	105.37	199.29
(14)	Foreign investor ratio (%)	28.67	10.69
(15)	FY2007–2013	0.44	0.50
(16)	FY2014–2020	0.45	0.50

Note: N=2,340. The figures for per-employee sales, per-employee value added, male parental leavers, cumulative male parental leavers, the number of employees, the average employee longevity, and female parental leavers are those before conversion into logarithmic values.

VI. Results

1. Antecedents

Table 4 shows the results of analysis of our panel data for FY2004–2019 with male parental leavers used as the explained variable.[28] Model 1 is results from the Poisson regression, and Model 2 is those from the negative binomial regression. Although the estimation results obtained from the two models were not largely different, the variance of male parental leavers (7,206.3) was significantly larger than its mean (33.01), and the results obtained from the negative binomial regression are better fitted (in terms of log-likelihood) than those obtained from the Poisson regression. Thus, we focus on the estimation results obtained from the negative binomial regression in the following.

The coefficients of WLB practices and male parental leavers—our main explanatory variables—took a positive value each at a significance level of 1%. In other words, it was confirmed that fathers' use of parental leave tends to diffuse at firms where WLB practices have already been introduced and that once the practice has started to diffuse, it tends to become more and more widespread of its own momentum through the workplace peer effect. When we examined the extent of the impact that those variables had on male parental leavers based on the parameters obtained from the estimation results, we found the following: when the variable for WLB practices alone was higher than the mean by 1 standard deviation (the variables for other explanatory variables were fixed at the mean), the estimated value of male parental leavers increased by 20.9%; and when the cumulative male parental levers was higher than the mean by 1 standard deviation, the estimated value of male parental leavers increased by 48.3%.

Among the control variables, the parameters for the male worker ratio, the paid leave take-up rate, the number of female workers who took parental leave, and the FY2007–2013 and FY2014–2019 dummies took a

Table 4. Analysis results (antecedents)

	(1)	(2)	(3)	(4)
	Poisson regression model	Negative binomial regression model	Poisson regression model	Negative binomial regression model
WLB practices	0.185*** (0.007)	0.135*** (0.023)	0.170*** (0.008)	0.085*** (0.024)
Cumulative male parental leavers	0.256*** (0.005)	0.313*** (0.019)	0.268*** (0.006)	0.217*** (0.023)
ROE	-0.001 (0.001)	0.002 (0.002)	-0.003*** (0.001)	0.002 (0.002)
Per-employee sales	0.036*** (0.011)	-0.030 (0.033)	0.014 (0.011)	-0.047 (0.034)
Number of employees	-0.065*** (0.011)	-0.126*** (0.033)	-0.056*** (0.011)	-0.112** (0.035)
Male worker ratio	0.031*** (0.001)	0.099** (0.003)	0.033*** (0.001)	0.015*** (0.003)
Labor equipment ratio	0.014† (0.008)	-0.008 (0.024)	0.015* (0.008)	-0.012 (0.025)
Average employee longevity	0.468*** (0.072)	-0.073 (0.132)	0.340*** (0.072)	-0.129 (0.134)
Paid leave take-up rate	0.009*** (0.000)	0.009*** (0.002)	0.008*** (0.000)	0.008*** (0.002)
Female parental leavers	0.527*** (0.011)	0.158*** (0.033)	0.538*** (0.011)	0.218*** (0.035)
Foreign investor ratio	-0.022*** (0.001)	-0.015*** (0.003)	-0.026*** (0.001)	-0.013*** (0.003)
FY2007–2013	0.700*** (0.035)	0.253** (0.093)		
FY2014–2019	1.110*** (0.039)	0.809*** (0.107)		
Constant		-1.188* (0.508)		-1.868*** (0.550)
Year dummy	NO	NO	YES	YES
Log-likelihood	-16374.53	-5561.71	-15966.14	-5522.63
Observations	2202	2202	2202	2202

Note: The figures in parentheses are standard errors. † $p<.1$ * $p<.05$ ** $p<.01$ *** $p<.001$

significant positive value each. In other words, in firms where the paid leave take-up rate and the number of female workers who took parental leave are high, it is easier to promote male workers' use of parental leave presumably because the working environment is favorable for taking paid leave or because there is workplace understanding and cumulative institutional experiences concerning parental leave. In addition, given the increase in male parental leavers after a rise in the level of parental leave benefits, institutional reform may have had some effects. When we examined the extent of the impact of a change of 1 standard deviation in the parameters for those variables on male parental leavers as in the case of the main explanatory variables, we found that the paid leave take-up rate increased by 15.6% and that the number of female workers who took parental leave increased by 22.4%. When we examined the effect of the FY2007–2013 dummy and the FY2014–2019 dummy, we found that the number increased by 28.8% in FY2007–2013 and by 124.5% in FY2014–2019 compared to the level before FY2006.

The parameters for the foreign investor ratio and the number of employees took a significant negative value each. This suggests that there may be strong pressures from foreign investors demanding better performance and that in firms with a large workforce, it is difficult to promote the introduction of new WLB practices, including parental leave for fathers, because of the structural inertia[29] at work. On the other hand, the variables for firm performance, such as ROE and per-employee sales, did not take a significant value. In other words, we did not observe a tendency for the number of male workers who took parental leave to be high in firms where the levels of firm performance level were high in the previous fiscal year.

In Models 3 and 4, the effects of point-in-time differences were controlled by using the dummy variable for each fiscal year. The analysis results obtained from those two models are mostly the same as the ones obtained from Models 1 and 2.

2. Impact on firm performance

Table 5 shows the results of analysis of our panel data for FY2004 to 2020 using ROE (t), ROA (t), per-employee sales (t), and per-employee value added (t) as explained variables and male parental leavers (t-1) as the main explanatory variable. Models 1 to 4 are the estimation results of the standard fixed-effect models, while Models 5 to 9 are the estimation results of the fixed-effect models using instrumental variables (Model 5 represents Stage 1 and Models 6 to 9 represent Stage 2). The results concerning the instrumental variables used in Model 5 shows that the value of each of the Cragg- Donald Wald F statistic and the Kleibergen-Paap rk Wald F statistic was higher than 10, which means that the instrumental variables did not have a weak correlation problem. The null hypothesis that the instrumental variables are under-identified was rejected because the value of the Kleibergen-Paap rk LM statistic was 49.6. Thus, the instrumental variables used in the analysis are considered to be valid. Regarding Models 1 to 4 and 6 to 9, the coefficient of male parental leavers, which is the variable of most interest, took a significant negative value in Model 3, which is a standard fixed-effects model, but did not take a significant value, either positive or negative, in the analysis of any of the fixed-effects models using instrumental variables. When we conducted an analysis using male parental leavers (t-2), male parental leavers (t-3), and the cumulative male parental levers (t-1) as the main explanatory variables, we did not observe their significant effects on firm performance in any of these models, which aligns with results in Table 5.[30]

VII. Discussion

To contribute to the body of research related to WLB practices by identifying the antecedents of male workers' use of parental leave and its impact on firm performance, we developed panel data of the Nikkei 225 firms and analyzed the data. As a result of analyzing the antecedents that affect the diffusion of parental leave for father, we found that the parameters for WLB practices and the cumulative male parental leavers took a significant positive value. This finding implies that fathers' use of parental leave is more likely to diffuse widely at firms that take a more proactive approach to WLB practices and that once fathers' use of parental leave has started to diffuse, the practice becomes more and more widespread of its own momentum through the workplace peer effect.

On the other hand, the analysis of the impact on firm performance did not find any statistically significant level of effect. This suggests that while the positive effects, such as improvements in the employee retention rate and morale, may not be enough to improve firm performance, the burden on employer firms from fathers' use of parental leave, such as the need to secure replacement personnel, does not necessarily outweigh the benefits and lower firm performance. Amid social expectations for an increase in fathers' use of parental leave, it is one of our important findings that at the least, the diffusion of parental leave for fathers does not have an obvious negative impact on firm performance.

Table 5. Analysis results (impact on firm performance)

	Fixed effects				Fixed effects + instrumental variable				
						Second stage			
	ROE	ROA	Per-employee sales	Per-employee value added	First stage	ROE	ROA	Per-employee sales	Per-employee value added
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Male parental leavers	-0.095 (0.196)	-0.110 (0.098)	-0.019† (0.011)	0.000 (0.011)		-0.074 (1.412)	0.821 (0.784)	0.018 (0.112)	0.153 (0.094)
WLB practices	0.077 (0.310)	-0.128 (0.153)	-0.004 (0.014)	0.001 (0.013)	0.277*** (0.043)	0.072 (0.497)	-0.371 (0.238)	-0.014 (0.032)	-0.039 (0.029)
Number of employees	-1.348† (0.746)	-0.706† (0.422)	0.061 (0.069)	-0.058 (0.052)	0.045 (0.132)	-1.349† (0.742)	-0.764 (0.494)	0.059 (0.071)	-0.068 (0.066)
Male worker ratio	-0.028 (0.075)	-0.024 (0.040)	0.002 (0.006)	-0.007 (0.005)	-0.004 (0.015)	-0.028 (0.075)	-0.011 (0.046)	0.003 (0.006)	-0.005 (0.006)
Labor equipment ratio	0.070 (0.362)	0.040 (0.193)	0.230** (0.071)	0.128* (0.060)	-0.064 (0.060)	0.072 (0.394)	0.114 (0.204)	0.233*** (0.070)	0.141* (0.058)
Average employee longevity	0.106 (3.765)	-1.751 (2.245)	0.332** (0.126)	0.201† (0.103)	0.014 (0.320)	0.102 (3.753)	-1.910 (2.382)	0.326** (0.125)	0.175 (0.113)
Paid leave take-up rate	-0.085* (0.038)	-0.019 (0.018)	-0.005** (0.002)	-0.003† (0.001)	0.016** (0.005)	-0.085† (0.049)	-0.038 (0.027)	-0.005* (0.003)	-0.006* (0.002)
Female parental leavers	0.007 (0.548)	0.043 (0.241)	0.010 (0.024)	-0.010 (0.023)	0.202* (0.094)	0.003 (0.606)	-0.138 (0.281)	0.003 (0.033)	-0.040 (0.032)
Foreign investor ratio	0.176** (0.058)	0.122*** (0.030)	0.007** (0.002)	0.004* (0.002)	-0.008 (0.006)	0.176** (0.061)	0.131*** (0.031)	0.007** (0.003)	0.005* (0.002)
FY2007−2013	-5.287*** (0.870)	-1.982*** (0.362)	-0.150*** (0.036)	-0.083* (0.034)	0.504*** (0.116)	-5.298*** (1.037)	-2.478*** (0.569)	-0.170* (0.070)	-0.164* (0.067)
FY2014−2020	-3.849*** (1.007)	-1.355** (0.436)	-0.069 (0.048)	-0.009 (0.041)	1.288*** (0.162)	-3.877† (2.105)	-2.648* (1.108)	-0.120 (0.153)	-0.222 (0.139)
Industry male parental leavers					42.268*** (9.882)				
Constant	24.412† (12.741)	15.332* (7.294)	2.639** (0.932)	4.565*** (0.728)	-0.739 (1.413)	24.422† (12.696)	15.817* (7.266)	2.659** (0.932)	4.645*** (0.795)
Kleibergen-Paap rk LM statistic					49.599 (0.000)				
Cragg-Donald Wald F statistic					48.435				
Kleibergen-Paap rk Wald F statistic					48.923				
Observations	2340	2340	2340	2340	2340	2340	2340	2340	2340

Note: The figures in parentheses are standard errors. † $p<.1$ * $p<.05$ ** $p<.01$ *** $p<.001$

These findings provide implications for policies on fathers' use of parental leave. If promoting fathers' use of parental leave leads to better firm performance, firms are expected to make voluntary efforts to encourage parental leave for father. However, as indicated by the results of analysis in our study, it may be difficult to expect firms to make voluntary efforts if benefits for business performance cannot be confirmed. The benefits of fathers' use of parental leave are not necessarily limited to their employer firms; rather, the benefits can be reaped by their wives, firms that employ the wives, and eventually, society as a whole. In fact, in Japan where domestic chores tend to be concentrated in the hands of women, to ensure that women can continue to build on

their careers without interruption due to marriage, childbirth, or child-rearing, it is essential to reform men's work styles, including the use of parental leave for father (Higuchi, Ishi, and Sato 2018; Yamaguchi 2017). In this sense, externalities are involved in fathers' use of parental leave, and thus efforts by individual firms alone may not be sufficient to bring it up to a socially satisfactory level. This suggests the need for policy intervention by the public sector.

The findings also suggest that public-sector policy interventions should be focused on firms where WLB practices, including parental leave for fathers, are inadequate. The results of analysis indicate that embracing WLB creates a virtuous circle: not only is parental leave for fathers more likely to diffuse at firms that are more proactive toward WLB practices because the environment necessary for promoting the practice exists, but also, once fathers' use of parental leave has started to diffuse, the practice continues to become more and more widespread through workplace peer effect. Conversely, failing to embrace WLB may create a vicious circle: at firms that are negative toward WLB, parental leave for fathers does not diffuse because the environment necessary for promoting it is not created, which means the absence of the peer effect, and as a result, fathers' use of parental leave continues to lack the momentum that it needs in order to diffuse. In light of those mechanisms, the public sector should conduct policy interventions that trigger a shift from a vicious to virtuous circle, focusing on firms where WLB practices, including parental leave for fathers, are inadequate, in order to help ensure that fathers' use of parental leave continues to become more and more widespread of its own momentum in the workplace.

While our study has these contributions, it leaves several research issues unresolved. First, although the results suggest that peer effect can work in the case of parental leave for fathers in Japan, a specific mechanism whereby male workers' use of parental leave may diffuse in Japanese workplaces has not yet been clarified. We expect future research to answer questions, such as how increased use of parental leave by fathers may affect and facilitate the development of a workplace environment favorable for taking leave and what factors promote or inhibit the development of a favorable environment.

Second, while our study analyzed the effects of fathers' use of parental leave on firm-level indicators, i.e., employer firms' performance, it did not explore the effects on individual-level indicators, such as employee turnover and promotion. Although our study did not find significant effects on firm-level indicators, that does not necessarily mean the results will be the same in the case of individual-level indicators.[31] Future studies should further elucidate the effects that the diffusion of fathers' use of parental leave may have on firms by analyzing changes in individual-level indicators of male workers who took parental leave before and after leave-taking.

Third, our study did not take into consideration the duration of parental leave taken by individual workers. That is not only because of data constraints but also because the duration of leave taken by most male workers is short, less than two weeks.[32] However, as fathers use parental leave more widely, future studies can investigate not only the number of male workers who took parental leave but also the duration of leave taken by individual workers.

Fourth, as our research targets are Nikkei 225 firms, there are significant sampling biases in terms of firm size, industry category, and regional location.[33] As a result, we were unable to conduct analysis categorized by size, industry, or region. The antecedents that affect the diffusion of fathers' use of parental leave and the impact on firm performance may differ between large firms and small and medium-size ones, and vary by industry or by region. Future research is expected to conduct such an analysis.

Despite these limitations, to the best of our knowledge, this is the first research paper to provide a systematic analysis of the diffusion of parental leave for fathers in Japanese firms. It can contribute to the body of research related to WLB practices by clarifying the antecedents of parental leave for fathers and its impact on firm performance. We hope that this study can be a bridge to future research on this topic.

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Notes

1. The *Ikumen* project (*Ikumen* is a Japanese coined word that means fathers involved in child-rearing) is a project intended to encourage working men to be more actively involved in child-rearing and lift up a social mood for working father's use of parental leave (MHLW 2010).
2. Even before the introduction, each couple was able to take a total of one year of parental leave, but in most cases, only women used parental leave. Therefore, when this system was introduced in 1993, men alone were entitled to an additional period (one month) of parental leave in order to encourage fathers to take parental leave.
3. Not only married couples but also cohabiting couples were included in the analysis.
4. This study did not identify individuals who actually took parental leave but assumed that 82.4% of the parents who were eligible for this system took parental leave based on the fact that this was the percentage of parents who took leave in 2001, the system's starting year.
5. According to the "Fact-finding survey on balancing work and childrearing, 2017" (a survey commissioned by MHLW), from among the reasons for why male workers did not take parental leave that were presented to the survey respondents as reply options, "There was a manpower shortage in the workplace due to busy operations" was chosen by the largest percentage of respondents, or 27.8%, followed by "the firm did not have a parental leave system in place," chosen by 27.5%, and by "the workplace atmosphere was not favorable for taking parental leave," chosen by 25.4% (Mitsubishi UFJ Research and Consulting 2018).
6. With the addition of caregiving provisions in 1995, the Childcare Leave Act was renamed the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members.
7. Nippon Telegraph and Telephone Public Corporation, which introduced a parental leave system in 1965, is said to be the pioneer. (Sato and Takeishi 2004).
8. The "1.57 Shock" refers to the setting of a new postwar lowest of 1.57% for the total fertility rate in 1989, which was announced in 1990, and which rewrote the previous lowest of 1.58% recorded in 1966, which fell in the "year of the fire horse" in the Chinese zodiac cycle, when the tendency to avoid pregnancy is relatively strong presumably because of superstitious prejudice.
9. The historical development of the parental leave system was described in detail by Inoue (2018) and Kim (2020).
10. As for the effects of financial support during the parental leave period, see Asai (2015) and Yamaguchi (2019).
11. Since the *CSR Company Hand Book* in the 2016 and later editions contains data on the parental leave take-up rate among male workers only for some firms, systematic data collection is impossible. Therefore, our study uses the number of male workers who took parental leave.
12. The 2008 edition of the *CSR Company Hand Book* (which was published in 2007 and contains data for FY2006) indicates the number of male workers who took parental leave. Since each edition contains data for the past three years, we were able to collect data for the period from FY2004.
13. Regarding some firms, there are data deficiencies for some portions of the analysis period, so this is an unbalanced panel data.
14. In our study, which focused on the relationship between cumulative male parental leavers (t-1) and male parental leavers (t); when a positive correlation was observed, it was deemed that an increase in the use of parental leave by male workers fostered a workplace atmosphere favorable for taking parental leave, leading to a further increase in the use of parental leave. In other words, it was implicitly assumed that an increase in the number of leave takers automatically fostered a favorable atmosphere. As a result, what kind of specific mechanism fostered a favorable workplace atmosphere remains unknown. This point is discussed again in Chapter VII.
15. Our study assumed these possibilities because preceding studies have not provided consistent findings concerning WLB practices' impact on firm performance. For example, Yamamoto and Matsuura (2011), who analyzed the relationship between firms' voluntary initiatives to adopt parental leave policies that are more generous than legal requirements and firm performance, found no evidence indicating that the presence of a parental leave system more generous than the legal requirements consistently raises total factor productivity (TFP).
16. As for detailed information on Poisson regression and negative binomial regression models using panel data, see Wooldridge (1999).
17. In 2007, the income replacement rate was raised from 40% to 50%, and in 2014, the income replacement rate for the first six months of leave was raised from 50% to 67%.
18. Based on the presence of firms where no male worker took parental leave, male parental leavers was converted into logarithmic form after the addition of 1.
19. Due to space limitations, the table does not show the correlation coefficients of the variables used for the analysis in Estimation Model (1). When we calculated the VIF (variance inflation factor) in order to consider the possibility that there may be a multicollinearity problem, the VIF value of the explanatory variable was lower than 5 in all models. Thus, it was confirmed that our analysis did not necessarily involve a serious multicollinearity problem.
20. Our study examined the impact of the diffusion of male workers' use of parental leave on firm performance, nonetheless, the latter may also affect the former. In short, there may be reciprocal effects between the diffusion of male workers' use of parental leave and firm

performance.

21. The industry classification used here divided the firms into the 17 industry categories as classified for the TOPIX-17 Series (a series of stock price indexes each representing the firms in one of the 17 industry categories into which all firms listed on the First Section of the Tokyo Stock Exchange have been classified).
22. As per-employee value added may take a negative value in some cases, 51 (the minimum value was minus 50.59) was added to the value added when the figure was converted into logarithmic form in order to ensure that the variable always takes a positive value.
23. We collected data on firm performance for the period up to FY2020, thereby employing the FY2014–2020 dummy.
24. In light of the presence of firms where no male worker took parental leave in the relevant year, the number of male workers who took parental leave was converted into logarithmic form after the addition of 1.
25. In light of the presence of firms where no male worker took parental leave, male parental leavers was converted into logarithmic form after the addition of 1.
26. Industry male parental leavers, which was used as an instrumental variable, was calculated in a way to correspond to the number of male workers who took parental leave. Specifically, when male parental leavers (t-2) was used as the explanatory variable, first, data on the number of male workers who took parental leave in the t-2 were aggregated on a year-by-year, industry-by-industry basis, and then, industry male parental leavers was calculated by dividing the year-by-year, industry-by-industry number of male workers who took parental leave (t-2) by the number of male employees (t-2).
27. Due to space limitations, the table does not show the correlation coefficients of the variables used for the analysis in Estimation Model (2). When we calculated the VIF, the VIF value of the explanatory variable was lower than 5 in all models. Thus, it was confirmed that our analysis did not necessarily involve a serious multicollinearity problem.
28. The estimation in the fixed-effects model that used the logarithm value of male parental leavers as an explained variable produced results similar to those obtained from the estimation in the Poisson regression model and the negative binomial regression model.
29. Structural inertia refers to organizational tendency to prefer the status quo and resist changes. One of the key determinant factors of structural inertia is the organization size. The larger an organization's workforce size is, the more strongly the organization tends to prefer the status quo and resist changes (Hannan and Freeman 1984).
30. Due to space limitations, the table does not show the results of the additional analysis.
31. It should be noted that indicators at the individual-level may not reflect the burden on firms, such as the need to secure replacement personnel.
32. According to the Basic Survey of Gender Equality in Employment Management in FY2018 (MHLW 2019), among the male workers who returned to the workplace after the expiration of parental leave, the duration of parental leave taken was less than 5 days for 36.3%, less than two weeks for 71.4%, and less than one month for 81%.
33. Not only did the firms under analysis in our study have a large workforce, with the average number of employees at around 9,000, but also their head offices were concentrated in the three major metropolitan areas—the Metropolitan area, the Kinki region (Osaka area), and the Chukyo region (Nagoya area). Regarding the industry category, specific manufacturing industries, such as electrical equipment, chemicals, machinery and transportation equipment, accounted for a large percentage of the total number of firms analyzed. These sampling biases made it difficult to appropriately examine the differences by firm size, industry category, and regional location.

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Key topic

2023 *Shunto*: Highest Wage Hike in 30 Years, Yet Its Sustainability a Challenge

OGINO Noboru

I. Introduction

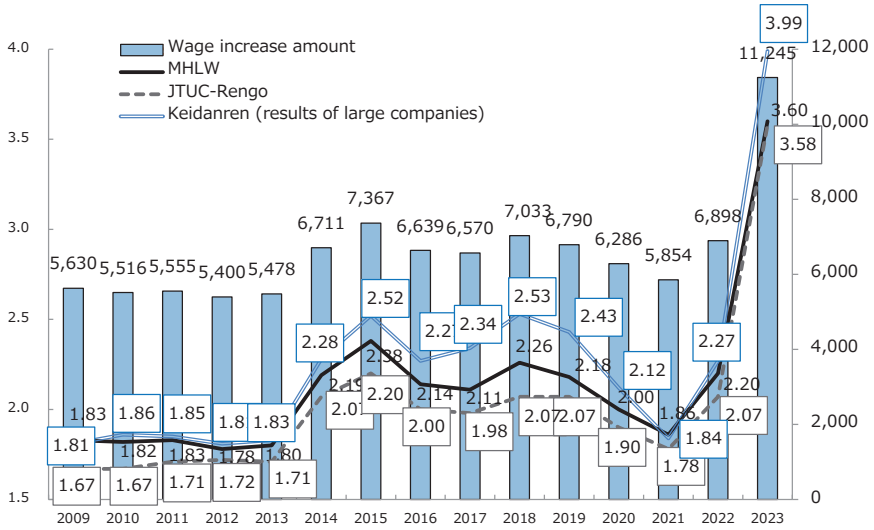
Japan's average wage increase hit the highest level in 30 years, at above 3%, in the *Shunto* spring wage negotiations of 2023 that came as social and economic activities were being normalized in the post-COVID world. However, to prevent such a wage hike from ending up as a temporary one and link it to a wider sustainable uptrend, Japan should encourage small- and medium-sized enterprises (SMEs) to raise wages appropriately through the passing on of labor costs to product prices. Likewise, it should take measures such as the continuous improvement of the treatment of non-regular workers to pave the way for increasing wages. Wages in Japan are the lowest among major developed countries in the wake of economic stagnation over the past three decades. Japan now faces a mountain of challenges including how to increase wages. This paper overviews the trend seen in the latest *Shunto* and its future challenges, as it is now playing a great role in the government's economic and monetary policies.

II. Government, labor, and management data released: Highest wage increase in 30 years, above 3%

Government, labor, and management data about wage increases through labor-management negotiations in the 2023 *Shunto* were released by August (Figure 1). The data, though differing somewhat due to coverage gaps in company sizes, indicated that wage increases in labor and management data topped 3%, representing the highest levels in about 30 years. Factors that can be cited behind the wage hike are rising prices and labor shortages emerging amid the economic normalization.

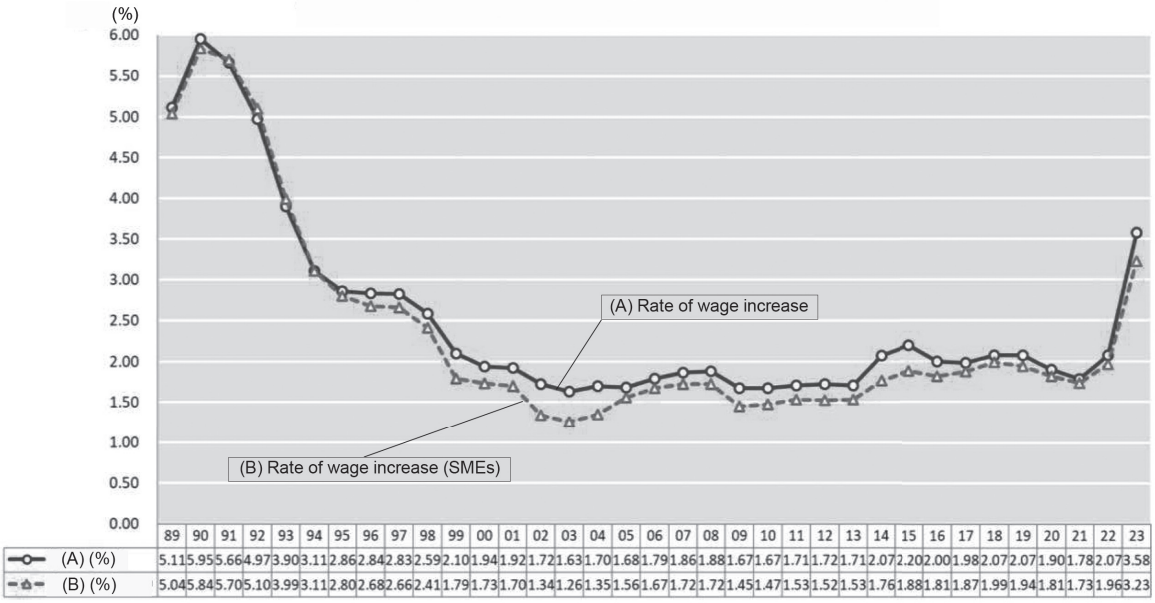
The average wage increase amount and rate in government data far exceeded levels in 2022 and before the COVID-19 outbreak. According to "the Status of wage increase demands and settlements at major private-sector enterprises in 2023" released by the Ministry of Health, Labour and Welfare (MHLW) on August 4, the average monthly wage increase, including portions equivalent to an automatic basic wage hike (for the maintenance of wage curves) and a base pay hike (an across-the-board wage increase, called "base-up" in Japan), came to 11,245 yen at 364 large companies that are capitalized at 1 billion yen or more that have trade unions comprising 1,000 or more employees. The increase was up 4,347 yen from 6,898 yen in 2022, amid COVID-19, and up 4,455 yen from 6,790 yen in 2019, before the pandemic, marking more than a double gain. The rate of wage increase from the level before the negotiations came to 3.60%, up 1.40 percentage points from 2.20% in the previous year, and up 1.42 points from 2.18% in 2019. The rate was the highest in 30 years, since 3.89% in 1993.

The Japan Business Federation (Keidanren; Masakazu Tokura, Chairman), Japan's largest economic organization, also reported *Shunto* results at large companies by industry on August 4. The report covered data made available by 136 companies (with 500 or more employees in principle) in 16 industries among the 241 companies in 21 industries subjected to a survey by the organization, using the weighted average of the union members. The average



Source: MHLW, *Analysis of the Labour Economy 2023.*

Figure 1. Changes in wage amounts and rates increase in *Shunto* (tabulated by the MHLW, JTUC-Rengo, and Keidanren, 2009–2023)



Source: JTUC-Rengo, "Results of spring wage negotiation final responses."
Note: Data as of the end of June for each year.

Figure 2. Changes in wage increase rate based on the average wage method in *shunto*, 1989–2023 (Since the foundation of JTUC-Rengo)

of wage hikes stood at 13,362 yen, or 3.99%. The increase above 10,000 yen, or over 3.5%, was the first time in 30 years since 10,835 yen, or 3.86%, in 1993, indicating the same trend as the MHLW report.

The 2023 increase was 5,800 yen, or 1.72 points, more than in the previous year, marking the highest in both amount and rate increase since Keidanren adopted the current aggregation method in 1976.

Wage increases at 10,000 yen or more formed a majority, coming in 13 of the 16 industries. The wage hike, of 16 industries, ranged from 4.00% to 4.99% for seven industries, and from 5.00% to 5.99% for two industries, indicating substantial wage hikes in many other industries.

The Japanese Trade Union Confederation (JTUC-Rengo; Tomoko Yoshino, President) published its final 2023 *Shunto* results on July 5 (Figure 2). The average wage increase, combining a base pay hike and an automatic basic wage hike at its 5,272 member unions, came to 3.58%, up 1.51 points from the previous year, surpassing 3% for the first time in 29 years since 3.90% in 1993, while the hike was the second-highest in 30 years since 3.90% in 1993.

Meanwhile, this year's *Shunto* results indicate a widening gap between companies that raised wages substantially and those that increased wages only slightly. According to 2023 *Shunto* results at SMEs released separately by Keidanren on August 14, the weighted average wage increase, including a seniority-based automatic wage hike, at 367 companies with fewer than 500 employees stood at 8,012 yen, or 3.00% (compared with 5,036 yen, or 1.92% in the previous year). The rate of increase was nearly 1 point lower than the 3.99% for large companies (as announced by Keidanren on August 4).

III. Process to agreement: Government, labor, and management were positive towards wage increase

Shunto negotiations effectively start at a meeting between top JTUC-Rengo and Keidanren leaders. In the run-up to the latest *Shunto*, however, management made positive statements about wage hikes from around autumn last year. In response, JTUC-Rengo decided on a demand standard for a wage increase of around 5% (including a seniority-based automatic hike), the highest in 28 years, by the end of last year, encouraging member trade unions to take an aggressive attitude at wage negotiations.

On January 17, Keidanren released "the 2023 Report of the Committee on Management and Labor Policy" as a negotiating guide for management. The report positioned the 2023 *Shunto* negotiations as "a great opportunity to give top priority to the price trend and turn around business behavior for the purpose of a sustainable, structural wage increase." It also described a wage hike as "companies' social responsibility," demonstrating an unprecedentedly positive attitude to pursue a high wage increase. At a meeting of top leaders of JTUC-Rengo and Keidanren on January 23, labor and management agreed on the need to raise wages and shared the recognition of this year as "a turning point" towards higher wages. In response, Prime Minister Kishida encouraged labor and management, both of whom were about to start the negotiation, to "absolutely realize a wage increase higher than inflation." Thus, the 2023 *Shunto* indicated an unusual development even before full-fledged negotiations began.

As shown by what had happened in the past, management had retained a negative attitude towards a wage increase that it had seen as triggering inflation and hurting the international competitiveness of Japanese companies. Since the inauguration of the second Abe Cabinet in 2012, however, the government has dramatically changed its policy stance to support a wage increase with tax incentives for pay hikes and stable minimum wage growth under a top priority policy goal of "breaking away from deflation." Nevertheless, the 2023 *Shunto* featured the unprecedented development in which the government, labor, and management jointly demonstrated a positive attitude towards a wage increase even before full-fledged labor-management negotiations. Soon after trade unions of large companies began to submit wage increase demands in mid-February, management teams of these companies fully accepted union demands and quickly settled wage negotiations one after another.

IV. A rush of full acceptance responses came on the concentrated response date

March 15 became the concentrated management response date for major companies for the 2023 *Shunto*. On the day, management responses that fully

accepted union demands came to represent more than 80% of companies covered by the Japan Council of Metalworkers' Union (JCM, two million workers). JCM is a council composed of five industrial unions in the automobile, electric machinery, steel, ship, and other machinery manufacturers, attracting attention as a pattern setter for the annual *Shunto* negotiations. Thus, the day saw a rush of full acceptance responses.

UA ZENSEN (1.86 million workers), which is the largest industrial union covers unions of companies in a wide range of sectors such as retail, food services, textiles, etc., released its *Shunto* results on August 16. According to the results, about 40% of core UA ZENSEN unions received full acceptance or even better responses. For regular employees, the weighted-average overall monthly wage increase, covering an automatic basic wage hike and a base pay hike, came to 13,830 yen, or 4.56%. For part-timers accounting for about 60% of UA ZENSEN union members, the average hourly pay increase (including an automatic basic wage hike) stood at 61.8 yen, or 5.90%. The wage increase rate for part-timers surpassed that for regular employees.

In an earlier *Shunto* negotiation mechanism, the JCM that covers large companies in automobile, electric machinery, and other manufacturing industries had served as a pattern setter, spreading its *Shunto* results to other industries. In the latest *Shunto*, however, UA ZENSEN unions obtained higher wage increases than JCM unions, indicating that UA ZENSEN served as a new pattern setter for both regular employees and part-timers in services industries. The AEON Group, Japan's largest retailer, settled its *Shunto* negotiations with a 5% wage increase for regular employees, and a 7% hike for part-timers in early March, exerting great influence on wage negotiations at other retailers. The traditional trickle-down *Shunto*, in which wage increases in specific industries spilled over to other industries, has run into an impasse, indicating a structural *Shunto* change.

In response to high wage increases seen in management responses at large companies, JTUC-Rengo President Tomoko Yoshino announced a comment on March 16. "The results came as labor and management tenaciously and sincerely negotiated, not only the impact of rising prices on households of union members but also the effects of wage stagnation on business management, the survival of industry, and Japan's economic growth from medium- to long-term perspectives," she said in the comment, welcoming those management responses as a potential turning point towards an economy in which gross domestic product (GDP), wages, and prices increase stably.

Keidanren Chairman Masakazu Tokura in his comment on March 15 gave a positive rating to management responses, saying, "I would like to frankly welcome the highest basic pay hike in about 30 years, high bonus levels including full acceptance responses, and other positive responses considering price hikes as giving greater strength to the momentum for raising wages." "I am confident that these responses will encourage SMEs and other companies to positively consider wage hikes for their upcoming labor management negotiation climaxes, enhancing the momentum for increasing wages further," he said in a manner to express hopes for future negotiations. Tokura also said that it was most important "to make this year a starting point of positive wage-increasing initiatives and sustain them next year and later to realize structural wage increases."

V. Price hikes and labor shortages supported wage increases: A challenge is how to spread wage increases to SMEs and non-regular employees

A major background factor behind high wage increases at large companies is that employers considered price hikes that have seriously affected workers' livelihoods. In 2022, consumer prices (excluding fresh food prices) posted year-on-year increases between 3% and 5%, indicating the highest inflation in 40 years. A medium- to long-term factor is that labor and management have agreed to give priority to investment in human resources for the economic restart in the post-COVID world. In addition, the improvement of wage levels to recruit

and retain human resources has become indispensable for business strategies at a time when labor shortages are felt in every industry and for every category of employee.

Furthermore, the revision of Japanese wage levels, which are lower than in other major developed countries, has become a business management challenge that no Japanese company can avoid as the race to secure digital and other international human resources intensifies. In consideration of world-class wage levels, Fast Retailing announced in January that it would raise its initial monthly wage from 255,000 yen to 300,000 yen and its annual income by up to 40%.

To prevent the 2023 *Shunto* wage hike trend from ending up as a temporary one and link it to a wider sustainable uptrend, however, Japan should encourage SMEs to raise wages appropriately through the passing on of labor costs to product prices and take measures such as the continuous improvement of the treatment of non-regular employees to pave the way for increasing wages. In this respect, the government attracted public attention by convening a government-labor-management meeting for the first time in eight years since the previous one came under the Abe administration. The meeting took place on the evening of March 15, the concentrated management response date, for the purpose of stimulating wage hike spreads to SMEs and companies without unions, as well as to fixed-term contract workers, part-timers, and temporary employees. Government, labor, and management leaders at the meeting "basically agreed" that it was indispensable to rectify transactions by passing on labor costs to product prices, Prime Minister Kishida said in reporting the meeting. He emphasized that "the government will mobilize all policies to develop an environment" for the rectification. Concerning an increase in the minimum wage, which would lead to wage hikes for non-regular workers, Kishida said, "I would like Minimum Wage Councils to have a good discussion about relevant matters, including the goal of achieving the nationwide weighted-average hourly pay of 1,000 yen." He thus set forth the specific goal in urging labor and management to raise the minimum wages.

VI. Private sector companies' wage hikes exerted influence on the national government's employee wages and minimum wages

Private sector companies' high wage increases have exerted influence on the public servant wages and minimum wages.

On August 7, the National Personnel Authority recommended that monthly wages for general service national government employees be raised by an average of about 2.7% in the current fiscal year's wage revision. The authority surveyed the private companies' payment situation and compared the gap between the wages of the public and private sectors, revealing the former was 3,869 yen (0.96%) less than that of the latter. Adding the model-estimated seniority-based wage deficiency to that difference, which is equivalent to the base pay hike, the authority concluded that an increase for the public servants of about 2.7% in monthly wage was required to fill the gap. The authority also recommended that servants' bonuses be increased from 4.4 months' wages to 4.5 months' and that allowances, etc., be revised. In consequence, annual income was set to increase by about 3.3%. This fiscal year's base pay hike gap between the public and private sectors was some 10 times as high as the average base pay hike gap of 360 yen for the past five years. The increase amount is the highest in 29 years, and the rate of increase is the highest in 26 years. The pay scale will be raised, with priority given to young workers. The initial monthly wage will be increased by 12,000 yen, or about 8%, for high school graduates and 11,000 yen, or about 6%, for university graduates. The increase will exceed 10,000 yen for both high school and university graduates for the first time in 33 years.

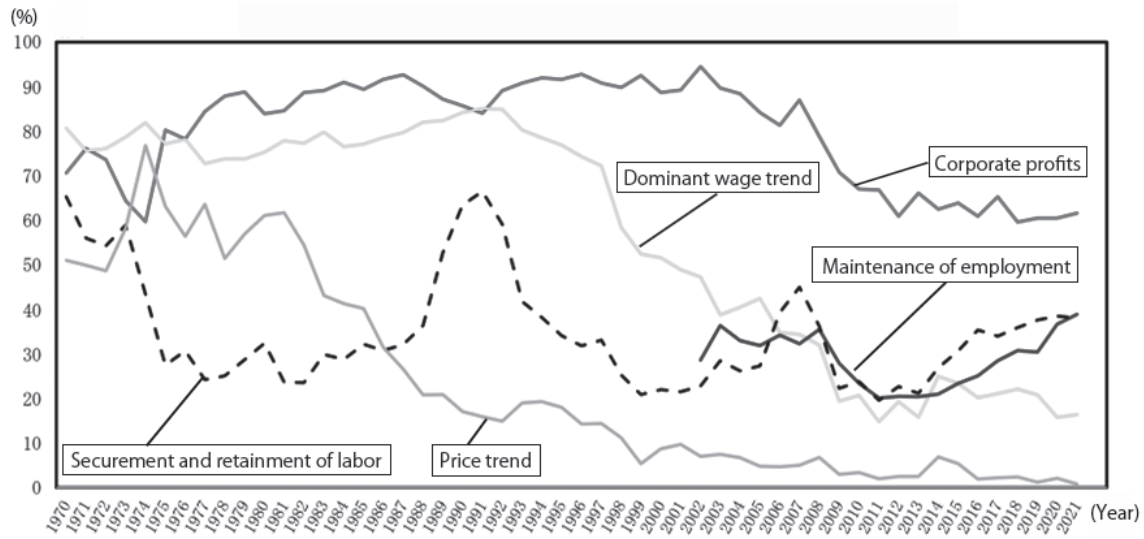
The MHLW on August 18 published minimum hourly wages revised for FY2023 by prefecture. The revised minimum wages in the 47 prefectures rose by 39–47 yen, boosting the nationwide weighted average to 1,004 yen. The average surpassed 1,000 yen for the first time. Its increase of 43 yen, or 4.47%, from 961 yen in the previous year is the highest since the current minimum wage standard system was

launched in FY1978.

In the run-up to the FY2023 minimum wage revision, the Central Minimum Wages Council announced target hikes on July 28. The target hikes included 41 yen for Rank A prefectures, 40 yen for Rank B, and 39 yen for Rank C, indicating the highest ever weighted average increase of 41 yen. Based on these targets, prefectural Minimum Wages Councils considered specific increases. As a result, out of the 47 prefectures, 24 achieved larger increases than their respective targets. The gap between the highest minimum wage at 1,113 yen in Tokyo and the lowest at 893 yen in Iwate came to 220 yen. However, the ratio of the lowest wage to the highest rose from 79.6% in the previous year to 80.2%, improving for the ninth straight year. In response to the revision, Prime Minister Kishida stated that the government would "seek to raise the nationwide weighted average to 1,500 yen by the mid-2030s."

VII. Investment in labor-saving technology and human resources is required to improve productivity

In labor-management wage negotiations under the fastest inflation in 40 years, companies indicated their consideration of and response to rising prices in their wage policies. However, somewhat different reactions to high inflation by current companies than by those in the past have been observed. Figure 3 shows factors to which companies gave priority in making wage decisions, based on the MHLW Survey on Wage Increase, in which respondents are allowed to cite multiple factors. In a survey in the early 1970s, which included a turning point towards higher wages in *Shunto* history, the "dominant wage trend," rather than the "price trend," was cited most frequently. The "securement and retainment of labor" was also cited frequently. In recent years, companies have tended to



Source: MHLW, "Survey on Wage Increase."
Notes: 1. Data are about companies that have implemented or plan to implement wage revisions.
2. The percentage of the most frequently selected factor is the composition ratio when the number of companies in the aggregate is 100.
3. The total number of multiple answers was the total number of respondents citing each factor divided by the total number of respondents in the survey. Respondents were allowed to select up to three factors: the most important criteria and two additions.
4. In addition to the specified factors, given options in the survey included "stable labor-management relations (wage revision trends at parent or group companies)"; "revisions in the previous year"; "others"; "no factor was given priority," and "unknown." These options are omitted in the figure as percentages for them are not necessarily large.
5. Data in and before 2008 are the percentage of companies with the most important factor filled in as 100.0.

Figure 3. Factors to which companies gave priority in making wage decisions (multiple answers allowed) (1970–2021)

give priority to "corporate profits." However, past trends indicate that various factors were combined for wage decisions.

As labor shortages are increasingly felt in the post-COVID world, a dominant wage trend within an industry or a region gains higher potential to exert great influence on wage decisions. In the 2023 *Shunto*, for instance, companies in some industries (including heavy machinery, food, banking, etc.) made responses similar to those of the first responders. In the Nagoya region covering Shizuoka and Aichi Prefectures, large companies' wage hikes influenced a locally dominant wage trend.

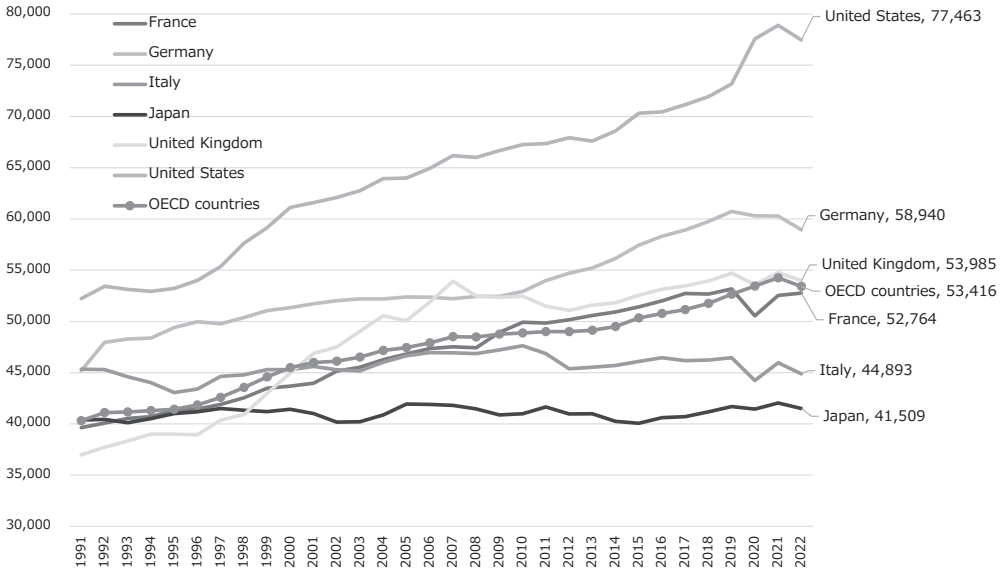
The 2023 *Shunto* results inevitably impose great pressure on SMEs that have little capacity to raise wages. Unless they increase wages to meet a dominant trend, however, they may fail to recruit or retain desirable human resources. Productivity growth is indispensable for raising wages. The COVID-19 disaster exposed Japan's lag in digitalization. Investment in digital transformation holds the key for Japan to make up for the delay. A JILPT case study on companies that have continuously raised wages indicates that aggressive investment in digital technologies has been combined with investment in human resources, resulting in an increase in productivity. In the face of labor shortages that are growing more serious due to the declining birthrate and aging population, companies are required to increase productivity through investment in labor-saving technology and human capital.

The 2023 *Shunto* wage hikes alone cannot lead Japan to catch up with other major developed countries in wage levels (Figure 4). Companies must increase wages continuously in consideration of the industry-wise average wage not only in Japan but also in other major developed countries.

VIII. Hopes growing within the government for continuous wage hikes and a breakaway from deflation

Employers face a realistic challenge of how to absorb wage hikes' upward pressure on labor costs. The government and the Bank of Japan place great hopes on the next *Shunto*, believing that continuous wage increases hold the key to a macroeconomic turnaround.

Given the 2023 *Shunto* results, Prime Minister Kishida said, "An economy in which wage increases



Source: Prepared by the author from OECD. Stat "Average annual wages" (in 2021 constant prices at 2021 USD PPPs).

Figure 4. Average annual wage trends

are natural, as well as investment promotion, is the key to achieving economic growth led by domestic demand even amid energy and food price spikes." His government has thus adopted the expansion of a virtuous cycle of growth and distribution through wage hikes and investment as its economic policy pillar. Specifically, it seeks for enterprises to realize structural wage increases by achieving (1) wage hikes through the promotion of labor mobility and (2) produFctivity improvement for economic growth through the promotion of investment and research and development. To this end, the government will enhance initiatives to pass labor costs on to product prices appropriately towards stable increases in wages and the minimum wage. It will also expand policies to leverage investment in equipment and research centered on development for digital and green transformation.

Monetary policy authorities also place great hopes on continuous wage hikes. The Bank of Japan has carried out unprecedented monetary easing to strongly push down interest rates and provide a massive money supply. As a condition for normalizing the unprecedented monetary easing, the continuation of a wage uptrend has attracted interest.

In order to eliminate a deflationary mindset that has taken root in Japan through prolonged economic stagnation, Japan must reverse a belief that prices or wages will never rise. In the FY2023 Annual Report on the Japanese Economy and Public Finance released on August 29, the Cabinet Office concluded prices and wages are beginning to move, emphasizing that Japan should sustain high wage increases in the next fiscal year to realize the virtuous cycle of wages and prices and establish a breakaway from deflation.

Another challenge Japan faces is that inflation-adjusted real wages have declined year on year since 2022, meaning that real wages have remained below year-before levels for more than one year. Real wages are likely to begin to score year-on-year growth in the second half of 2023 as the 2023 *Shunto* results are actually reflected in wages. However, whether Japan can sustain year-on-year real wage growth will depend on the 2024 *Shunto* negotiations.

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Commentary

Worker Status of Platform Workers under the Labor Union Act

The *Uber Japan and One Other Company* Case
Order, the Tokyo Labor Relations Commission (Oct. 4, 2022) 1280 *Rodo Hanrei* 19

ZHONG Qi

I. Facts

The respondent, Uber Japan, Inc. (hereinafter, "Uber J"), was established on November 30, 2012, and was engaged in the Uber Eats business commissioned by Uber Portier B.V. (hereinafter, "Uber P"), a company located in the Netherlands and incorporated under the laws of the Netherlands.

On October 3, 2019, 18 delivery persons (hereinafter, "delivery partners") who had concluded a contract with Uber P formed the claimant Uber Eats Union (hereinafter, the "Union"), and on October 8, the Union notified Uber J of the formation of the Union and requested to collectively bargain over compensation for the delivery partners involved in the accident (hereinafter, the "October 8 Collective Bargaining Request").

On October 18, 2019, Uber P responded to the Union that it was not able to bargain collectively because the delivery partners had a contract with Uber P, not with Uber J, and that the delivery partners were not workers under the Japanese Labor Union Act.

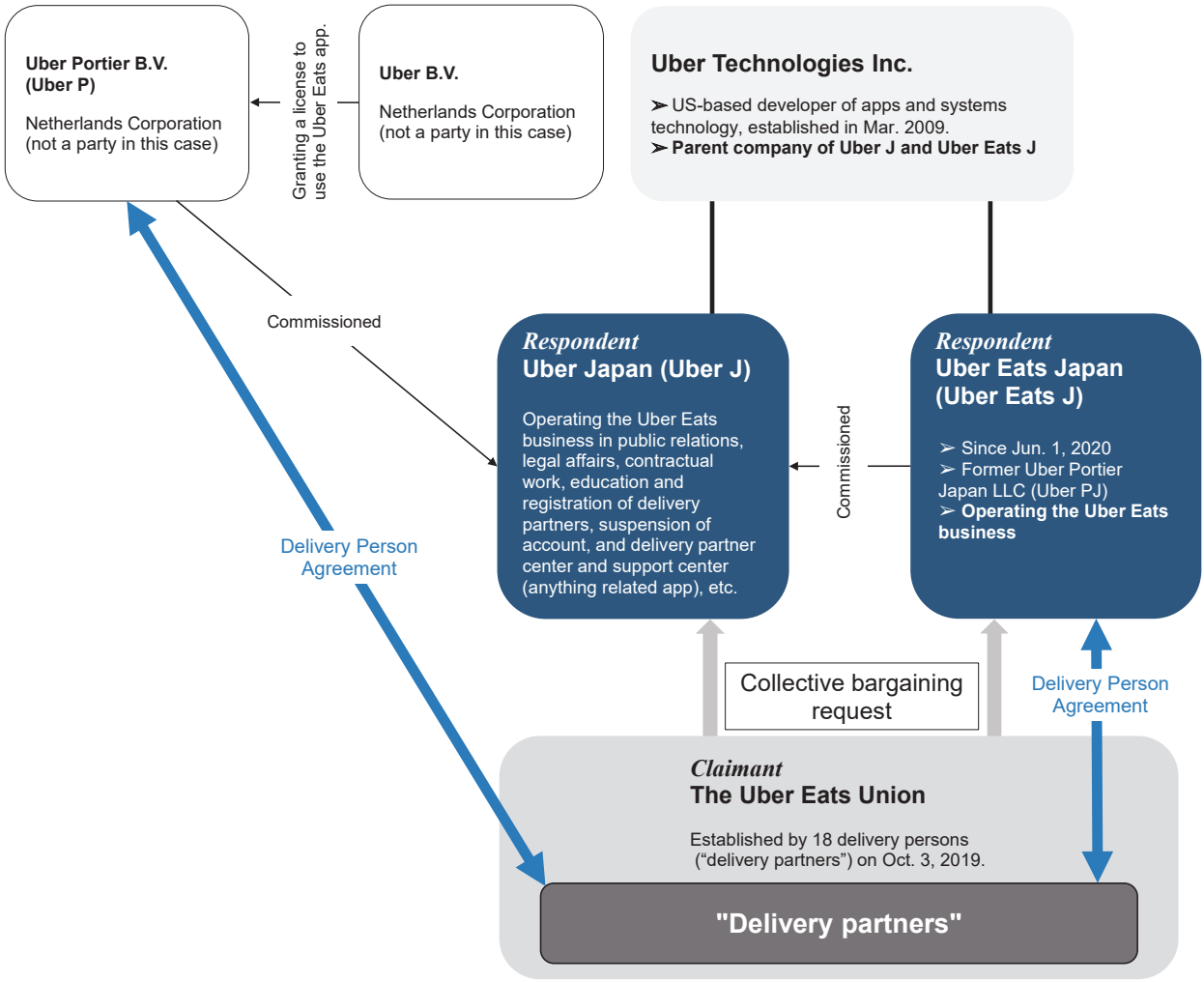
On October 29, 2019, one other respondent Uber Portier Japan LLC (hereinafter, "Uber PJ") was established as the operator of the Uber Eats business in Japan, and on June 1, 2020, Uber PJ changed its name to Uber Eats Japan (hereinafter, "Uber Eats J").

On November 20, 2019, Uber P notified delivery partners that, beginning December 1, Uber PJ would provide a platform for connecting delivery partners with restaurants and customers. Uber P, together with Uber PJ, entered into an agreement with delivery partners, Uber P granted the delivery partners the right to use the app, and Uber PJ conducted the matching between the users on the app. Uber J concluded an intercompany service agreement with Uber P on and after December 1, 2019, and performed services such as registration procedures, education, and support for delivery partners.

On November 25, 2019, the Union submitted a collective bargaining proposal to Uber PJ regarding compensation for the accident, reduction of fees, and other issues (hereinafter, the "November 25 Collective Bargaining Request").

On December 4, 2019, Uber PJ refused to bargain collectively with the Union, claiming that the delivery partners were not "employed workers" under the Labor Union Act.

The contract relationships of this case are shown in Figure 1. The case concerned from the perspectives of (1) whether delivery partners are workers under the Labor Union Act, (2) whether Uber J is an employer under the Labor Union Act in relation to union members who are delivery partners, and (3) whether Uber J's refusal to respond to the October 8 Collective Bargaining Request and Uber PJ's refusal to respond to the November 25 Collective Bargaining Request constitute refusal to bargain collectively without just cause, respectively. This commentary deals only with issues (1) and (2).



Source: Author created.

Figure 1. Contract relationships diagram

II. Order

Remedies for all unfair labor practices.

1. Whether delivery partners are workers under the Labor Union Act.

1-A. Framework for determining worker status

The Uber Eats business is a service that connects restaurants, customers who order food and beverages, and delivery partners via an app, and delivers food and beverages provided by the restaurants to the customers. Therefore, the business of delivering food and beverages is an integral part of the Uber Eats business.

Under the contract, Uber does not provide delivery services, etc., but provides a platform to users, and with respect to the sale of food and beverages, the transaction is made directly between the ordering customer and the restaurant, and if the sale of food and beverages involves delivery, a direct business relationship for delivery is created between the restaurant and the delivery partner, and the delivery partner is not in a relationship to provide labor to Uber P and Uber Eats J. One of the purposes of the Labor Union Act is "to elevate the status of

workers by promoting their being on equal standing with their employer in their negotiations with the employer" (Art. 1 LUA). Given the purpose and nature of the Act, it is necessary to determine objectively whether a worker is a "[person] who [lives] on their wages, salaries, or other equivalent income" (Art. 3 LUA) to whom the Act applies, in accordance with the reality of the situation, without being bound only by the formality of the contract such as its title.

Contractually, the delivery service is a direct business relationship between the restaurant and the delivery partner. In practice, Uber issues a Delivery Partner Guide to the delivery partner and suggests or warns that the account will be suspended if certain prohibited behaviors are violated, sometimes actually suspends the account, and even terminates the Uber Service Contract with the delivery partner if it is deemed difficult for the delivery partner to properly perform the delivery service, or if trouble occurs, the Uber support center operated by Uber J takes care of the problem. In light of these facts, it can be seen that Uber is involved in various ways in the performance of the delivery business so that the delivery partners can smoothly and stably perform the delivery business, which is an integral part of the Uber Eats business. Although delivery fees are contractually paid by the restaurant to the delivery partner, Uber Eats J actually receives them from the ordering party based on its agency authority and pays them to the delivery partner, minus a service fee that it earns itself. Therefore, it is difficult to view the delivery partner as merely a pure 'customer', and it is strongly inferred that it may be evaluated as supplying labor to Uber, which operates that business, within the overall Uber Eats business.

Even if the (Uber Eats) business provides a platform on the sharing economy, in some cases, users can be evaluated as supplying labor to the share provider. Therefore, in determining the worker status of delivery partners, the companies' argument that there is no room for the application of the criteria for determining worker status under the Labor Union Act because the companies are not using the labor of delivery partners cannot be adopted.

As to whether the delivery partner in this case is a worker under the Labor Union Act, in light of the purpose and nature of the Act, the relationship between the companies and the delivery partners should be examined, including whether there is an actual situation that can be evaluated as a labor supply relationship. The decision should be made by comprehensively considering various circumstances, such as integration into the business organization (see B. below for details), unilateral and routine determination of the content of the contract (C. below), whether the compensation is for labor (D. below), whether the delivery partner should respond to the request for business (E. below), the provision of labor under direction and supervision in a broad sense, and a certain time and place restraint (F below), and significant business ownership (G. below).

1-B. Integration into business organizations

(a) Purpose of the contract

The purpose of the agreements that delivery partners will enter into with Uber P and Uber Eats J is to provide Uber services to delivery partners on the platform provided by Uber P and Uber Eats J. The agreement also has the objective of securing a delivery partner to take care of most of the delivery work in order to ensure that the matching on the platform can be concluded quickly and reliably.

(b) Status of integration into organizations

In the Uber Eats business, delivery partners deliver food and beverages to the customer for 99 percent of all orders. And the number of delivery requests, at its highest, reaches 2.7 million per week. The percentage of delivery requests that are accepted by the delivery partner was approximately 70 percent at the time of the filing of the petition, and has generally remained at 40 percent since the response time was changed from 60 seconds to 30 seconds, but the percentage of delivery requests that are matched has generally been close to 100 percent throughout this period.

In order for Uber Eats to be successful as a

business, it is necessary to match many orders reliably and, due to the nature of the business of delivering food and beverages, it is also necessary to complete orders quickly. Uber Eats J pays its delivery partners money, which it calls an incentive, in addition to the basic delivery fee. Incentives can be said to direct and place delivery partners in locations, times, and periods of high demand for deliveries. When making a delivery request at the time of this filing, the delivery address was not indicated, suggesting that the delivery address was not indicated on purpose in order to match the request quickly.

(c) Evaluations and account suspensions

The companies seek to maintain and ensure a certain level of labor by controlling the behavior of delivery partners through an evaluation system for delivery partners and by eliminating labor that falls below the arbitrage evaluation average.

The account suspension means that the delivery partner will no longer be able to work, which has a considerably strong controlling effect. In the Delivery Partner Guide, the company stipulates a greater number of actions that are subject to account suspension for delivery partners than for other users, indicating that the companies are making efforts to strongly control the behavior of delivery partners and ensure that delivery partners are able to smoothly perform delivery operations.

(d) Representations to third parties

The companies do not require delivery partners to use Uber bags; it is up to the delivery partner to decide whether or not to use said bags. However, it is easy to infer that there are many delivery partners who use Uber Bags to take advantage of the name recognition of "Uber Eats," and these delivery partners can be considered to be treated as part of the Uber organization by third parties.

According to the Delivery Partner Guide, delivery partners are encouraged to address themselves as "Uber Eats" when visiting a restaurant or ordering customer. This can be seen as an indicator that they are being treated as part of the Uber organization.

(e) Exclusivity

Delivery partners only need to run the application when it is convenient for them, and they are not contractually prohibited from working for other companies, and in fact, some delivery partners are using multiple matching services simultaneously to perform similar delivery tasks. However, incentives such as "quests" can be said to encourage people to be virtually bound for a certain period of time in order to achieve their goals and earn rewards. Even though the percentage of delivery partners is not large, there are about 2,000 delivery partners who are working more than 40 hours per month on the app and are considered to be making a living by working exclusively for Uber Eats delivery services, and according to a survey conducted by Uber, a quarter of the respondents have delivery as their "main business." In this way, although delivery partners are not necessarily obligated to be exclusive to Uber, a system has been established to encourage them to engage exclusively in the Uber Eats delivery business, and in fact, there is a certain number of delivery partners who appear to be exclusive to this business.

(f) Summary

As described above, the Uber Eats business provides a service that connects users via an app and delivers food and beverages provided by restaurants to the customers who place orders. The delivery partners deliver food and beverages to customers, which account for 99% of all orders. In order to continue the business and generate profits, it is necessary to secure a large number of delivery partners, and it is believed that the companies control the behavior of delivery partners through evaluation systems and account suspension measures to maintain the smooth and stable performance of delivery operations. In addition, some delivery partners are treated by third parties as part of the Uber Eats organization, and a certain number of delivery partners are retained on a virtually exclusive basis with incentives.

In light of the above, the Uber Eats business could not function without the labor provided by the

delivery partners, and the delivery partners should have been secured and integrated into the business organization as an essential labor force for the execution of the companies' business.

1-C. Unilateral and routine determination of the contents of the contract

In both the determination and modification of the contents of the contract, there is no equal relationship, and it can be said that the companies are making unilateral and routine decisions.

1-D. Compensation for labor

The agreements that the delivery partners and the restaurants have with the companies provide that the companies are technical service providers, not delivery service providers, that a direct business relationship arises between the delivery partners and the restaurants with respect to delivery, and that the delivery partners charge the restaurants a delivery fee.

However, looking at the flow of money related to the delivery fee, Uber Eats J receives it from the ordering party and pays it to the delivery partner on behalf of the restaurant based on its agency authority, and the restaurant is not involved in the collection and payment of the delivery fee. The amount of the delivery fee is also determined by Uber Eats J, and the delivery fee is considered to be the recommended price. But, in practice, there is no negotiation between the delivery partner and the company, or between the delivery partner and the restaurant, and the delivery fee has never changed to an amount other than the recommended price. Uber Eats J also pays a certain amount of money to the restaurant or the ordering party depending on the circumstances, such as when the delivery of food and beverages is unsuccessful. Uber Eats J may also pay a predetermined delivery fee to the delivery partner even when the ordering party is not at the delivery location and the food and beverages are not delivered, or when the food and beverages are damaged due to the carelessness of the delivery partner. Therefore, even if the restaurant is supposed to pay the delivery fee under the contract, it is reasonable to assume that Uber Eats J pays the delivery fee to the delivery partner in reality.

When a delivery partner allows another person to use their account, it is considered grounds for suspension of the account, and the delivery service is to be performed by the delivery partner, supplying their own labor.

Regarding the delivery fee, the Delivery Partner Guide states that it is the basic delivery fee (base fee - service fee) plus an incentive (irregular additional compensation), and that the "base fee" consists of a receiving fee, a delivery fee, and a distance fee. The receiving fee is based on the number of food and beverages received at the restaurant, the delivery fee is based on the number of food and beverages given to the orderer, and the distance fee is based on the distance from the restaurant to the delivery destination, all of which are calculated based on the volume of business that the delivery partner delivers food and beverages to the orderer. Uber Eats J may pay a predetermined delivery fee to the delivery partner even if the delivery is not completed, for example, if the delivery cannot be completed for the convenience of the ordering party. This makes it difficult to say that the delivery fee is a reward for the completion of the job. Delivery fees are paid weekly, are due every Monday, and are transferred to the registered account within one week of the closing date.

The Delivery Partner Guide states that incentives are additional compensation added to the delivery fee. Among the incentives, boosts are increased by a certain multiplier at times and locations with high order volume, quests are paid when the target number of deliveries is met within a time period, and online time incentives are the difference between the fixed amount and the actual delivery fee if the delivery fee at a specified time is less than a certain amount. Boosts can be described as encouraging operation at times and locations with high order volumes, quests as encouraging increased deliveries, and online time incentives as encouraging apps to be online at specified times by guaranteeing a certain amount of money, all of which are similar in nature to busywork allowances, incentives, and the like.

In short, the delivery fee paid by Uber Eats J to

the delivery partners is a basic delivery fee and an additional remuneration called an incentive, both of which are in the nature of compensation for the labor performed by the delivery partners themselves.

1-E. Relationship to respond to requests for business

Delivery partners can receive delivery requests, which are requests for work, when the app is online. Whether or not to put the app online, at what time of day, and at what location the delivery service is to be performed is completely up to the delivery partner. While cancellation after responding to a delivery request could result in a loss of reputation or account suspension, there is no specific provision to the effect that simply not responding to a delivery request will result in a specific disadvantage. In fact, delivery partners had a certain degree of freedom to accept or reject delivery requests, as the percentage of acceptances by delivery partners was approximately 70 percent at the time of the filing of the petition and approximately 40 percent in recent times, after the response time was changed from 60 seconds to 30 seconds. However, the following circumstances are also recognized.

(a) Possibility of disadvantageous treatment

In many cases, the app is set to automatically go offline if the delivery request is not accepted three times in a row within a certain period of time. Although it is possible to log in again, if the delivery partner is unaware that they have been taken offline, they may miss the opportunity to accept the delivery request.

The union claims that if a delivery partner fails to respond to two or three delivery requests in a row, the partner may be "hung out to dry" for a while, meaning that no more delivery requests are received. Even if it is difficult to find that there was a fact of being "hung out to dry," it is undeniable that the delivery partners, who are members of the association, were aware that if they refused delivery requests, they might be disadvantaged, for example, by a decrease in the number of delivery requests sent.

(b) Possibility of rejecting the request for a contract

The circumstances suggest that Uber did not indicate the delivery destination when the delivery request was made. The delivery partner was in a difficult situation to reject the delivery request at the stage when the delivery destination was actually informed at the restaurant. Among the incentives set by the firms, quests are paid if the target for the number of deliveries is achieved within a certain period of time. Therefore, delivery partners who set a goal for a quest are less likely to refuse a request for work until the goal is achieved within that time period. Furthermore, since delivery partners are not guaranteed a certain amount of income and do not know how many delivery requests will be sent, they are likely to be inclined to comply if a delivery request comes in while the app is online. In particular, delivery partners who operate approximately 40 hours per week and are virtually exclusively engaged in the Uber Eats business essentially find it difficult to refuse delivery requests.

(c) Summary

Delivery partners were free to decide whether or not to put the application online, at what time of day, and at what location to perform delivery services, and there was no specific stipulation that they would suffer specific disadvantages if they refused delivery requests, and it cannot be said that they were in a relationship where they had to respond to business requests. However, in some cases, the delivery partner's perception is that it is difficult to refuse a delivery request.

1-F. Provision of labor under direction and supervision in the broad sense, and a certain time and place restraint

The delivery partner can put the app online at the time and location of their choice when they wish to perform the work, and they are completely free to choose at what time and location they wish to perform the work. After the delivery partner accepts the delivery request, the delivery partner is given instructions by the company in the delivery partner

guide, etc. on how to perform the delivery operation, and is forced to follow the instructions regarding time and place, but after the delivery operation is completed, the delivery partner is free to either leave the application online to wait for the next delivery request or to go offline to finish the operation. In light of this, it cannot be said that the delivery partners are bound by the companies, at least as to what time and where they perform their work.

Since delivery work is routine and work procedures are indicated by the delivery partner guide, the only discretion that delivery partners have in their work is the selection of delivery routes. However, it can be inferred that the delivery partners have little room for discretion in their work, as they are virtually forced to follow the recommended route.

In light of the above, although the delivery partners cannot be said to be bound by the companies with respect to the time and place of their work, they are, in a broad sense, under the direction and supervision of the companies in performing their delivery duties.

1-G. Significant business ownership

(a) Opportunity to profit from one's own talent

There is very little room for discretion for delivery partners in the delivery operations, and since community guidelines prohibit restaurants and customers from unnecessary contact with delivery partners and from acquiring their own unique customers, there is little opportunity for them to use their own talents.

(b) Burden of profit and loss in operations

The profits and losses in the delivery business are borne by Uber Eats J, and it cannot be said that the delivery partners bear any risk in their operations.

(c) Use of other persons' labor

Delivery services are to be provided by the individual who has registered in advance, and violations of this rule may result in account suspension. Therefore, delivery partners are not allowed to expand their business by hiring others, etc.

(d) Burden of equipment, etc. necessary for the work

Delivery partners carry out delivery operations by owning their own means of delivery, such as motorcycles and bicycles.

(e) Summary

Although delivery partners own their own means of delivery, such as motorcycles and bicycles, they cannot independently acquire unique customers or use the labor of others, and they have little opportunity to profit from their own talents or take on the risks of the delivery business, so it cannot be said that delivery partners have significant business ownership.

1-H. Conclusion

The delivery partners in this case are: secured as labor force indispensable for the execution of the companies' business and integrated into the business organization (as the order states in B. above); the companies have unilaterally and routinely determined the contents of the contract (C. above); and the delivery fees earned by the delivery partners are compensation for the provision of labor (D. above). On the other hand, the delivery partners have freedom as to whether or not to run the application, at what time of day, and at what location to perform delivery services, and it cannot be said that they were in a relationship where they had to respond to the companies' requests. However, it is recognized that in some cases, there were circumstances that made it difficult for them to reject delivery requests (E. above). In addition, although they are not bound to a certain time and place, in a broad sense, they are under the direction and supervision of the companies in carrying out their delivery work (F. above). And, the delivery partner cannot be found to have significant business ownership (G. above). Taking all of these circumstances into consideration, the delivery partners in this case are workers under the Labor Union Act in relation to the companies.

2. Whether Uber J is an employer under the Labor Union Act in relation to union members who are delivery partners.

With regard to the Uber Eats business, the division of roles among the affiliated companies involved in the business is not clearly differentiated, and it is reasonable to assume that the affiliated companies were, in effect, developing and operating the business as a single entity.

Uber J, which practically handles the Uber Eats business for delivery partners, from registration and contract procedures to explanation and support of operations and various inquiries, should be considered to be in a position to control and decide collective bargaining matters concerning working conditions, etc. of delivery partners in a realistic and concrete manner, together with Uber Eats J, a party to the contract with delivery partners, and to be an employer who should respond to collective bargaining.

III. Commentary

1. Significance and features of this order

This order of the Labor Relations Commission is the first case in Japan, in both administrative and judicial terms, to determine the worker's status under the Labor Union Act when matching labor supply and demand through digital platforms. With the development of platform work, as represented by the Uber Eats business, this order, together with the conclusion of the affirmation, is of great significance, as it indicates the way of determining the worker status of such workers under the Labor Union Act.

As a framework for determining worker status under the Labor Union Act, this order cites the factors listed in the Report of the Labor-Management Relations Law Study Group of the Ministry of Health, Labour and Welfare (MHLW) of July 25, 2011, and applies them to the facts found to make a decision, but does not give any weight to the factors and takes the form of a comprehensive judgment.

Contractually, the platform provider is not supposed to use the labor of the worker, and in many cases, the one who needs the labor is the ordering party and not the platform. This phenomenon is not limited to the Uber Eats business, but has become a common phenomenon for businesses that use the platform. In this case, it was found that even though the delivery partner does not contractually provide labor to UP and UEJ, actually, the delivery partner may be considered as supplying labor to the platform. And UJ, which is not a party to the contract, was deemed to be an employer under the Labor Union Act.

2. Japanese concept of worker and criteria for determining worker status

While some countries, such as Germany, maintain a unified concept of worker regardless of individual or collective laws, in the case of Japan, the concept of worker under collective laws, represented by the Labor Union Act, is a broader concept, separate from the concept of worker under individual laws, such as the Labor Standards Act and Labor Contracts Act.

The concept of worker in individual labor relations is often determined by reference to the definition in Article 9 of the Labor Standards Act.[1] The definition in Article 9 of the Act indicates that a worker is "a person who is (i) employed at a business or office" and (ii) receives wages therefrom. However, both the meaning of "employed" and the definition of "wages" are broad and abstract, so the scope of workers cannot be immediately clarified from this article. The criteria for determining worker status that is generally based and used in practice is the Labor Standards Act Study Group Report of December 19, 1985, "On the criteria for determining worker status under the Labor Standards Act."[2] The report stated that the determination of worker status should be based on actual and concrete relationship, regardless of the form of the contract, such as an employment contract or a subcontracting contract, and established a basic framework for determining worker status under the LSA: the existence of "subordinate relationship to an employer (personal dependence, namely, subordination to the control of the employer [*shiyo juzoku sei*])," that is, whether a person (i) works under the direction and supervision of an employer and (ii) receives compensation for his/her labor. On the other hand, it is generally

accepted that economic subordination is not a basis for worker status under the Act.[3]

(i) Whether or not the work can be considered as work under direction and supervision is judged in light of whether or not the worker has the freedom to accept or refuse work requests, direction in performing the work, etc., whether or not the work is restricted in terms of workplace and work hours, and whether or not the work is substitutable.

(ii) Regarding the remuneration as compensation for labor, if the remuneration is calculated on the basis of hourly rates, etc., and if there is little difference depending on the result of labor, and if it is judged as compensation for providing labor for a certain period of time, it is considered to reinforce the "subordinate relationship to an employer."

In cases where the determination cannot be made solely from the perspectives of (i) and (ii), (iii) the existence (or degree) of business ownership and the degree of exclusivity may be considered as factors to reinforce the determination of worker status. Specifically, the burden of machinery and equipment, the amount of remuneration, liability for damages, and whether or not a trade name is used.

On the other hand, the issue in this case was the concept of worker under the Labor Union Act. Article 3 of the Labor Union Act defines the concept of worker under the Labor Union Act as "[t]he term "workers" as used in this Act means those persons who live on their wages, salaries, or other equivalent income, regardless of the kind of occupation." There is almost no dispute that the concept of worker under the Labor Union Act is broader interpreted than that under the Labor Standards Act because, unlike the concept of worker under the Labor Standards Act, the worker is not required to be employed; but it was not always clear how much broader than that under the Labor Standards Act, or the criteria for defining its extension.

Therefore, in three decisions in 2011–2012,[4] the Supreme Court established the stance that economic subordination plus moderated employment subordination (personal subordination) is taken into account to determine workers' status under the Labor Union Act. According to the common theory, the basic factors of judgment presented by the three aforementioned Supreme Court decisions are (i) integration into the business organization, (ii) unilateral and routine determination of the content of the contract, and (iii) the remuneration for labor. The supplemental factors of judgment are (iv) a relationship to respond to requests for work, (v) provision of labor under direction and supervision in a broad sense, and a certain time and place restraint. Lastly, (vi) significant business ownership is interpreted to be a factor that negatively affects the status of a worker.[5]

With regard to (iv), the Labor Standards Act presumes that a worker is obligated under the labor contract to respond to requests for work, but the Labor Union Act only requires that the worker is obliged to respond to requests for work in the actual labor relationship, even if there is no such obligation under the labor contract. With regard to (v), this is exactly what is understood as "moderate subordinate relationship to an employer status." While (iv) and (v) are the basic factors of judgment when determining worker status under the Labor Standards Act, (iv) and (v) are merely supplemental elements of judgment when determining worker status under the Labor Union Act. The determining factors that delineate the boundaries of worker status under the Labor Union Act are (i) and (ii), which were not considered in the concept of worker under the Labor Standards Act.

The factor (i) held that when labor providers are involved within an organization as a labor force that is quantitatively and qualitatively indispensable for the performance of work, the terms and conditions of use of the labor force should be resolved through collective bargaining, and clarified the breadth of the concept of worker under the Labor Union Act, which is not based on the contractual form of the parties,[6] and at the same time, it delineated the boundaries of the concept of worker under the Labor Union Act. In addition, in the case of unilateral and routine determination of the content of the contract in (ii), the labor provider side has a disparity in bargaining power vis-à-vis the other party, which clearly requires protection under the collective bargaining legislation.

The factor (iii) corresponds to "wages, salaries, and other similar income" as specified in the definition of workers under the Labor Union Act.[7] The significant business ownership of (vi) is considered as a negative factor in determining worker status under the Labor Union Act. If a labor provider is viewed as a person who constantly has the opportunity to profit from his/her own talent and undertakes the risk of conducting business on his/her own, it may act negatively in considering worker status.

Thus, in the abovementioned Report of the Labor-Management Relations Law Study Group which is generally referred as the criteria for determining worker status under the Labor Union Act, the factors are divided into "basic" and "supplemental," etc., and from their perspective, there appears to be a difference in the level of importance. However, this order took the stance of "making a judgment based on a comprehensive consideration of various circumstances," and did not assign any strength or weakness as a factor in making a judgment.

Looking at the specific judgment, this order, in line with the judgment framework presented in the above mentioned Report breaks down each judgment factor into more detailed circumstances for consideration.[8] Bearing in mind that this is only a "judgment of degree," the order finds that even if the degree is not as strong as when recognizing worker status under the Labor Standards Act, there are circumstances of a degree appropriate for recognizing worker status under the Labor Union Act, and after comprehensive consideration, the order finds that the delivery partner is a worker under the Labor Union Act. In determining the relationship between the delivery partner and the company, the Tokyo Metropolitan Government's Labor Relations Commission emphasized, it has "recognized" that if the delivery partner did not respond to two or three delivery requests in a row, the delivery partner would be "hung out to dry" and would not receive delivery requests for a while, and that "there were circumstances that made it difficult to refuse the delivery request." Although there is no specific provision in the contract to the effect that a party will suffer specific disadvantages if it does not comply with a delivery request, the stance of this order, which emphasizes the perception of the parties rather than making judgments based solely on the content of the contract, is consistent with the criteria of judgment presented in the Report.[9]

3. Determination as to whether the platform provider is using the labor of the delivery partner

In the platform economy, not limited to the Uber Eats business, platform providers often claim that there is a direct business relationship between the party needing labor and the labor provider, and that they do not use the labor of the labor provider, and that the platform provider merely provides a platform for matching labor supply and demand. In Japan, however, in determining whether a franchisee who operates a convenience store under a franchise agreement is a worker under the Labor Union Act, the issue is whether the convenience store franchise owner is in a contractual relationship to provide labor to the head office.[10]

There are two patterns of logical construction in regards to this point. One is to first determine whether the platform provider is using the labor of the labor provider (delivery partner), and if that is denied, then there is no room to apply the criteria for determining the worker status under the Labor Union Act for labor provider's.[11] The other is to strongly infer the possibility that a labor provider may be supplying labor to the platform provider that operate the business within the overall Uber Eats business, thereby expanding the scope for applying the already established framework for determining worker status under the Labor Union Act, and drawing a conclusion about whether the platform provider is using the labor provided by the labor provider. Considering that the use of labor performed by labor providers is a subcomponent of the factor of the "integration into the business organization," that it is necessary to consider each factor comprehensively, and that, in determining worker status under the Labor Union Act, it should be determined as much as possible in accordance with the already established framework of judgment, the latter logical structure is more

appropriate.

4. Determination of Uber J as "employer"

Another characteristic of the platform economy is that there may be cases where there is no contractual employer, or where the platform provider, in order to escape employer liability, may create a subcontractor or other entity with jurisdiction over a particular area to act as the contractual employer. Again, the issue was the employer status of Uber J, which had no contractual relationship with the delivery partner.

In a case in which unionized workers of a subcontractor applied to the prime contractor for collective bargaining, the Supreme Court in the *Asahi Hoso* case[12] held that even a business owner other than the employer is recognized as an employer "if it is in a position to control and decide in a realistic and concrete manner to the extent that it can be considered, though partially, as an employer" (The *Asahi Hoso* case, Supreme Court decision). The judgment method of the Supreme Court decision in the *Asahi Hoso* case has become the established method for holding parties other than the contractual employer liable for employer liability under the Labor Union Act, which centers on the contractual employer and attempts to partially extend the employer concept to related parties in the surrounding area.

On the other hand, in this case, it was found that the division of roles among the affiliated companies involved in the Uber Eats business was not clearly differentiated, and that the affiliated companies, including Uber J, were effectively united in the development and operation of this business. In determining the worker status of delivery partners under the Labor Union Act, even when determining their integration in the business organization, the "business organization" referred to therein does not refer to a specific company, but to all of the affiliated companies engaged in the same business. In other words, this order held that all of the affiliated companies involved in the Uber Eats business, regardless of whether they were contractual employers or not, were subject to the labor provision of the delivery partners because the division of roles among the companies was not clearly distinguished, and any affiliated company had the status of an employer who should be subject to collective bargaining as long as it was responsible for a part of the Uber Eats business. In other words, rather than focusing on a particular company and partially extending the employer concept to other parties, this order adopts the logical structure that as long as multiple companies share the employer function, all companies have worker status under the Labor Union Act. This concept is similar to the American concept of "joint employer," and may develop as an important legal doctrine in the platform economy era to pursue employer liability against platform providers who try to distance themselves from labor providers by establishing a separate contractual employer.

1. The concept of worker under the Labor Contracts Act is commonly understood to be the same as that under the Labor Standards Act. See Takashi Araki, *Rodoho* [Labor Law], 5th ed. (Tokyo: Yuhikaku), 53.
2. https://www.mhlw.go.jp/stf/shingi/2r9852000000xgbw-att/2r9852000000xgi8.pdf.
3. Araki, *supra* note 1, 54.
4. The *National Government and Central Labor Relations Commission (Shin-Kokuritsu Gekijo Un'ei Zaidan [New National Theatre Management Foundation])* case, The 3rd Petty Bench, Supreme Court, (Apr. 12, 2011) 65–3 *Minshu* 943; *National Government and Central Labor Relations Commission (INAX Maintenance)* case, the 3rd Petty Bench, Supreme Court, (Apr. 12, 2011) 1026 *Rohan* 27; The *National Government and Central Labor Relations Commission (Victor Service Engineering)* case, The 3rd Petty Bench, Supreme Court, (Feb. 21, 2012) 66–3 *Minshu* 955.
5. The Study Group of the MHLW on Labor-Management Relations Law, Roshi kankei-ho kenkyukai hokokusho: Rodo kumiai ho jo no rodosha sei no handan kijun ni tsuite [Report of the Study Group on Labor-Management Relations Law: Criteria for determining worker status under the Labor Union Act] (Tokyo: Ministry of Health, Labour and Welfare, Jul. 25, 2011). https://www.mhlw.go.jp/stf/houdou/2r9852000001juuf-att/2r9852000001jx2l.pdf.
6. In the discussion at the time of the Trade Union Law in December 1945, it was apparent that the intention was to guarantee that those who live on remuneration for their own labor under contractual arrangements such as subcontracting may also organize a labor union and bargain collectively, etc. The Trade Union Law was completely revised into the current law in 1949, but the concept of "worker" was maintained as it was in the old Labor Union Legislation. See the Study Group of the MHLW on Labor-Management Relations Law, *supra* note 5, 1–6.
7. "The term "workers" as used in this Act means those persons who live on their wages, salaries, or other equivalent income, regardless of the kind of occupation." (Art.3 LUA)

8. The Study Group of the MHLW on Labor-Management Relations Law, *supra* note 5, 12 and the following for details of the circumstances considered.
9. The Study Group of the MHLW on Labor-Management Relations Law, *supra* note 5, 11, for details on the criteria.
10. The *National Government and Central Labor Relations Commission (Seven-Eleven Japan)* case, Central Labor Relations Commission (Feb. 6, 2022) 1209 *Rohan* 15; The *National Government and Central Labor Relations Commission (Seven-Eleven Japan)* case, Tokyo District Court (June 6, 2022) 1271 *Rohan* 5.
11. In this case, the company argues it.
12. The *Asahi Hoso* case, The 3rd Petty Bench, Supreme Court (Feb. 28, 1995) 49 *Minshu* 387.

The order of this case is available at https://www.metro.tokyo.lg.jp/tosei/hodohappyo/press/2022/11/25/documents/14_01.pdf [summary in Japanese]. For other related information, see *Rodo Hanrei* (*Rohan*, Sanno Research Institute) 1280, pp.5–17 and *Rodo Horitsu Junpo* (*Rojun*, Junposha) 2026, pp.6–27.

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Changes in Japanese Policies for Accepting Foreign Workers for the Purpose of Compensating for Labor Shortage

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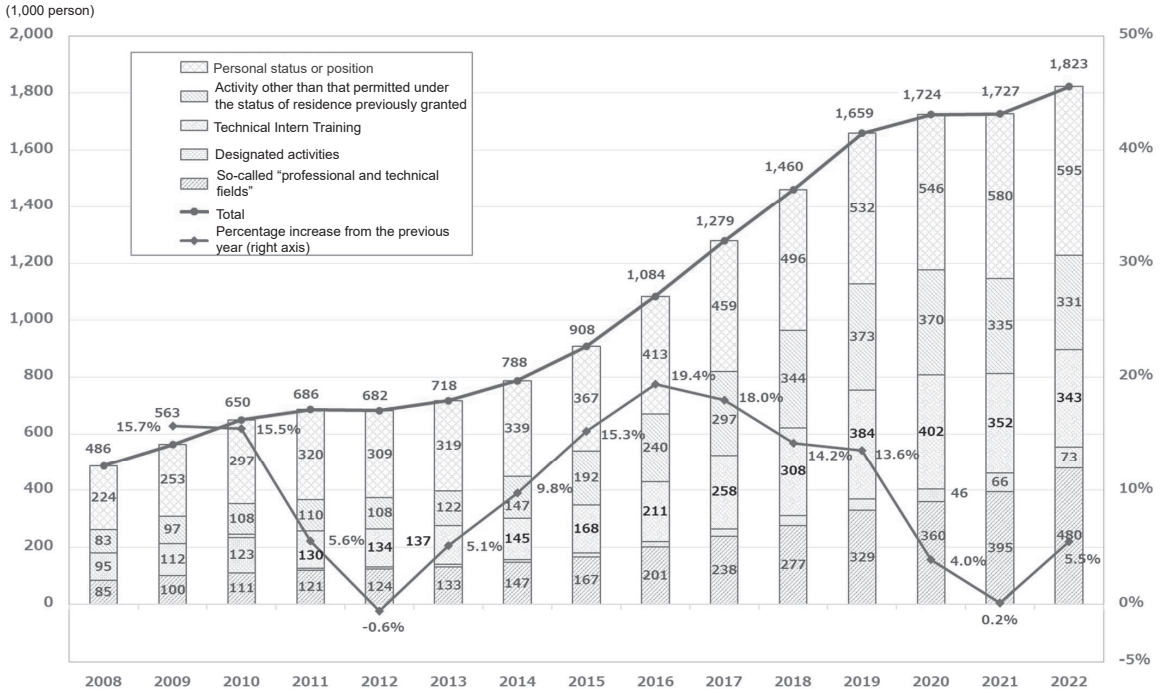
In April 2019, the Specified Skilled Worker System was launched with the aim of accepting foreign workers in order to compensate for serious labor shortage. The mechanism and the developments leading to the launch of this system are detailed in Hamaguchi (2019). One of the issues regarding the policies for accepting foreign workers that have still been under discussion is the positioning of the Technical Intern Training Program and whether or not to maintain this. The program, which originally aims to make international contributions through human resource development, substantially functions as a contact point for accepting foreign workers temporarily. It was not until April 2023 that a future vision became visible with regard to national policies for accepting foreign workers for compensating for labor shortage, from discussions at the Advisory Panel of Experts on Ideal Form of Technical Intern Training Program and Specified Skilled Worker established by the government. This article first overviews the current status of acceptance of foreign workers based on official statistics, then introduces the recommendations made by the Advisory Panel, explaining the meaning thereof and further making reference to the remaining problems.

1. Changes in the number of foreign workers

In Japan, all employers are required with file a notification to *Hello Work* (public employment security offices) on each occasion they hire a foreign national and a foreign employee resigns. Figure 1 shows changes in the number of foreign workers by major status of residence based on the statistical data, "Situation of Notifications on 'the Employment Status of Foreign Nationals,'" that the Ministry of Health, Labour and Welfare publishes every year. The number of foreign workers, which was approximately 486,000 in 2008, has increased rapidly since the mid-2010s. In recent years, the increase slowed due to the spread of COVID-19, but the number of foreign workers reached 1,823,000 in 2022, hitting a record high. The number doubled from that in 2015.

Looking at the recent trend in the number of foreign workers by status of residence, a decrease is observed in those with the status for "Technical Intern Training" and those who have obtained permission to engage in an "activity other than that permitted under the status of residence previously granted," which includes part-time jobs that many foreign students engage in. The decrease in the number of those with these statuses of residence is considered to have been caused by strict restrictions on entry into Japan due to COVID-19. On the other hand, an increase has been observed in recent years as well in those permitted based on "personal status or position," those permitted for so-called "professional and technical fields," and those permitted for "designated activities." Until 2010, the "designated activity" cases had included foreign nationals, corresponding to those in their second or third year of technical intern training as defined based on the current definition. Now, former students who are currently seeking jobs or other various foreign nationals are included, as are some Technical Intern Trainees who could not return home amid the



Source: Ministry of Health, Labour and Welfare, *Notification of the Situation of Employment Status of Foreign Workers* (2022).

Figure 1. Changes in the number of foreign workers by status of residence

pandemic but continued to stay in Japan by obtaining this status of residence. "Specified Skilled Workers," which are detailed in the following section, are also included in the category of "professional and technical fields." According to the aforementioned statistical data, the number of Specified Skilled Workers was 79,000 in 2022.

2. Current status of acceptance of specified skilled workers

The newly established status of residence "Specified Skilled Workers" has two categories. Specified Skilled Workers Type 1 are permitted to engage in work that requires a considerable level of knowledge or experience, and Specified Skilled Workers Type 2 are permitted to engage in work that requires expert skills. Specified Skilled Workers Type 1 are accepted in 12 specified industry fields,[1] while Specified Skilled Workers Type 2 are accepted in only two industry fields: construction and shipbuilding and ship machinery.

According to the statistical data (preliminary figures) published by the Immigration Services Agency, which is an extra-ministerial bureau of the Ministry of Justice, as of the end of December 2022, 130,915 foreign nationals were registered as Specified Skilled Worker Type 1, and eight as Type 2 (Table 1). The total of 345,150 Specified Skilled Workers to be accepted (the maximum number in the coming five years) were projected upon the launch of the Specified Skilled Worker System. The number of Specified Skilled Workers at present is far below the projected number but has reached around one-third of that of Technical Intern Trainees.

The number of Specified Skilled Workers Type 1 is the largest in the field of manufacture of food and beverages, which accounts for one-third of the total, followed by the integrated field of machine parts and tooling, industrial machinery, and electric/electronics and information, then agriculture, nursing care, and construction.

Table 1. Number of Specified Skilled Workers Type 1 by specified industry field and by route of acceptance; as of the end of December 2022

	Total	Through Specified Skilled Worker Tests	Through satisfactory completion of Technical Intern Training	Through National Trade Skill Tests	Through completion of training at a training institution for Certified Care Workers	Through becoming an EPA Certified Care Worker Candidate
Total	130,915	34,078	96,356	207	1	273
	100.0	26.0	73.6	0.2	0.0	0.2
Nursing care	16,081	12,999	2,808	—	1	273
	100.0	80.8	17.5		0.0	1.7
Building cleaning management	1,867	507	1,360	—	—	—
	100.0	27.2	72.8			
Machine parts and tooling; industrial machinery, and electric/electronics and information	27,725	601	27,124	—	—	—
	100.0	2.2	97.8			
Construction	12,768	275	12,301	192	—	—
	100.0	2.2	96.3	1.5		
Shipbuilding and ship machinery	4,602	30	4,572	0	—	—
	100.0	0.7	99.3	0.0		
Automobile repair and maintenance	1,738	239	1,484	15	—	—
	100.0	13.8	85.4	0.9		
Aviation	167	167	0	—	—	—
	100.0	100.0	0.0			
Accommodation	206	199	7	—	—	—
	100.0	96.6	3.4			
Agriculture	16,459	4,491	11,968	—	—	—
	100.0	27.3	72.7			
Fishery and aquaculture	1,638	97	1,541	—	—	—
	100.0	5.9	94.1			
Manufacture of food and beverages	42,505	9,463	33,042	—	—	—
	100.0	22.3	77.7			
Food service	5,159	5,010	149	—	—	—
	100.0	97.1	2.9			

Source: Ministry of Justice, "Report on the Number of Specified Skilled Workers (Preliminary Figures)." https://www.moj.go.jp/isa/policies/ssw/nyuukokukanri07_00215.html [in Japanese]

By route of acceptance, those accepted through "satisfactory completion of Technical Intern Training" accounted for 73.6%, and those accepted through "Specified Skilled Worker Tests" (referred to as "SSW Tests" hereafter) accounted for 26.0%. Technical Intern Trainees receive training for three years: the first year for the acquisition of skills and the second and third years for the enhancement of skills. The route through Technical Intern Training in Table 1 refers to cases where foreign nationals completed Technical Intern Training Type 2 or Type 3 and found jobs as a Specified Skilled Worker Type 1 in specified industry fields linked to individual job categories for which they received technical intern training. The route through "SSW Tests" refers to cases where foreign nationals find jobs through passing tests conducted in individual specified industry fields. Those taking SSW Tests include foreign nationals who completed technical intern training but seek jobs in fields other than those for which they received training; foreign students who would like to find jobs in Japan after graduation; and foreign nationals who came to Japan for the first time as a Specified Skilled Worker Type 1 to find jobs.

Foreign nationals accepted through these two routes are roughly divided into three groups by

specific industry fields: (1) a group of foreign nationals, over 90% of whom were accepted through Technical Intern Training in the following fields: machine parts and tooling, industrial machinery, and electric/electronics and information; construction; shipbuilding and ship machinery, and fishery and aquaculture; (2) a group of foreign nationals, 70% to 80% of whom were accepted through Technical Intern Training in the following fields: building cleaning management; automobile repair and maintenance; agriculture, and manufacture of food and beverages, and (3) a group in which the percentage of those who were accepted through SSW Tests is higher in the following fields: nursing care; aviation; accommodation, and food service.

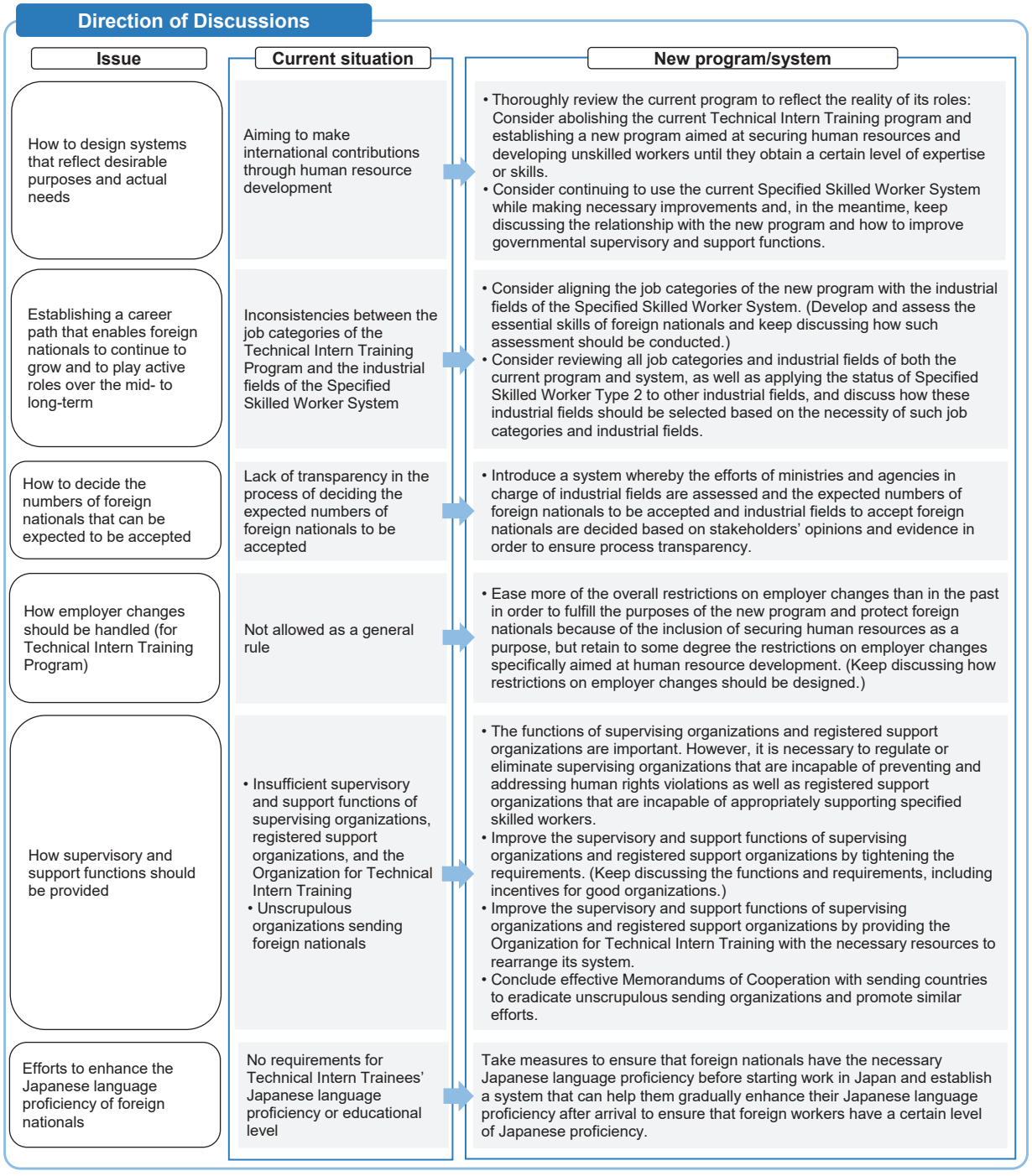
3. Renovating the Technical Intern Training Program? —Direction of future changes presented by the experts

Pursuant to the supplementary provisions of the amended Immigration Control and Refugee Recognition Act of 2018, which provide for the Technical Intern Training Program and the Specified Skilled Worker System, the Advisory Panel of Experts has held meetings on ideal forms of the program and system since November 2022. At the panel, relevant data, trends in other countries, and the opinions of diverse stakeholders were introduced. This article introduces the content of the draft interim report published in April 2023, which was the latest material at the point of writing this article, and examines its meaning. As relevant ministries and agencies are to have further discussions based on the advisors' report, it should be noted that the following are not the government's final decisions.

Figure 2 shows the summary of the published draft interim report. The most important point here is that the Advisory Panel recommended abolishing the current Technical Intern Training Program and establishing a new program. This would change the Technical Intern Training Program on the one hand but still keep it the same on the other. The original nature of the Technical Intern Training Program was to develop human resources for the benefit of sending countries, with the aim of increasing Japan's international contributions. In contrast, the new program aims to develop and secure human resources. Although the objective of developing human resources will be shared between the current program and the new program, the current program's objective of international contributions will be replaced with securing human resources by the new program. Particular attention should be paid to the fact that this substitution would officially place the new program under the Specified Skilled Worker System. Therefore, the Specified Skilled Worker System should be redesigned so that foreign workers trained under the new program can smoothly shift to the system. Additionally, encouraging foreign nationals to improve their Japanese language proficiency will be more important, as it will help them enhance their vocational skills and fit the needs of the Japanese labor market.

The government of Japan has taken a cautious stance on the acceptance of foreign nationals who engage in so-called "menial jobs." However, in reality, Japanese-Brazilians and other long-term residents have engaged in jobs that do not require specific skills or experience, and the Technical Intern Training Program has substantially served as a contact point for accepting those foreign nationals. The program has thus, for the last 30 years, provided labor to small- and medium-sized enterprises or some industries facing difficulties in hiring Japanese workers, or has been utilized as a special category of policy for securing non-regular employment where foreign workers' temporary retention at workplaces can be expected.

In contrast, the new program to be established is positioned as a contact point for accepting foreign workers for compensating for labor shortage. Under this program, many of the foreign workers coming to Japan for the first time will engage in jobs that they can do without specific skills. A certain number of employers will welcome this. At the same time, the new program, which also has the objective of developing human resources, is placed under the Specified Skilled Worker System and will encourage foreign workers to experience higher-level jobs



Source: Immigration Services Agency, "The draft interim report (summary)" of the Advisory Panel of Experts on Ideal Form of Technical Intern Training Program and Specified Skilled Worker System (materials for 7th meeting, April 28, 2023). https://www.moj.go.jp/isa/content/001395223.pdf [in Japanese].

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Figure 2. Direction of discussions (draft)

instead of continuously engaging in jobs that do not require specific skills or experience. In short, so-called "menial jobs" are not everything but the first stepping stones for foreign workers' future careers to come in Japan. Accordingly, the policy recommended by the experts is not completely in conflict with the stance that the government of Japan has taken so far.

In recent years, the Technical Intern Training Program has been under criticism and societal expectations that Japan "squarely" accepts foreign workers have increased. However, in one aspect, such expectations can serve as grounds for procuring foreign workers from overseas on a "just-in-time" basis. The fact that the recommended new program places importance on developing human resources in addition to securing human resources can possibly imply that the experts proposed that Japan should not adopt such a "procurement" method on a full scale.

The new program for accepting foreign workers is claimed to succeed the Technical Intern Training Program's objective of developing human resources, but there is a concern that problems with the conventional program that have long been pointed out might be left unaddressed. Technical Intern Trainees cannot change workplaces while staying in Japan and are placed in a weaker position than employers, which has caused problems involving human rights infringement. The experts' draft report permits foreign workers' changes of employers to a certain degree under the new program and mentions the need for stricter regulations on intermediary organizations that supervise or offer support for Technical Intern Trainees and Specified Skilled Workers Type 1.

4. Remaining problems

If the experts' recommendations are fulfilled, the gateway will be developed for the framework for accepting foreign workers for the purpose of compensating for labor shortage. As a policy problem to be further discussed, this article picks up control of the "exit" for Specified Skilled Workers Type 1, or their shift to Specified Skilled Workers Type 2.

The period of stay for Specified Skilled Workers Type 1 is up to 5 years in total. Therefore, as far as this status of residence is concerned, the Specified Skilled Worker System merely accepts foreign workers temporarily. However, the status of residence as a Specified Skilled Worker Type 2, which can be renewed, is established as a superordinate category. At present, the government considers accepting Specified Skilled Workers Type 2 in 11 fields, excluding the nursing care field, which has the higher status of residence of "nursing care."[2] In order for Specified Skilled Workers Type 1 to shift to Specified Skilled Workers Type 2, it will be necessary to pass a SSW Test conducted respectively for each specified industry field. Making this requirement too strict or too loose will both undermine motivation for work of Specified Skilled Workers Type 1 and employers' efforts for developing human resources.

Additionally, Specified Skilled Workers Type 2 are permitted to accompany their family members, unlike Technical Intern Trainees and Specified Skilled Workers Type 1. Therefore, another point in question is whether those workers and their spouses will be able to obtain income sufficient for forming and maintaining family lives in Japan. How to utilize and treat Specified Skilled Workers Type 1 varies by specified industry field and by company. The method of utilizing Specified Skilled Workers Type 2 will also vary in the same manner. This may depend on policies to be presented by ministries and agencies having jurisdiction over individual industry fields and independent efforts by companies accepting the workers.

When considering the conventional Technical Intern Training Program as a contact point for accepting foreign workers, its main feature is that it has functioned as a system to accept foreign workers in rotation. Many employers had considered Technical Intern Trainees as temporary labor, and Technical Intern Trainees had come to Japan for their future lives in their home country while expecting to earn money therefor, on the premise of returning home after completion of training. If Japanese policies for accepting foreign workers change, accompanying changes in behavior and awareness of Japanese employers and foreign workers are also

worth noting.

1. The number of specified industry fields was 14 when the system was launched but has decreased to 12 since the three fields of machine parts and tooling, industrial machinery, and electric/electronics and information, which are under the jurisdiction of the Ministry of Economy, Trade and Industry, were integrated and are treated as one field at present.
2. By Cabinet decision on June 9, 2023, after this article was written, it became possible to accept foreign nationals of the Specified Skilled Workers Type 2 in 11 specified industrial fields, excluding the nursing care field.

Reference

Hamaguchi, Keiichiro. 2019. "How Have Japanese Policies Changed in Accepting Foreign Workers?" *Japan Labor Issues 3*, no. 14: 2–7. https://www.jil.go.jp/english/jli/documents/2019/014-01.pdf.

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Main Labor Economic Indicators

1. Economy

The Japanese economy is recovering at a moderate pace. Concerning short-term prospects, the economy is expected to continue recovering at a moderate pace with the improving employment and income situation, supported by the effects of the policies. However, slowing down of overseas economies is downside risk of the Japanese economy, including the effects of global monetary tightening and the concern about the prospect of the Chinese economy. Also, full attention should be given to price increases, the situation in the Middle East and fluctuations in the financial and capital markets. (*Monthly Economic Report*,[1] October 2023).

2. Employment and unemployment

The number of employees in September increased by 540 thousand over the previous year. The unemployment rate, seasonally adjusted, was 2.6%.[2] Active job openings-to-applicants ratio in September, seasonally adjusted, was 1.29.[3] (Figure 1)

3. Wages and working hours

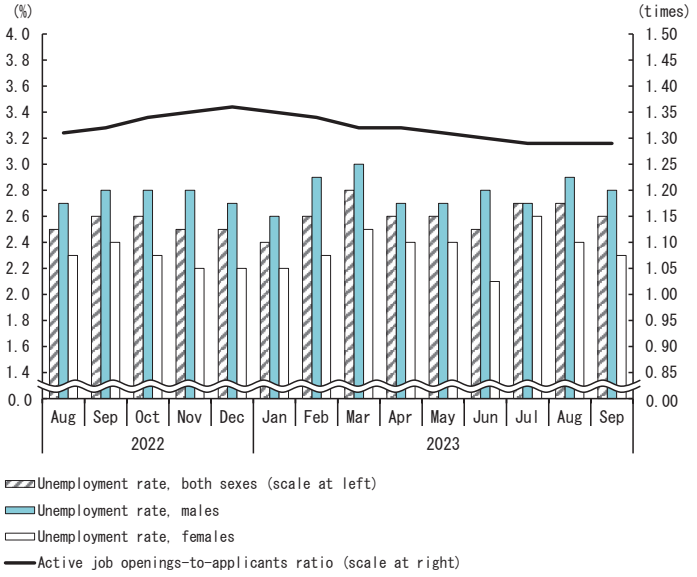
In September, total cash earnings increased by 0.6% year-on-year and real wages (total cash earnings) decreased by 2.9%. Total hours worked decreased by 0.6% year-on-year, while scheduled hours worked decreased by 0.3%.[4] (Figure 2)

4. Consumer price index

In September, the consumer price index for all items increased by 3.0% year-on-year, the consumer price index for all items less fresh food increased by 2.8%, and the consumer price index for all items less fresh food and energy increased by 4.2%.[5]

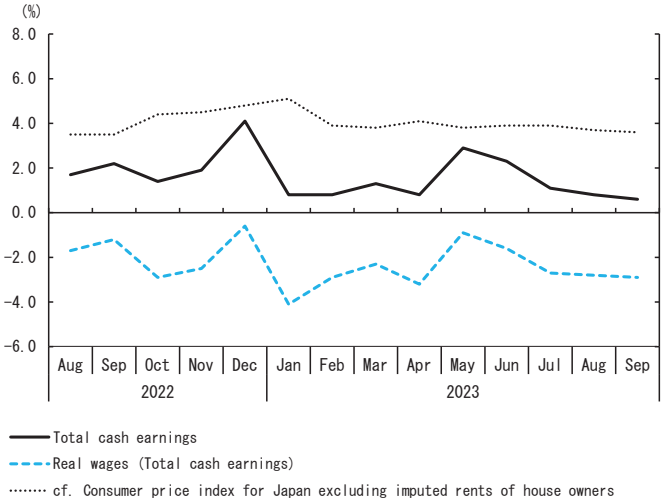
5. Workers' household economy

In September, consumption expenditures by workers' households decreased by 0.7% year-on-year nominally and decreased by 4.2% 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

For details for the above, see JILPT *Main Labor Economic Indicators* at https://www.jil.go.jp/english/estatis/eshuyo/index.html
Notes: 1. Cabinet Office, *Monthly Economic Report* analyzes trends in the Japanese and world economies and indicates the assessment by the Japanese government. 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

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