

Japan Labor Issues

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● Special Feature on Research Papers (IV)

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SAKAI Tadashi

Japanese System of Vocational Education and Training in Historical Comparison: Focusing on the Role of Schools and Companies in the Formation of Vocational Competencies

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Measures Required to Achieve Sustainable Wage Hikes: MHLW's White Paper on the Labour Economy 2023

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● Series: Japan's Employment System and Public Policy

Employment and Job Resignation among Japanese Youth

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● Statistical Indicators



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Special Feature on Research Papers (IV)

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 have been 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*

Current Status of the Jobseekers Support System as a Second Safety Net

SAKAI Tadashi

Despite its spectacular introduction in 2011 as one of the “second safety nets,” the Jobseekers Support System had not been actively used with the strong labor market. As this is a system that provides vocational training and benefits to those who have fallen through the cracks of employment insurance, the recent COVID-19 pandemic was an opportunity for the true value of the system to finally be tested. The pandemic, which caused more damage to employment of non-regular workers, prompted the relaxation of various requirements for receipt of benefits (e.g., annual income ceilings for the individual or household, training attendance rate requirements, etc.) as time-limited measures. Courses with shorter training periods were also permitted. To a certain extent, these measures were effective, and the number of participants in jobseekers support training has increased to approximately 40,000, but is still far from the peak level of 100,000. Although this system should be beneficial for non-regular workers who lack training opportunities within their companies, it is not fully fulfilling its expected function. It is expected to promote labor mobility as well, but it also faces the same problem as that observed for government-financed public vocational training in general: popular training courses do not necessarily have high employment rates. If the mismatch between the needs of employers and the needs of jobseekers who wish to receive training is left unaddressed, the socially optimal labor mobility will not be achieved. This system is available only in cases in which vocational training is necessary and consequently provides income security to cover only a part of job search activities. In order to build a seamless “second safety net,” it is necessary to discuss in depth whether or not the system is consistent with other systems in terms of the division of functions.

- I. Introduction
- II. Outline of the Jobseekers Support System
- III. Background of the introduction of the Jobseekers Support System as a “second safety net”
- IV. Special measures taken due to the COVID-19 pandemic
- V. Why has the Jobseekers Support System not been widely used?
- VI. Conclusion

I. Introduction

Usually, when people lose their jobs, the first safety net is unemployment benefits provided by employment

insurance. However, it has long been pointed out that unemployment benefits do not function adequately as an employment safety net. This is because employment insurance is basically designed on the premise of employment types such as regular employment, and thus non-regular employees tend to be omitted from the employment insurance system.

This became apparent in the wake of the collapse of Lehman Brothers in September 2008. As symbolized by the term *haken-giri* (layoff of temporary agency workers), many jobs were lost in Japan, mainly in the non-regular employment sector. Nevertheless, many of the non-regular workers who lost their jobs were unable to receive unemployment benefits, and the fact that non-regular employment has weak job security and also has weak safety net, which is generally called “double vulnerability,” became widely known.

Based on this recognition of the problem, the concept of a “second safety net” has emerged as a means of providing support to those who have fallen through the cracks of conventional unemployment benefits of employment insurance. It is referred to in this manner because it is a safety net positioned between employment insurance, which is the first safety net, and public assistance, which is the “last safety net.” A representative measure that embodies the second safety net concept is the Jobseekers Support System (*kyūshokusha shien seido*), which began in 2011 (as a successor to the vocational training system provided by the Japan Vocational Ability Development Association, JVADA).

The Jobseekers Support System is a system that offers free vocational training and provides cash benefits (under certain conditions) to those who have fallen through the cracks of conventional employment insurance, such as those in non-regular employment, when they become unemployed. However, despite its introduction, the system has not been used much since then, partly because the labor market has been strong.

Then came the Corona pandemic. When the new coronavirus spread on a global scale in 2020, Japan’s economy was severely damaged, particularly in the accommodation and food services industry. Then, has the Jobseekers Support System, which was implemented as a prescription for the problems that emerged at the time of the Lehman’s collapse, been put to the test this time?

The number of users of the Jobseekers Support System has been slowly increasing since the spread of COVID-19 infection. However, even in FY2022, when the benefit requirements were eased as time-limited measures in response to the COVID-19 pandemic, the number of participants in jobseekers support training was only approximately 40,000, far below the 100,000 in FY2012, the year with the highest number of participants, and even below the target of 50,000 that the government had set. Why has the number of users of the Jobseekers Support System not increased significantly despite the unprecedented economic shock?

The simplest answer to this question would be that the number of unemployed persons did not increase that much. The number of persons who left their jobs has been suppressed by the large-scale implementation of special measures related to COVID-19 to grant the Employment Adjustment Subsidy (*koyō chōsei joseikin*), a subsidy paid to employers that retain their employees by having them be absent from work when business conditions worsen.

However, even though the increase in the number of persons who left their jobs was not as great as at the time of the Lehman’s collapse, this does not mean that the number of needy persons did not increase at all. In fact, there was a dramatic increase in the number of users of other second safety net programs such as the livelihood welfare fund loan system and the housing security benefits (Tanaka 2023). While the number of the unemployed at the macro level did not increase much, the impact of the Lehman’s collapse was unevenly distributed by industry and employment type (Kikuchi et al. 2021). In particular, the precariousness of employment of non-regular workers was again highlighted. In other words, it is not that there was no need for a safety net in times of hardship, but rather that there was something about the Jobseekers Support System that made needy persons hesitate to use it.

I will identify the current status of the Jobseekers Support System, which was introduced with the hope of

overcoming the shortcomings of traditional employment insurance, and examine the system's challenges highlighted by the COVID-19 crisis.¹ This article is organized as follows. In the next section, the outline of the Jobseekers Support System will be explained. Section III describes the background of the introduction of the Jobseekers Support System. Section IV describes the special measures taken for the Jobseekers Support System in the COVID-19 crisis. Section V summarizes the issues of the Jobseekers Support System from the viewpoint of vocational training and the second safety net. Section VI provides a conclusion.

II. Outline of the Jobseekers Support System

1. What is the Jobseekers Support System?

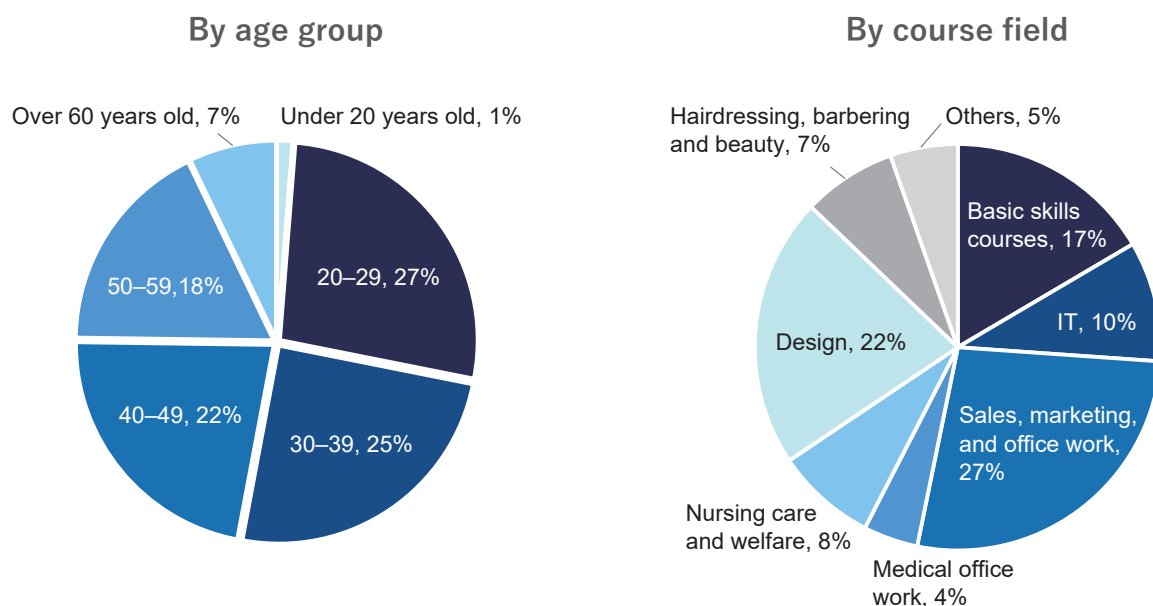
The Jobseekers Support System is a system that allows those who cannot receive employment insurance benefits because they are not insured by employment insurance, or those who are not eligible to receive employment insurance benefits even if they are covered by employment insurance to receive free vocational training (jobseekers support training). This system is positioned as incidental system of employment insurance. If the income of the individual or household is below a certain amount, they can receive a monthly benefit of 100,000 yen for livelihood support (vocational training allowance) during the period of vocational training.²

In addition to not being insured by employment insurance or eligible for employment insurance benefits, those who are eligible for jobseekers support training are required (1) to have the will and ability to work, and (2) to have applied for a job at the Public Employment Security Offices (PESO), and only when (3) the PESO has deemed it necessary for them to participate in training. Persons who are assumed as those who are not insured by employment insurance or eligible for employment insurance benefits are specifically those who have run out of unemployment benefits without being able to find new employment, those who do not engage in employment after graduation (unemployed graduates), and those who have left employment but are not eligible for employment insurance, such as non-regular workers.

In order to receive the vocational training allowance, which serves as income security during the training period, the applicant must meet the above requirements for participating in training and also have (1) an income of 80,000 yen or less per month, (2) an entire household income of 300,000 yen or less per month, (3) an entire household financial assets of three million yen or less, (4) own no land or buildings other than their current place of residence, and (5) attend at least 80% of the training even if they are sometimes absent for unavoidable reasons.³ Thus, if a person has a household income beyond a certain amount, e.g., due to living with a parent or spouse, they would be able to participate in vocational training but would not be eligible to receive benefits. As discussed below, the requirements in (1), (2), and (5) above were relaxed as time-limited measures for the COVID-19 pandemic.

In addition to the 100,000 yen per month as a training allowance, the participants can also receive a commuting allowance (up to 42,500 yen per month) to cover the cost of commuter passes to the training provider, and a lodging allowance (10,700 yen per month) if they live separately from their families to commute to the training provider. Furthermore, if living expenses are insufficient even after receiving benefits, there is a system (jobseekers support loan) that provides loans (on top of the benefits), with a monthly loan of 50,000 yen for a single-person household and 100,000 yen for those with dependents.

Although the Jobseekers Support System is for those who have dropped out of the employment insurance system, its funding relies heavily on employment insurance premiums. The share of financing borne by the national treasury (other than employment insurance premiums, such as taxes) is one-half under the main rule, but from FY2017 to FY2021, it was reduced to one-tenth of that share, or 5%. Currently, the rate is 27.5% (55% of the main rule), although it has been raised from that level. This means that more than 70% of expenditure for the Jobseekers Support System is financed by employment insurance premiums.



Source: MHLW 2023.

Figure 1. Percentage of participants in jobseekers support training (by age group and by course field)

In the most recent fiscal year (FY2022), the number of participants in jobseekers support training was 40,288 and the number of recipients of vocational training allowance was 15,289. The budget for the Jobseekers Support System is 26.8 billion yen for FY2023.

In FY2022, more than 70% of participants in jobseekers support training are women. This is in the first place related to the fact that many women are employed as non-regular workers who are omitted from the employment insurance system. By age group, those in their 20s and 30s accounted for the majority of participants, while those in their 40s and 50s accounted for approximately 20% each (Figure 1).

In addition, those who qualified to receive employment insurance can also participate in jobseekers support training. As of FY2021, approximately 50% of the participants in jobseekers support training are qualified recipients of employment insurance, while public vocational training (vocational training originally intended for qualified recipients of employment insurance) is also available to persons other than qualified recipients of employment insurance. Of the participants other than those qualified to receive employment insurance, those who participated in public vocational training accounted for approximately 54% in FY2021.⁴ In other words, jobseekers support training and public vocational training have a “cross-subsidization” relationship. It should be noted that *the number of participants in jobseekers support training does not represent the number of persons who used vocational training excluding those eligible to receive employment insurance.*⁵

2. Details of jobseekers support training

Jobseekers support training is training that is outsourced to private vocational training providers. The Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers (JEED) certifies vocational training conducted by private providers as jobseekers support training based on regional vocational training implementation plans formulated by each prefecture. This differs from public vocational training in that it is basically only conducted as outsourced training.

Table 1. Percentage of women among participants in jobseekers support training (by course field)

(%)

All courses	Basic skills courses	Practical courses						
		IT	Sales, marketing, and office work	Medical office work	Nursing care and welfare	Design	Hairdressing, barbering and beauty	Others
74.2	76.5	44.1	77.5	97.7	60.6	75.0	98.6	69.5

Source: Same as Figure 1.

There are two types of training courses as jobseekers support training: the “basic skills courses” to acquire basic knowledge and skills that can be acquired in a short time as working adults, and the “practical courses” to acquire practical skills necessary for work. In the basic skills courses, courses such as a basic computer skills at work course and basic office work skills course are offered. The practical courses, on the other hand, offer courses in the fields of such as “IT,” “sales, marketing, and office work,” “medical office work,” “nursing care and welfare,” and “design,” as well as courses for nail technicians and manicurists. The number of participants is larger in the “sales, marketing, and office work” and “design” fields (Figure 1). The period of the basic skills courses is two to four months, while the period of the practical courses is three to six months. As described below, time-limited measures currently allow for the establishment of training courses of even shorter duration.

“IT” in the practical courses includes courses to learn web application development and programming languages, but these courses are not necessarily intended only for employment in the IT industry. Rather, they are often intended to train those who will be in charge of IT in other industries.

The percentage of women varies considerably by course field. In the fields such as medical office work, or hairdressing, barbering and beauty, nearly 100% of the participants are women, and in sales, marketing, and office work, or design, more than 70% are women. On the other hand, in the nursing care and welfare courses, the percentage of men is slightly higher at 40%, and in the IT field, more than 50% of the participants are men (Table 1).

When participating in a vocational training course, the PESO will prepare an employment support plan for each trainee and provide support for employment in cooperation with the training provider. The training provider also delivers employment support such as career consulting services. In many cases, career consulting services are conducted three times or so per participant (JILPT 2014). In recent years, the employment rate (the rate of employment in jobs covered by employment insurance) has been over 50% for the basic skills courses and approximately 60% for the practical courses.

Providers that deliver training to support jobseekers receive a monetary incentive. For the basic skills courses, training providers receive 60,000 yen per month per participant. For the practical courses, an incentive is paid to them according to the percentage of participants who have been employed in jobs covered by employment insurance. Specifically, if 60% or more of the participants who complete the training become insured by employment insurance, 70,000 yen per person per month will be paid, and if the percentage is 35% or more but less than 60%, 60,000 yen per person per month will be paid.⁶ In the past, there have been incidents in which NPOs outsourced with training have illegally received this incentive by padding the number of participants.

III. Background of the introduction of the Jobseekers Support System as a “second safety net”⁷

The Lehman Brothers collapse in September 2008 triggered the abovementioned “*haken-giri*” in Japan, especially in the manufacturing industry, and at the end of that year, *toshikoshi haken mura* (a temporary tent village for laid-off temporary agency workers during the year-end and New Year’s holiday period) was set up in Tokyo’s Hibiya Park. In the following year, the unemployment rate exceeded 5%. The situation of non-regular workers with unstable employment and a weak safety net has been described as a “double vulnerability” as mentioned at the beginning of this article.

This is due to the fact that the conventional unemployment benefits of employment insurance are difficult for those working as non-regular employees to receive. In Japan, the percentage of unemployed persons receiving unemployment benefits (the percentage of recipients) was over 50% in the early 1980s, but has since declined over time to less than 30% today. This situation did not change at all during the COVID-19 pandemic.

The low percentage of recipients is partly due to the fact that some people have been unemployed for a long period of time and have run out of unemployment benefits without being able to find new employment, but it is also due to the fact that many of them are not eligible for benefits in the first place. Typical of those ineligible for benefits are non-regular workers.

Put this way, it may seem that non-regular workers are not eligible for unemployment benefits because they are not covered by employment insurance. Actually, the percentage of those in non-regular employment who are covered by employment insurance is lower than that of those in regular employment (regular employees, or *seishain*).

In fact, one of the employment insurance reforms implemented in the wake of the Lehman’s collapse was a measure to make it easier for non-regular employees to become insured by employment insurance. Specifically, while employment insurance had previously been applied when an employee was expected to be employed for at least one year, in 2009, employment insurance began to be applied when the employee had been employed for at least six months. Then in 2010, the insurance became applicable as long as the employee is expected to be employed for 31 days or more.

Employment insurance lowered the standard for coverage to “20 hours or more” of scheduled working hours per week, ahead of other social insurance programs, to make it easier for short-time workers to be insured. As a result, 60% of part-time workers and 80% of contract workers are now insured by employment insurance. The percentage of insured workers out of all employed persons has risen by approximately 10 percentage points over the last 20 years, and now stands at over 70%. It can be inferred that not being covered by employment insurance is not the only reason why non-regular employees are unable to receive unemployment benefits, despite the fact that the percentage of those covered by employment insurance has risen.

If this is the case, other reasons could be significant, such as not meeting the eligibility requirements of the insured period (even though they are covered by employment insurance). In fact, approximately 50% of those insured by employment insurance who lose their jobs are in non-regular employment (total of the temporary agency workers, part-time workers, and fixed-term contract workers), but the percentage of those in non-regular employment among first-time recipients of unemployment benefits is less than 40%.

Since unemployed persons who were formerly non-regular employees tend to be insured for shorter periods of time, they may tend to run out of unemployment benefits under the current system, even if they meet the eligibility requirements, because the prescribed duration of benefits is shorter. In any case, with the current situation in which the majority of the unemployed are those who have left non-regular employment, unemployment benefits must reach them in order to serve as a safety net for employment.

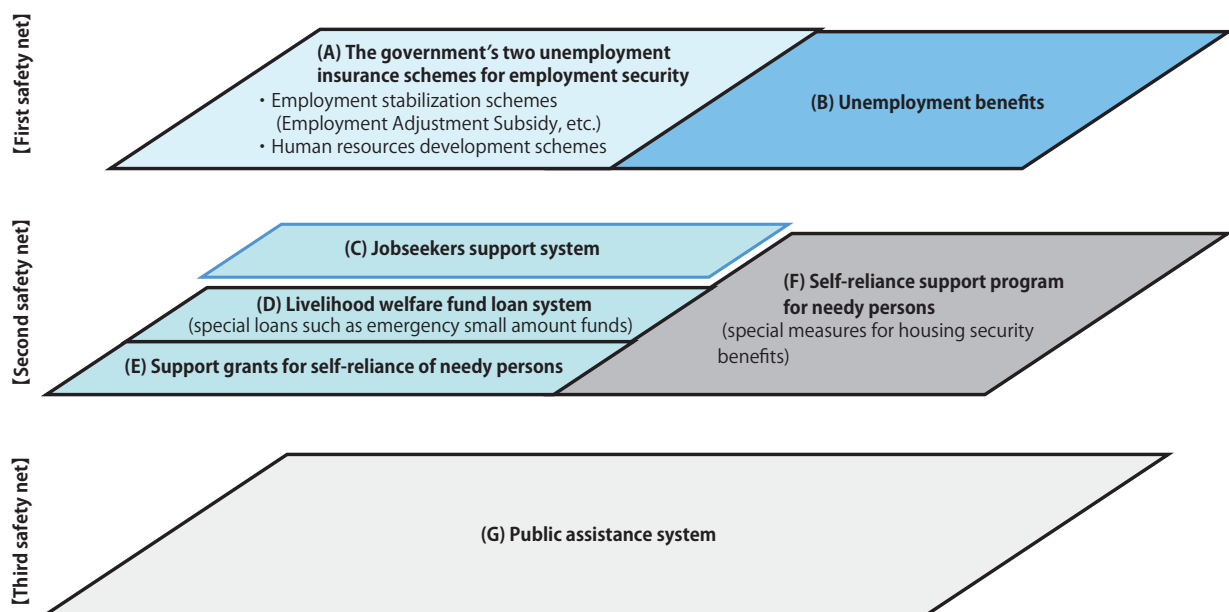
However, as long as the social insurance system which provides benefits on condition of contributions of

insurance premiums is applied, it is difficult by nature to provide relief through employment insurance to non-regular employees who tend to work for short periods of time and intermittently. In order to solve this “double vulnerability,” a mechanism other than social insurance is needed. This is where the concept of a second safety net comes in as a safety net positioned between the first safety net provided by employment insurance and the last safety net provided by public assistance. The key point of a second safety net is to weaken the link between contributions and benefits (compared to conventional social insurance), and to provide benefits without necessarily requiring contributions. One system that embodies this second safety net concept is the Jobseekers Support System, which was introduced in November 2011 as the successor to the vocational training (JVADA training called *kikin kunren*) provided by the Emergency Human Resource Development and Employment Support Fund implemented since July 2009.

The second safety net implemented after the Lehman’s collapse includes the livelihood welfare fund loan system (a program to provide loans to needy persons) and the housing security benefits (a maximum nine-month rent subsidy for those whose income has declined), in addition to the Jobseekers Support System.

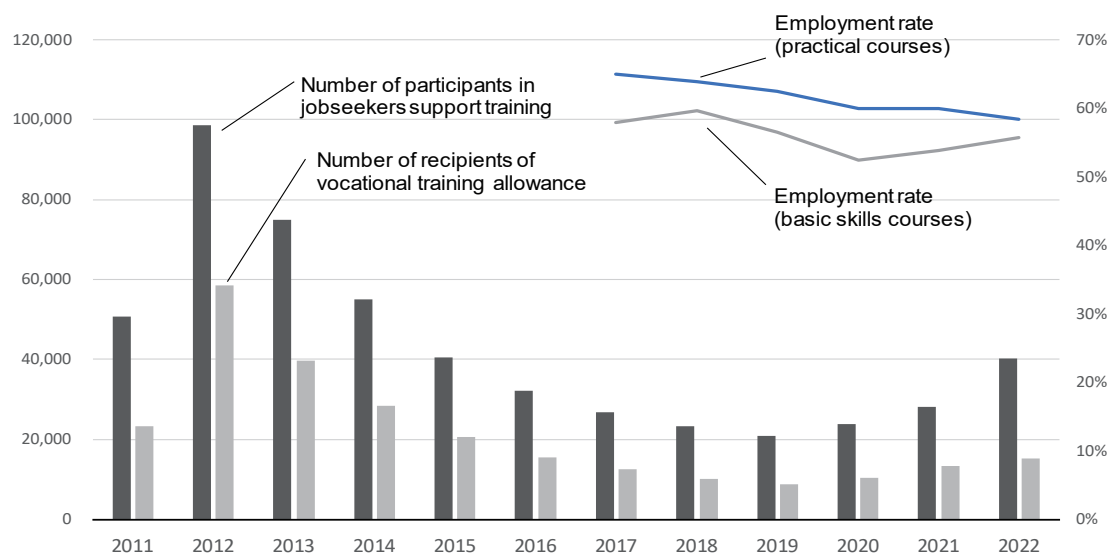
Figure 2 shows the structure of the second safety net including the Jobseekers Support System, as organized by the Ministry of Health, Labour and Welfare (MHLW). The three-tiered safety net is depicted in the figure, but the important point is that the Jobseekers Support System is positioned under the two schemes of employment insurance (not under unemployment benefits). It is positioned as a system that provides relief only to those in need of vocational training who are omitted from the first safety net. On the other hand, in the second tier of the safety net, the main alternative to unemployment benefits is the self-reliance support program for needy persons, etc. The current second safety net consists of separate programs for each need, such as vocational training and rent. We will discuss later whether this type of safety net in the second tier is actually functioning.

Although the Jobseekers Support System was introduced with the above background, the number of participants in jobseekers support training peaked at 99,000 in FY2012, immediately after its introduction, and has since continued to decline, falling to 21,000 in FY2019. The number of recipients of vocational training



Source: Created by the author based on MHLW 2022.

Figure 2. Government's schemes and services in safety nets structure



Source: Created by the author based on the MHLW materials distributed at the Study Meeting on the Employment Insurance System, and the Central Consultative Meeting on the Promotion of Vocational Abilities Development.

Note: "Employment rate" is the percentage of persons who found employment for jobs covered by employment insurance. The data for FY2022 is for those who completed the courses by the end of December 2022.

Figure 3. Results of the Jobseekers Support System

allowance had also fallen below 10,000 (Figure 3). The most significant factor, needless to say, was the robust labor market. Indeed, in 2019, prior to the COVID-19 pandemic, the unemployment rate had fallen to 2.4% and the jobs-to-applicants ratio had reached 1.6, indicating unprecedented tightness in labor supply and demand.

Nevertheless, while the number of unemployed persons and jobseekers declined by only approximately 40% between 2012 and 2019, the number of participants in jobseekers support training declined by 80% (from approximately 100,000 to 20,000 persons) during the same period as shown in Figure 3. It is natural to assume that the decline in the use of the Jobseekers Support System is not simply due to the tight labor supply and demand situation, but also to the system itself.

IV. Special measures taken due to the COVID-19 pandemic

1. Details of special measures

Even after the first confirmed cases of the new coronavirus in Japan in January 2020 and the declaration of a state of emergency in April of the same year, the number of users of the Jobseekers Support System did not increase immediately. The number of participants in jobseekers support training throughout FY2020 was 23,734, only a 13% increase over the previous year. This is largely due to the fact that since the beginning of the spread of COVID-19 infection, special measures for the Employment Adjustment Subsidy (an exception due to the COVID-19 pandemic) have been in effect on a large scale, which has kept the increase in unemployment under control.⁸

Nevertheless, while the number of regular employees had hardly decreased compared to the pre-COVID-19 period, the decline in the number of non-regular employees was significant. The impact of the economic shock on employment was once again unevenly distributed among non-regular workers, raising the need for a second safety net again. Moreover, as the employment maintenance measures, such as special measures for the

Table 2. Special measures for the COVID-19 pandemic regarding the Jobseekers Support System

	Before special measures	Under special measures	Number of persons to whom special measures were applied
Individual income ceiling for receiving benefits (*1)	80,000 yen or less per month	→ 120,000 yen or less per month for those who work shifts, etc.	1,510 persons (*4)
Household income ceiling for receiving benefits (*2)	250,000 yen or less per month	→ 400,000 yen or less per month	5,077 persons (*4)
Training attendance requirements for receiving benefits (*3)	Allow absences for up to 20% of the training days due to illness or other unavoidable reasons.	→ Allow absences for up to 20% of the training days without regard to reason.	8,998 persons (*4)
Training standards	Training period: two to six months	→ Training period: two weeks to six months	850 courses (number of participants: 7,731 persons) (*5)
	Training hours: 100 hours or more (per month)	→ Training hours: 60 hours or more (per month)	
Training targets (*2)	Those seeking to re-enter employment or change jobs	→ In addition to those listed on the left, there are also those who aim to improve their skills while working and convert to regular employment (without changing jobs).	47 persons (*4)

(*1) Special measures from February 25, 2021.

(*2) Special measures from December 21, 2021.

(*3) Including measures that allowed absences from classes due to work, from February 25, 2021; and from December 21, 2021, regardless of the reason.

(*4) Cumulative number of applicants until March 2023.

(*5) Short-term and short-time course results for FY2022.

Source: Prepared by the author.

Employment Adjustment Subsidy, lingered on, there was growing concern that these measures were hindering the industry's metabolism which is inherently necessary, and expectations for vocational training in general as a means of encouraging labor mobility were rising in place of the employment maintenance measures.

In the midst of this trend, temporary special measures were implemented with regard to the Jobseekers Support System, which had long been pointed out for its lack of usability (Table 2). Many of these measures took the form of relaxing existing requirements.

Incidentally, the MHLW reveals cases where jobseekers failed to enroll in jobseekers support training at the PESO.⁹ Some of the cases include those who gave up participating in the training because they could not meet the household income ceiling due to the presence of a spouse or parent's income and could not receive benefits, or those who gave up participating in the training because it was difficult for them to attend the training without missing a class due to the need to take care of their children as a single mother. There are also some who have said that they will not participate in the training because they hope to find new employment as soon as possible. The special measures detailed below can be considered as a response to these voices.

First, the individual income ceiling for receiving vocational training allowance was raised from "80,000 yen or less per month" to "120,000 yen or less per month" (for shift workers, etc.), starting in February 2021. Since shift workers' income fluctuates widely from month to month, they may temporarily exceed the income ceiling

and cannot receive benefits. The relaxation of the income ceiling was intended to make it easier for those in non-regular employment to receive benefits.

Starting in December 2021, the household income ceiling for receiving benefits was raised from “250,000 yen or less per month” to “400,000 yen or less per month.” This is to solve the situation where non-regular workers who live with their parent or spouse cannot receive benefits due to the failure to meet the household income ceiling. According to the 2019 *Comprehensive Survey of Living Conditions* (conducted by the MHLW), the median annual household income is 4.37 million yen (i.e., 364,000 yen per month), so the change to the household income ceiling to “400,000 yen or less per month” will result in the majority of households being eligible for benefits.

There is a concern that the relaxation of individual income and household income ceilings, if it goes too far, may result in the inclusion of even those who are not necessarily in need. However, as a second safety net, it would be better not to make the income and asset requirements too strict, as is the case with welfare programs. Above all, it is important to first promote the use of the Jobseekers Support System by drastically easing the requirements, as the use of the system is not progressing.

In addition, the standard for certification of jobseekers support training used to be two to six months, but in order to make it easier for jobseekers to take courses while working, short-term training courses are now permitted, with a minimum duration of two weeks being sufficient. For the same purpose, the standard for certification of training hours was lowered from “100 hours or more per month” to “60 hours or more per month.” At the same time, online training has been promoted.

As a reason why the Jobseekers Support System is difficult to use, it has often been pointed out that the requirement of “80% or more” attendance at training (for receiving benefits) is too strict. In the past, if a trainee was absent, arrived late, or left early for even one day of training without an “unavoidable reason,” such as illness, the trainee could not receive benefits. However, there are cases in which a person who is taking a course while working as a non-regular employee is forced to miss training on days when the person has to work a shift.

Therefore, from February 2021, days when the trainee is forced to miss training due to work will be treated in the same way as absences for unavoidable reasons. Furthermore, from December of the same year, it was decided that up to 20% of absences for reasons other than unavoidable reasons would be accepted, and the benefits for these days of absence for reasons other than unavoidable reasons would be reduced on a daily pro-rata basis. In the end, up to 20% of absences were allowed regardless of the reason. Considering that some of those eligible for the Jobseekers Support System are omitted from the employment insurance system because they have some difficulty in finding employment, relaxing the overly strict attendance requirements is a useful measure that is in line with the original intent of the system.

The number of participants eligible for training was also expanded. The previous training targets were only those who were “intending to leave or change jobs;” however, those who wish to take the course while working and not seeking to change jobs are now also eligible for training. This is intended for those who are working as non-regular employees, but who wish to improve their skills through the training and aim to become regular employees within the same company. This measure is groundbreaking in that it no longer limits eligibility to those who have changed jobs.

2. To what extent were the special measures used?

Table 2 also shows the cumulative number of persons to whom each of the above measures has been applied until March 2023. It can be seen that the measures to allow absences for reasons other than unavoidable reasons or the measures to relax household income ceilings are applied to a large number of persons.

Furthermore, 850 courses were certified for the special measures for training duration and hours, and the number of participants in these courses exceeded 7,700. Of the short-term courses established as a result of the

special measures, more than 60% were “two months or more but less than three months.” In addition, approximately 70% of the short-time courses opened were “60 hours or more but less than 80 hours.” Compared to regular courses, short-term and short-time courses tend to be opened more often in the “sales, marketing, and office work” fields, and slightly less often in the “design” field.¹⁰

Courses offering online training were also opened in FY2022; 355 courses of the simultaneous interactive type and 147 courses of the e-learning (on-demand) type, with 5,267 and 2,825 participants, respectively.

These measures were effective to some extent, and the overall number of participants in jobseekers support training increased in both FY2021 and FY2022 compared to the previous year. It is commendable that the training has become more convenient as a second safety net to supplement employment insurance. However, given the large number of persons who are subject to the relaxed attendance requirements, it is natural to be concerned that the increased accessibility may lead to an increase in unnecessary participation in the training.

In addition, the quality of training may be lowered if the opening of short-term or short-time courses is allowed. In fact, the employment rate of the short-term or short-time courses opened as a special measure tends to be approximately 10% lower than that of the regular courses.¹¹ While an excessive decline in the employment rate is problematic, it is not surprising that the average training effect would decline in the process of expanding the target population. Therefore, it cannot be said that the establishment of the short-term and short-time courses was pointless based solely on the fact that the employment rate was lower than that of the conventional courses.

Eventually, these special measures were abolished (or reduced) with some exceptions from FY2023 onward. Specifically, the special measure for the income ceiling for the applicant was abolished, and the household income ceiling was lowered (from the level based on the special measure) to “300,000 yen or less per month.” Attendance requirements have also been restored in principle, and absences are no longer permitted except for reasons such as childcare or nursing care.

The special measures taken for the Jobseekers Support System may be seen as no longer necessary because the labor market recovered rapidly as the COVID-19 pandemic came to an end. On the other hand, as mentioned above, the special measures were basically in line with the original purpose of the Jobseekers Support System. Moreover, now that the “measures to control the flow of people into unemployment” (i.e., special measures for the Employment Adjustment Subsidy) have ended, it might be necessary to shift the emphasis of the measures to “measures to promote escape from unemployment.”

In this sense, some of the special measures could have been continued (without abolition or reduction). For example, the amount of the household income ceiling of 300,000 yen or less per month might be adjusted again, depending on the future situation of users. Further, there might be room for discussion about the fact that “absence from training due to work” is no longer allowed again, even though the number of persons to whom this measure was applied was only 204. This is because training opportunities are necessary for those who are employed as non-regular workers.

The measure that allows those in employment to participate in jobseekers support training even if they do not wish to change jobs is to be made permanent. Those working as non-regular employees not only have unstable employment, but also lack opportunities for in-house education and training. Providing them with opportunities to improve their skills while continuing to work at their existing employer can be an effective safety net over the long term. However, the number of those to whom this measure has been applied is also extremely small (Table 2). According to JILPT (2015), the most common media for jobseekers to learn about the Jobseekers Support System are the “leaflets or other publicity provided by the PESO” (over 40%) and “being introduced by the PESO staff” (over 30%). If this is the case, those who are not recipients of employment insurance or not even ordinary jobseekers have no chance to visit a PESO office, and inducing such people to training is not easy. Raising awareness of this measure will be a challenge for the future.

V. Why has the Jobseekers Support System not been widely used?

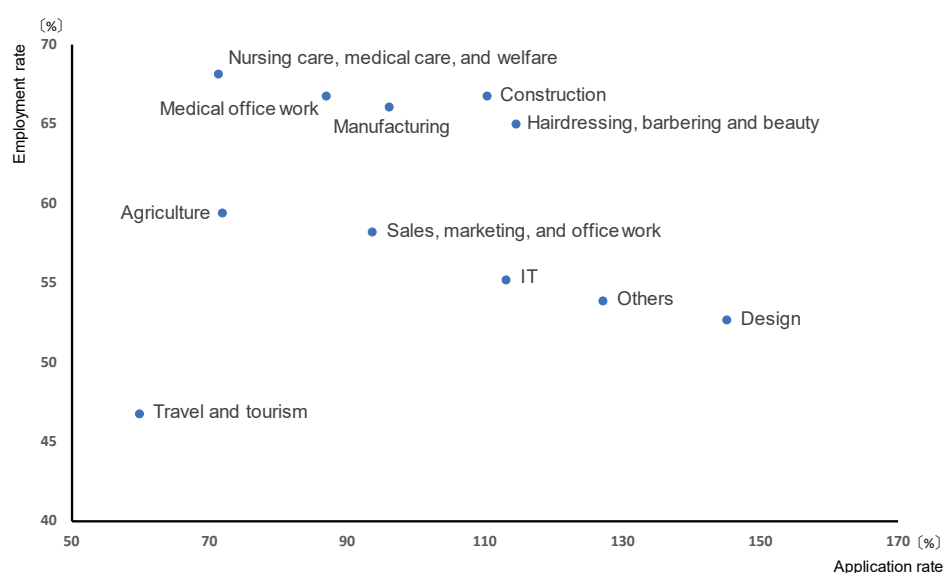
1. Medium- to long-term issues as vocational training

This section discusses what the Jobseekers Support System should look like in the future. It is a fact that employment is more unstable among non-regular employees. Statistical analysis confirms that jobseekers support training is effective in helping people find employment.¹² Nevertheless, why has this system not been utilized to a great extent?

It is often pointed out that existing training courses (not only jobseekers support training) do not meet the needs for public vocational training. What are the “needs” here? A wide variety of training courses are offered as public vocational training, including both institutional and outsourced training. However, if it means that the courses desired by trainees are not always sufficiently offered, it is true that there are differences in the ratio of applicants in each course field. Nevertheless, these differences are less than two times the lowest rate.

If the high number of applicants for a course indicates a high need for the course, it is more of a concern that this high need does not correspond to a high rate of employment. Figure 4 shows the relationship between the application rate and the employment rate for each field of jobseekers support training. This shows that the employment rate is not always high for the most popular courses. On the contrary, in the fields such as nursing care, where there is a chronic shortage of workers and the employment rate is high, the actual enrollment is much lower than the target enrollment. The cancellation rate (the percentage of courses that did not open after all due to a lack of applicants) for nursing care and welfare courses is as high as approximately 20%. The same is true for public vocational training, where popular training courses do not necessarily have high employment rates. For training course providers, it is important to have a large number of job openings, but it is a source of concern that these job openings do not match the needs of job seekers.

Therefore, even if training programs are enhanced in a way that meets the needs of the participants, it will not improve the overall employment rate, nor will it promote migration of labor to industries that are short of



Source: Prepared by the author based on the material No. 3-1 distributed at the first meeting of FY2023 Central Consultative Meeting on the Promotion of Vocational Abilities Development, Ministry of Health, Labour and Welfare.

Note: “Employment rate” is based on the data collected for those who completed the courses by the end of December 2022.

Figure 4. The application rate in jobseekers support training and employment rate (FY2022)

labor. In other words, the desirable job-matching for the economy may not be realized. Because of this situation, it would not be appropriate to only set the number of participants in training as a policy goal.

For workers, if they cannot find jobs even after acquiring skills through vocational training, the system does not function as a safety net for employment. The reason why the number of applicants for training is low despite the high employment rate for jobs such as nursing care is because the wages for these jobs are low for the hard work they entail. In order for labor mobility to be desirable for the economy, it is necessary to improve wages and benefits, not to solve the problem through vocational training.

In addition, the Vocational Abilities Development Promotion Act amended in March 2022 has led to the establishment of a regional consultative meeting on the promotion of vocational abilities development in each prefecture. This is expected to enable detailed training needs for each region to be identified, including skills that will be needed in the future, and also to provide more careful feedback.

The Jobseekers Support System can be an effective prescription as a safety net for the diversification of working styles that is expected to continue in the future. Recently, as employment-like working styles such as freelancers have been attracting attention, the lack of a safety net for their employment has been pointed out, and the need for such a safety net has been increasingly emphasized. It is often said that extending the employment insurance coverage to freelancers and others may be a solution to this problem.

Even if we put aside the possibility that it may be difficult in the first place for freelance workers to obtain recognition of unemployment, the expansion of coverage may not be a safety net for freelance workers. This is because, as has been the case with non-regular employment in the past, those who work intermittently for short periods of time tend to not receive benefits (or receive only a low level of benefits even if they do) due to insufficient contribution records, even if they become insured by employment insurance. Rather, it would be more effective for freelance workers to utilize a second safety net such as the Jobseekers Support System, which provides benefits without the requirement of insurance premium contributions.

However, the current Jobseekers Support System does not simply cover all freelancers. Under the current system, since a large portion of the funding comes from employment insurance premiums, jobseekers support training is only available to those who are seeking employment in jobs covered by employment insurance (generally corresponding to regular employees). For example, the most effective way to improve the economic status of single-mother households, etc. is for the mother to switch to regular employment (Abe et al. 2008). Considering this, the emphasis on employment in jobs covered by employment insurance is not in itself an erroneous policy goal. However, according to a survey conducted by Cabinet Secretariat in 2020, approximately 80% of freelance workers wish to continue working as freelancers, and this rule is a barrier to them in using the Jobseekers Support System as an opportunity to improve their skills.

2. Challenges in functioning as a “second safety net”

The Jobseekers Support System is essentially vocational training, and only a portion of the trainees receive monthly benefits. Not all jobseekers who are not eligible for employment insurance wish to switch to other industries or occupations through vocational training. In fact, in the materials distributed at (the 156th and 158th meetings) of the Subcommittee on Employment Insurance mentioned above, some of the reasons given for not participating in the jobseekers support training include “I will not participate in the training because I want to work in the same job or in the same type of industry.” In another questionnaire survey conducted by the MHLW, the most common reason given by unemployed persons who initially wished to participate in jobseekers support training at the PESO regarding why they did not actually participate in the training was that they “want to prioritize finding employment.”¹³ It can be inferred even if they recognize that vocational training is effective, their true intention is to find a job as soon as possible through the skills they have developed in their previous employment experience, for the sake of their immediate livelihood.

Behind the logic that vocational training is helpful for re-employment is the preconditions that (1) re-employment is hindered by a lack of skills and (2) those skills can be acquired outside of the company. It is clear that not all jobseekers meet such preconditions.

While the unemployment benefits of employment insurance provide income security broadly to jobseekers (who are eligible for employment insurance) regardless of whether they need vocational training, the Jobseekers Support System only covers cases where there is a need for vocational training. Considering the Jobseekers Support System as if it were a counterpart to unemployment benefits makes its coverage appear extremely narrow.

Looking at Figure 2 again, needs other than vocational training in the second tier of the safety net are supposed to be addressed by other systems, including those for jobseekers who want to obtain income security. While it would be desirable if this were working ideally, a close examination is needed to determine if the various programs are truly functioning as a seamless safety net.

From the workers' perspective, while the first tier has a continuous safety net provided by the employment insurance system, the second tier has a patchwork of systems, and only the case of receiving vocational training can be regarded as the extension of the employment insurance system. Those who fall through the cracks of the employment insurance system have access to different support systems, depending on whether they need vocational training or not. This is somewhat disconcerting to those (including the author) who believe that vocational training is only one option in the process of employment assistance.

In addition, while there is some overlap between the target population originally envisioned by the Jobseekers Support System and the target population envisioned by the self-reliance support program for needy persons, there are also many discrepancies. The target group of the Jobseekers Support System is not the impoverished households (as defined by the Act on Self-reliance Support for Needy Persons), but those who happen to be omitted from the employment insurance system for some reason. In this sense, the second tier, depicted as a single tier in Figure 2, actually contains “bumps” between the Jobseekers Support System and other systems. In other words, what is missing is income security for those who are slightly above the group of those who have fallen into poverty.

I admit that it is not easy to expand the scope of the Jobseekers Support System and modify it to provide cash benefits to jobseekers even when they do not need vocational training. However, if this is the case, it will be necessary to constantly question whether the second safety net is truly intact and well-structured through various systems other than the Jobseekers Support System. Otherwise, incentives could be created for persons to participate in training that is not necessarily necessary for the purpose of receiving income security if they are omitted from employment insurance.

VI. Conclusion

Compared to regular employment, non-regular employees have fewer training opportunities in the workplace, and therefore their need for vocational training should be higher than that of those who have left regular employment. Notwithstanding this, however, the actual number of participants in training—total of jobseekers support training and public vocational training, as mentioned mainly in II-1—who have left non-regular employment is considerably less than that of participants who have left regular employment. Furthermore, given the fact that the number of unemployed persons leaving non-regular employment is several hundred thousand per year, why the government's stated target of training participants per year is only 50,000?

We need to wait for a quantitative evaluation to determine whether the measures taken to increase the use of the Jobseekers Support System during the COVID-19 pandemic were really effective in increasing the number of users of the system and whether they had any side effects. In Japan, the fact that an elaborate empirical

analysis of the vocational training system is lacking also applies to the Jobseekers Support System. In the future, it will be necessary to conduct surveys and make further use of administrative data in order to conduct a precise analysis.

In discussing the expansion of the Jobseekers Support System, the issue of financial resources cannot be avoided. The current situation, in which the financial resources of the system largely depend on employment insurance premiums, is not desirable, as it has a strong aspect of income transfer from those covered by employment insurance to those not covered. This may have been tolerable when financial resources from employment insurance premiums were plentiful, but this is no longer the case. It may be necessary to return the ratio of the national treasury's contribution to the main rule (50%). However, if this is accompanied by an excessive means test (income assessment), it will make the system less user-friendly. The original aim of the second safety net is to avoid making it more like a welfare program. From this perspective, it makes sense to keep the system as an extension of social insurance. In other words, it is reasonable to rely in part on employment insurance premiums for the financial resources.

However, since vocational training is only one part of the job search process, the income security provided by the system covers only a part of job search activities. For those who have dropped out of the employment insurance system, if they do not need vocational training, other systems are supposed to support their livelihood during the job search period. In reality, income security for jobseekers who do not need vocational training may be inadequate. If this patchwork structure of the second safety net is not easy to change under the current system, it is important to constantly check whether the Jobseekers Support System truly constitutes a seamless safety net.

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Notes

1. For more information on the status and challenges of the Jobseekers Support System before the COVID-19 special measures were introduced, see Marutani (2021).
2. The system is mainly intended for those who have left their jobs and have no income, but employed persons are also eligible to receive the training while receiving benefits if their income is below a certain amount.
3. Before the time-limited measures for the COVID-19 pandemic described below were put in place, absences from training were allowed up to 20% only in unavoidable cases such as illness (and when the reason for absence could be proved). To be precise, in addition to the above requirements (1) to (5), the applicant must also meet the following conditions: there is no one in the applicant's household who receives benefits at the same time; and the applicant has not received certain benefits by fraud or other reasons within the past three years.
4. Based on an inquiry to the MHLW.
5. For the purpose of accurately evaluating the Jobseekers Support System as a safety net for those who fail to receive employment insurance, the number of persons who have received training excluding those eligible for employment insurance would seem to be more important. However, at this point in time, the published data related to the Jobseekers Support System are based only on the number of participants in jobseekers support training. Therefore, this article also deals with the number of participants in jobseekers support training.
6. If the percentage is less than 35%, 50,000 yen per month will be paid. In addition to this, a separate incentive amount is set for training courses for incumbent workers who work in shifts.
7. For more information on the employment situation and policy trends at the time leading to the introduction of the Jobseekers Support System, see Genda (2015) and Kanai (2015).
8. The fact that the number of users of the Jobseekers Support System did not increase much may be due to the use of the absence support payment (a benefit for workers who were made to be absent from work due to COVID-19 but were not paid an absence allowance) introduced at the time of the COVID-19 pandemic, in addition to the effect of the special measures for the Employment Adjustment Subsidy.
9. MHLW, the materials distributed at the 156th and 158th meetings of Subcommittee on Employment Insurance, Sectoral Committee Meeting on Employment Security, Labor Policy Council.
10. MHLW, the materials distributed at the 34th meeting of Sectoral Committee Meeting on Human Resources Development, Labor Policy Council.

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11. MHLW, the materials distributed at the 39th meeting of Sectoral Committee Meeting on Human Resources Development, Labor Policy Council.
 12. MHLW, the materials distributed at the 180th meeting of Subcommittee on Employment Insurance, Sectoral Committee Meeting on Employment Security, Labor Policy Council. Since the analysis is based on propensity score matching, it may not remove the selection bias that comes from unobservable heterogeneity.
 13. MHLW, the materials distributed at the 180th meeting of Subcommittee on Employment Insurance, Sectoral Committee Meeting on Employment Security, Labor Policy Council.

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Japanese System of Vocational Education and Training in Historical Comparison: Focusing on the Role of Schools and Companies in the Formation of Vocational Competencies

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This article aims to review the characteristics and specific issues of Japan regarding the roles and contributions of the initial vocational education and training (VET) system in the formation of vocational competency by comparing Japan with the earlier developed countries, based on previous domestic and international research. The formation of VET systems at the secondary school level is strongly influenced by the method chosen to organize apprenticeship systems in each country since the pre-modern era. Internationally, VET is structured into several systems, including the dual system, the apprenticeship-like system, the unregulated type based on further education, and a type centered on full-time school education. Japan saw the development of a system where basic competencies were learnt at school and specialized practical training at workplace. Since the 1970s, however, VET has gradually pushed upwards and been undertaken at the higher education level in colleges, polytechnic universities or colleges, or universities of applied sciences depending on national conditions. A comparison of early VET systems in Japan with those in other developed countries reveals a Japanese system characterized by the strong segmentation and the lack of a common framework for assessing the conformity of qualifications at the end of vocational education. Additionally, the relationship between school and company, both at the secondary and the higher education levels, is characterized by a lack of special partnerships. As debate over job-based employment and initiatives to guarantee the quality of education and training expand, the reform of such system is a challenge for the VET in the 21st century.

- I. Introduction
- II. Freedom of trade and apprenticeship during the Industrial Revolution: Training new skilled workers
- III. Institutionalization and expansion of secondary vocational education and training after WWII
- IV. Development of higher vocational education and training since the 1970s
- V. Implications for Japan

I. Introduction

This article aims to review Japan's characteristics and specific issues regarding the roles and contributions of the vocational education and training (VET) system in fostering vocational competencies through comparison between Japan and the earlier developed countries, based on previous domestic and international studies

including Terada (1996; 2011).

1. Terms in vocational education and training

This article focuses on “initial vocational education and training” (UNESCO 2009) rather than further vocational training, etc. The term “VET” in this article is based on the following international definitions, regardless of whether it is discussed within the context of culture, school administration, commerce, industry, or labor administration. The definitions include: (1) “vocational education” (cited in the Smith-Hughes Act of 1917, also known as the Vocational Education Act of 1917 in the United States, as “such education shall be to fit for useful employment; that such education shall be of less than college grade and shall be designed to meet the needs of persons over fourteen years of age who are preparing for a trade or industrial pursuit, or the work of the farm or of the farm home, or who have entered upon the work of a trade or industrial pursuit,”) (2) education for vocational preparation as part of the concept of “technical and vocational education” (used in the 1962 and 1974 UNESCO recommendations) such as science and technology education provided in general education, and preparation “for the exercise of occupations in such fields as industry, agriculture, commerce and the related services,” as well as further education; and (3) “vocational training” (used since the 1962 ILO Recommendation), as “all training designed to prepare any person for initial or later employment or promotion in any branch of economic activity, including such general, vocational and technical education.”

2. Classification of periods for institutionalization and development of VET

The comparative institutional history of VET since the modern era is divided into five periods: (1) dismantlement and transformation of the apprenticeship system during the Industrial Revolution, (2) inclusion of various voluntary groups and schools into the public secondary school system, (3) institutionalization of VET at various levels amid the progress of industrialization in the 1960s–70s, (4) development of VET at post-secondary and higher education levels since the 1970s, and (5) VET has been systematized in conjunction with the development of qualifications framework as a means of facilitating vocational education throughout the lifespan, from the late 20th century to the present. This article combines (2) and (3) periods in Section III for the development and expansion of secondary VET and (4) and (5) periods in IV for the development of higher vocational education and the reform of overall vocational education.

II. Freedom of trade and apprenticeship during the Industrial Revolution: Training new skilled workers

First, let us start with tracing the transformation process of the apprenticeship system, in which absolutist states and the guilds regulated occupational and VET systems that have defined the state of vocational education and training since the modern era. Generally, the modern VET systems have developed in concepts of or in relation with the freedom of trade. This shift allowed for the establishment and operation of businesses without being regulated by *Zunft* (the guild) or the state—that is, freedom of trade, or *Gewerbefreiheit* in German—fostering autonomy (freedom) in the employer-employee relationship. Among English studies, Chapter VIII of Bennet (1926, 266–300), an encyclopedic work, represents a detailed comprehensive comparative history study on the emergence of vocational schools as an alternative to the apprenticeship system. Among Japanese books, Hosoya's classic texts (1944; 1978) comprehensively describe such a study.

1. The United Kingdom

In the United Kingdom, “medieval guild monopoly and labor regulations began with the 1349 Statutes of Labourers and were established by the 1563 Statutes of Artificers (Okada 1978).” However, amid the development

of the factory system through the Industrial Revolution and the *laissez-faire* idea free from state or guild regulation, the absurdity of the system called the Elizabethan Seven-year's Apprenticeship which required long-term restraint and tuition fees for apprentices, continued to be criticized (Smith 1974), leading to the repeal of the Statutes of Artificers in 1814. In this way, the freedom of trade and the reorganization of the vocational education system in the United Kingdom made progress in a manner to abolish the compulsory nature of handicraft legislation (meaning to leave labor relation problems to be resolved through labor-management negotiations).

In the United Kingdom where guild regulations were abolished, however, school vocational education failed to be easily institutionalized instead. In the country, trade unions, such as the Amalgamated Society of Engineers, provided apprenticeship as part of voluntary apprenticeship training for both labor and management. Generally, this was called “craft union apprenticeship” (Miyazawa 1968). For details of trade union activities and labor-management conflicts regarding the craft union apprenticeship, see “The Entrance to a Trade” in Chapter 10, Part 2 (Webb and Webb 1897, 453–613).

The industrial capital side created two career paths—a “learner” system with no apprenticeship and an “upgrading” practice through on-the-job training of unskilled workers—in place of the cumbersome training apprenticeship demanded by trade unions (Tokunaga 1977, 85–87). Under such conditions, the United Kingdom maintained the voluntary apprenticeship and learner system that were regulated by craft unions and companies.

2. France, Germany, Japan, and the United States

In contrast to relevant systems in the United Kingdom, VET for skilled workers and engineers in France includes the school model and the school-apprenticeship model. For details about the development of apprenticeship and school vocational education in France, see Léon (1968). According to this, Declaration d'Araldo in 1791, which is two years after the Revolution, banned trade unions (Léon 1968, 59) along with organizing association, undermining the handicraft industry's apprenticeship regulations. Later, training of skilled workers was led by the state. After twists and turns, France created *école manuelle d'apprentissage* (handicraft apprenticeship school) in 1880 (Léon 1968, 120), *école nationale d'enseignement primaire et professionnel* (national school of higher elementary education and vocational education) in 1881 (Léon 1968, 131), *école pratiques de commerce et d'industrie* (school of business and industry, later developed into *collège technique* [technical college]) in 1892, and *école nationale professionnelle* (national vocational school) in 1893 (Léon 1968, 131). Under the Astier Law of 1919, municipal initial *cours de la formation professionnelle* (vocational courses) were held (Shimura 1978, 295–298).

In Germany, the guild apprenticeship system remained unshaken even amid the growth of factory industry and commerce and the development of freedom of trade. *Zunft* (guilds or trade association formed by craftsmen or tradespeople working in the same field, such as carpentry, blacksmithing, or weaving), where organizing is not prohibited, survived as *Innung* (guild or trade association at the regional level) thanks to the expansion of business and freedom of association. The apprenticeship system (apprentice ownership and training) was recognized for business freedom for new industry and commerce companies and the handicraft industry by the 1869 *Gewerbeordnung* trade regulations of the North German Confederation (Kletke 1870, the German Empire in 1871). The state approved not only emerging industrial capital but also handicraft industry and small-scale commerce organization and apprentice training by the *Vaterliche Zucht* (paternal authority) right (§119). The apprenticeship system for large-scale industry developed as a unique training system, while countering the apprenticeship system of the handicraft industry's apprenticeship system. However, the state not only guaranteed the requests both from the large-scale technical industry and the handicraft industry, but also protected apprentices and children from abuse by employers. To secure the education of apprentices and children as citizens, § 106 of the *Gewerbeordnung* trade regulations required local governments to monitor apprentices' health and ethics and

obliged *Meisters* to have their apprentices attend *Fortbildungsschule* (further education school), which originated from 17th century Sunday schools (Spranger 1949). This was the origin of the dual system at present in Germany (Terada 1996, 33–64).

In Japan, an order to dissolve the *Kabunakama* merchant guild as issued in 1841, putting an end to a compulsory guild system licensed by the shogunate government. While mutual-aid trade organizations for voluntary participation were restored in 1884, indentured apprenticeship systems no longer existed. In Japan as well as the United Kingdom, France, and Germany, however, apprenticeship systems for training have survived. In addition to small-scale apprenticeship systems for traditional techniques, technical industry apprenticeship systems were reorganized as craftsman-apprenticeship systems (between 1877 and 1896), factory apprenticeship systems (between 1897 and 1906) for industrial field, or trainee system within enterprise (between 1907 and 1944) that grew amid the development of heavy and chemical industries (Sumiya 1978). In-house training systems that were not backed by cross-sectional regulations in enterprises, or social or official qualifications systems, served as an alternative function to the apprenticeship systems in Japan. In the absence of social regulations in Japan, there was large room for vocational school education, called *jitsugyo kyoiku*, or vocational education, to develop from the initial industrialization stage.

In the United States, which had been a British colony, the apprenticeship system was introduced in the mid-17th century, especially on the East Coast, including Massachusetts in 1642 (Roberts 1965, 52–57). In the absence of guilds to support such systems, employers and apprentices voluntarily participated in the systems. They included some institutional systems that applied only to poor and orphaned children when the 1601 British Poor Law was implemented in the colony. These systems declined amid the Industrial Revolution and the factory system's spread in the 19th century. Young workers underwent on-the-job training provided by their parents or senior colleagues (Gordon 2008, 3–6).

III. Institutionalization and expansion of secondary vocational education and training after WWII

1. Development model

The 1962 ILO and UNESCO recommendations cited at the outset of this article pioneered the full-fledged multilateral comparison of VET systems, beginning with the patterning learning sites (learning modes) before discussing the aspects of VET systems and VET policy trends in each country. For instance, UNESCO (1962) identifies eight different patterns of technical and vocational education. These patterns include variations like “technical and vocational education, including practical training,” a system that blend school (theoretical) education with practical training, and a “sandwich system” where both school education and practical training alternate. The OECD (Grégoire 1969, 21–68) divides “various vocational education systems,” into types such as apprenticeship-based systems, school-based systems, mixed systems of both, and a high school vocational education program integrated with general education (US).

The author paid attention to these arguments and regulators of the training process, reinforced the typology of Greinert (1993; 1994) that extracted three models (market, school, and dual models), and schemed a framework for comparing VET systems from viewpoints such as the temporal relationship (transition relationship) between education and training, sharing of content, and the characteristics of qualifications, as illustrated in Table 1.

2. Parallel model covering general and specialized theoretical knowledge and technical and vocational education training

While there was a movement for establishment of the Mechanics' Institutes as learning private institutes for skilled workers in some manufacturing cities in the United Kingdom between the late 18th and the 19th centuries,

Table 1. Patterns of major vocational education and training (VET) in secondary education

Progress / transformation process	Country / Institutions	Regulator / Qualifications acquired	
		School education	In-house training
Parallel and dual model	Germany / <i>Duales System</i> (dual system)	State / <i>Teilzeite-Berufsschule</i> Compulsory vocational school (part-time)	Training for qualification for <i>Facharbeiter</i> (skilled workers under the 1969 Vocational Training Act) and <i>Geselle</i> (journeymen under the Craftsmanship Regulation Act)
	Germany / <i>Berufsfachshule</i> (full-time vocational school)	Various assistant jobs under the state law	Considerable amount of workplace-based practical training
	UK / Further education	Government / Recommended further education (Qualifications by the City and Guild of London Institute and other organizations)	Promotion under the 1964 Industrial Training Act
	France / <i>Centre de formation d'apprentis</i> (apprentice training center)	Government and State / <i>Centre de formation d'apprentis</i> (apprentice training center)	Compulsory practical training
Shared serial model	France / <i>Lycée technologique</i> (technological high school)	Government / <i>Baccalauréat Technologique</i> (BacT, technological baccalaureat)	OJT
		Government / <i>Baccalauréat Professionnel</i> (BacP, professional baccalaureat)	
	France / <i>Lycée professionnel</i> (vocational high school)	Government / <i>Certificat d'aptitude professionnelle</i> (CAP, professional qualification)	OJT
		Government / <i>Brevet d'études professionnelles</i> (BEP, vocational education license)	
	Japan / Specialized high school	Government / Graduation certificate	OJT, Off-JT
	US / Senior high school	State / Diploma and industry certificate	OJT

Source: Created by the author.

further education has remained a main VET system in the country (Bennet 1926, 308; Kato 1987, 34–104). Dating back to 1878, the London Science and Art Department for qualification tests and certification for craftsmen, and Livery Companies originating from medieval guilds established the City and Guild of London Institute (CGLI). This influenced on other regions in the country and encouraged further education at colleges and other institutions (Bennet 1926, 279–284).

The Education Act of 1944 provided a UK framework for a nationwide technical and vocational education school system following the 1926 Hadow Reports (Board of Education 1927). The Act established compulsory education for children aged between 5 and 15 and three secondary schools for those aged 11 and older – grammar, technical, and new modern schools. In addition, it placed various VET systems in further education after

secondary education. As modern schools for most secondary education students covered students aged up to 15 (as is the case with junior high school students in Japan), however, further education included not only post-secondary education but also upper secondary education (Mizuno 1978). VET in further education included practices not only at full-time technical college but also mainly at part-time courses. As indicated by Table 2, further education students concentrated at part-time courses (including evening courses). On-the-job training at companies and vocational further education supplemented each other. This can be described as an irregular dual system, combining apprenticeship and supplementary education, although it differs from the German dual system combining the regular apprenticeship system and compulsory supplementary education.

Germany's parallel type VET is a dual system. The 1869 *Gewerbeordnung* trade regulations have led to the present dual system through the modernization of the apprenticeship (the inclusion of the apprenticeship into the labor law system) and the transformation of supplementary education schools into the present vocational schools (for vocational supplementary education instead of general supplementary education). The modernization and transformation process included the emergence of a vocational training concept in the Weimar era, a change in the view of the training relationship under an Order by the Prussian minister of commerce and industry in 1923 that introduced the viewpoint of labor rights and relations, and a Prussian Compulsory Vocational School Order (Terada 1996, 276–328).

The reorganization of the secondary school system and the positioning of the dual system at the upper secondary education level were left until after World War II. In this process, the Hamburg Agreement of 1964 between states created the *Hauptschule* as a new five-year lower secondary school to compete with the *Gymnasium*, and *Realschule*, as seen in the United Kingdom. On the *Hauptschule* the apprenticeship system and a vocational supplementary evening schools were topped.

In particular, these three secondary schools are described in a little more detail, The *Hauptschule* is a five-year educational program that follows the completion of a four-year elementary school. Upon graduation of *Hauptschule*, students typically proceed to a dual system, specializing in handicrafts and industry. The *Gymnasium* also operates on a six-year program, with students having the option to pursue further education to obtain a university admission. Following the completion of the initial six-year program, students can enter a later stage, typically consisting of a two-year program. This advanced stage focuses on preparing students for university studies and ultimately obtaining a degree. The *Realschule* consists of a six-year program following elementary school. Upon graduation of *Realschule*, students proceed to a dual vocational training system focused on commerce and services. Alternatively, they may choose to enter a full-time vocational school.

The dual system was defined by *Deutscher Ausschuss für das Erziehungs-und Bildungswesen* (German Committee for Education and Training) in 1966 as “parallel training in school and company” (Deutscher Ausschuss 1966, S.418). Its institutionalization was completed by the education system structure plan of the committee in 1970 and the *Berufsbildungsgesetz* (Vocational Training Act) of 1969, just a century after the 1869

Table 2. Number of further education students by student type (1946–1970)

(Unit: 1,000 persons)

Student type	1946-47	1956	1963	1970
Full-time course (including the “sandwich course”)	45	76	184	274
Part-time day course	196	469	613	749
Part-time evening course	527	724	779	736
Evening institute	827	980	1,075	1,415
Total	1,595	2,249	2,651	3,174

Source: Cantor and Roberts (1972, 1).

Table 3. Number of upper secondary students by school type in Germany (1960–2000, every 5 years)
(Unit: 1,000 persons)

Fiscal year (January – December)	Upper gymnasium	<i>Berufsschule</i> (vocational school), mostly dual system students	<i>Berufsfachschule</i> (full-time vocational school)	<i>Fachoberschule</i> (specialized upper secondary school)
1960	211.7	1,661.9	125.7	—
1965	197.2	1,780.0	148.5	—
1970	303.7	1,599.4	182.7	—
1975	455.5	1,607.3	270.8	—
1980	623.5	1,847.5	325.6	55.5
1985	639.3	1,893.3	339.7	50.5
1990	496.7	1,469.4	245.6	52.9
1995	618.5	1,556.4	294.6	54.5
2000	651.6	1,796.9	400.4	66.3

Source: Federal Ministry of Education and Research (BMBF) (2002, 56–59).

Notes: 1. Data for West Germany until 1990; thereafter, for unified Germany.

2. In fiscal year 2000, 94% of students at *Berufsschule* are dual system students.

Gewerbeordnung trade regulations.

The German dual system uses some two-thirds of the total training hours for trainees in companies and is governed by the legal principles of labor contracts (Bundesministerium 1996, §3). Vocational schools where trainees study for 8 to 12 hours per week are put under each state’s school law (Terada 2003).

As shown in Table 3, the number of dual system students remained robust between 1960 and 2000, while an increase was seen in students who advanced to the upper Gymnasium as a path to universities and full-time vocational schools for training assistants. Although “a crisis of the dual system” was discussed among researchers in the 1990s, business and trade union circles were not ready to abandon the dual system that they saw as a strength of the German economy (Terada 2003, 177–189).

3. Full-time school model and subsequent company training

The United States, less influenced by the apprenticeship system, legislated or institutionalized vocational schools positioned for secondary education earliest among developed countries. In 1917, the United States enacted the Vocational Education Act of 1917, commonly known as the “Smith-Hughes Act.” While providing for mainly the subsidization for agricultural, technical industry, commercial, housekeeping, and other vocational education teachers, the creation of the Federal Board of Vocational Education, and the state-level programs for each industrial sector, the Act institutionalized full-time vocational schools apart from general high schools, covering technical industry schools called trade and industrial schools that had been developed since the 19th century, public high schools’ commercial courses, and agricultural secondary schools (Roberts 1965, 107–113). Although the term “high school vocational education” is not found in the Act, “students aged 14 or more” was, in fact, included to effectively cover high school vocational education (Yokoo 2013).

As developed countries were commonly influenced by the abovementioned 1962 UNESCO and ILO recommendations after World War II, the US Vocational Act of 1963 (US Department of Health, Education and Welfare 1963) promoted the transformation of part-time vocational education into full-time education, playing a key role in expanding vocational education. Following subsequent amendments to the Vocational Education Act and the enactment of related laws, the number of independent vocational and specialized high schools reached about 1,000 out of a total of about 9,500 high schools in the first half of the 2000s. Furthermore, the number of

vocational education centers (called career centers or career academies), which enrolled general (comprehensive) high school students for one to several days a week as the school year progressed, increased to about 800. In the United States, VET is not limited to non-academic students but is universal for all high school students. Students taking at least one credit of vocational education (equivalent to 120 hours) account for more than 90% of all high school students. “Occupational investor” students who took multiple-area vocational classes for three or more credits accounted for 44.5% in 2000 and “occupational concentrator” students who took single-area classes for three or more credits accounted for 26.0% (Terada 2011, 139).

Table 1 specifies “state diploma and industry certificate” for the United States regarding school education, indicating a system to provide high school graduates with not only diplomas but also occupational certificates (ACTE 2017) in line with the promotion of vocational education under the National Skill Standards Act of 1994 (Taniguchi and Hirayama 2003).

As well as the United Kingdom, France promoted vocational education at secondary school level and discussions on the matter during World War II. France, where the introduction of vocational education at schools was relatively smooth, reorganized or established *centre d'apprentissage* (vocational training center) for primary school students in 1939 and national vocational schools and technical colleges for secondary school students in 1941 (Léon 1968, 141). Following the other reorganization of vocational education, France launched *Baccalauréat professionnel* (professional baccalaureat) course at *lycée professionnel* (vocational high school) at the upper secondary education level.

According to the latest information in Kyomen (2021, 272–285), *lycées professionnels* have more than 470,000 students, 88 programs of three-year *Baccalauréat professionnel* (BacP, the university admission qualification), and about 200 programs of two-year *Certificat d'aptitude professionnell* (CAP, the certification of professional aptitude).

In addition, 425,000 students are registered at *centres de formation d'apprentis* (apprentice training centers) (for students aged between 16 and 26) which represent as a loose dual system to provide BacP and CAP qualifications equal to those at *lycées professionnels*. According to Murata (2011), 330,000 students or trainees were registered for Bac qualifications (professional baccalaureat and technological baccalaureat) for Level IV (3a and 3b of the UNESCO International Standard Classification of Education, ISCED) and for CAP and BEP (*Brevet d'études professionnelles*, vocational education license) qualifications for Level V (3c of the ISCED) as of 2008. These data indicate that France does not necessarily represent any simple model of a VET school.

4. Japan's high school vocational education

How has vocational education been in Japan in comparison with other developed countries? Japan has given greater priority to full-time school vocational education than France and the United States and led school vocational education to be supplemented by subsequent company training after graduation.

School systems before and after the end of World War II were structurally different, indicating unique Japanese conditions regarding vocational education. During the middle of the Meiji period, as initial vocational education institutions for public vocational education, to which students attended after completing the primary school called *jinjo shogakko*, Japan founded German-type “vocational supplementary schools” for agriculture, technical industry and commerce in 1893 and French-type “apprentice schools” which served as supplementary evening school in 1894. In the Taisho period, Japan established full-time *shokkko gakko* (craftsman schools) in each region. The word “*jistugyo kyoiku*” (usually translated as vocational education) is peculiar to Japan. According to Eiichi Shibusawa, it was translated as business education and defined, as “benefitting not only the students themselves but also their society or state,” indicating a state-oriented concept (Shibusawa 1912, 221–222).

In 1899, the education of middle-level engineers and employees engaging in commerce was institutionalized

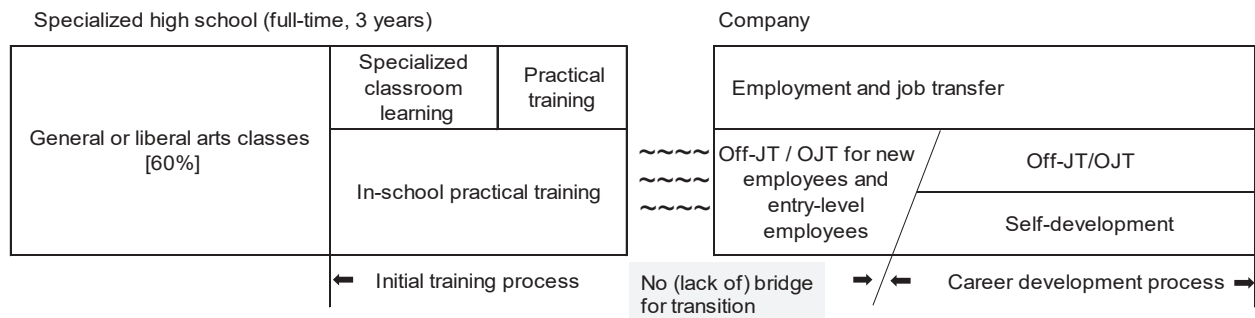
under the Vocational School Order (Terada 2011, 17–21). Since the Meiji period, VET at primary and secondary education levels has been undertaken by school and succeeded (or handed over) by company. In the unique Japanese system, however, vocational schools and companies have not shared training and programs.

Under a structural reform after World War II, vocational supplementary schools and craftsman schools were transformed into high schools in line with the US concept of vocational courses and vocational high schools. Since the enactment of the Industrial Education Promotion Act in 1951 to subsidize high school vocational education, the concept of *sangyo kyoiku* (industrial education), which is difficult to translate into English, German, or any other foreign language, as is the case with *jitsugyo kyoiku* (vocational education), has spread. *Sangyo kyoiku* differed somewhat from *jitsugyo kyoiku* before the end of the war and represented “a concept unique to Japan that gave priority to requirements from a society enhancing productivity,” indicating a national intention to achieve postwar reconstruction and high economic growth, rather than individualistic or profit-oriented vocational education (Motoki 1973a, 413, 1973b, 10).

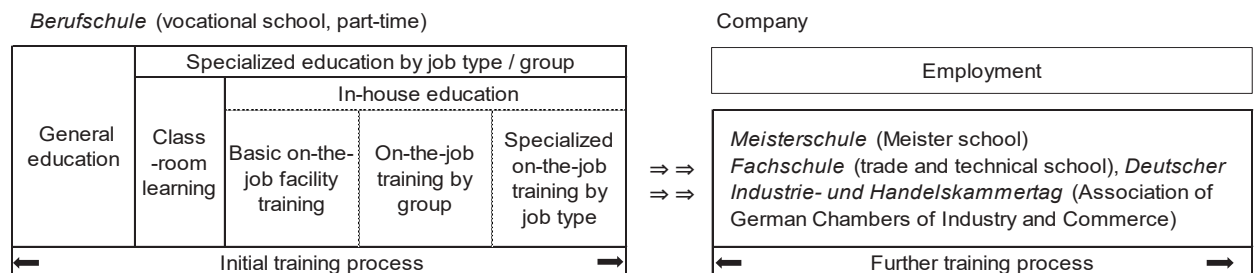
The word *sangyo kyoiku* correctly indicates the characteristics of Japan’s VET. In postwar Japan, company vocational training free from official regulations has been also called *Sangyo kunren* (industrial training). Japan’s vocational education at school, excluding VET and professional training for national qualifications, differs from such education linked directly to occupational labor markets or employment systems in Europe and focuses on mainly special education in each industry. While higher education and in-house education were promoted, the goal of training “commercial, business administration, and clerical workers” and “middle-level engineers” for technical curriculum guidelines until 1970 was changed to the acquisition of commercial and technical “basics” in the high school curriculum guidelines for commercial courses in 1970 and those for technical courses in 1978. The government’s Science Education and Vocational Education Council in 1985 described the new goal as training of “future specialists,” giving up completing vocational education (Terada 2011, 72–74).

Figure 1 compares the Japan’s serial model with the Germany’s dual model in terms of the school-to-work

◆ Japan: Serial model



◆ Germany: Parallel and dual model



Source: Created by the author (Terada 2011, 76).

Figure 1. Japan’s high school vocational education, compared with Germany’s parallel and dual model

transition (school and employers shares the role of education). It shows how schools and companies shared time and content details for VET during the decades of the 1960s through the 1970s. The structure is basically common to non-qualification vocational and professional education at upper secondary and higher education levels.

In Japan, there is a lack of bridge for transition between schools and companies in vocational training and development (sharing of responsibilities between school and company), leading students to entering the workforce without practical experience. Quite little specialized education at school prepares students for “internal training in the company” (rather than simultaneously complementing), and after employment, OJT and off-JT linked to Japanese personnel placement policies are a continuation (serial) of school vocational education.

Thus, vocational education at school focuses on basic theoretical aspect in the classroom with no specific work experience. Perhaps because of Japan's internal labor market, the formation of an academic meritocracy, or the all-too-well-known development of in-company education, Japanese vocational education is often considered as a “market model” (company-oriented). Things are not that simple. It is a “serial compromise between school and market-oriented models.”

IV. Development of higher vocational education and training since the 1970s

1. Vertical development of qualifications framework and education systems

The development of vocational education at the higher education level has been triggered by the sophistication of the occupational structure, including the expansion and diffusion of tertiary education following the secondary education expansion, the vertical organization of the higher education school system, and the creation of associate professional occupations in the ILO International Standard Classification of Occupations in 1987 (Nishizawa 2013). Here, the position of VET at the higher education level in the vertical development of school systems is focused.

First, look at European conditions from the 1970s to the 1980s. In the European Community then, the development of a five-level education system to promote the common vocational training policy from 1963 became a challenge (Terada 2003, 145–158). The five levels were (I) semi-skilled workers, (II) skilled workers, (III) technicians, (IV) higher technicians, and (V) university graduates. The third and fourth levels (III and IV) were subjected to post-secondary vocational education. Based on these levels, the comparability work of vocational training qualification was implemented to confirm the equivalence of qualification training systems at each level.

Among international organizations, the OECD in 1973 established the short-cycle higher education— a level of education placed between post-compulsory/post-secondary education and university degree completion, and put vocational education within its framework. (OECD 1973). Then, the OECD described the “vocationally oriented post-secondary” system as “non-university.” UNESCO basically followed this. The 1997 UNESCO International Standard Classification of Education classified university higher education as 5A (“programmes which are theoretically based/research preparatory (history, philosophy, mathematics, etc.) or giving access to professions with high skills requirements (e.g., medicine, dentistry, architecture, etc.)”) (UNESCO 1997, 84) and non-university higher education as 5B (those programs which are practical/technical/occupationally specific). Non-university higher education was defined as 2-to-3-year practically oriented and occupationally specific skills programs rather than programs for acquiring the 5A qualification for advancement to theory-oriented research programs (UNESCO 1997, 89). It was limited to short-term programs.

Later, however, the European Qualifications Framework (EQF) 2008, which was developed to ensure the commonality of students’ educational advancement, mobility, and post-graduation outcomes (employability) across Europe through the Bologna process since 1999, included not only Level 5 (short term) but also a higher level (Level 6) in vocational education at the higher education level (European Community 2008, 1). The

Bologna process is a series of ministerial meetings and agreements among member states, aiming at bringing coherent quality and recognition standards of degrees (consisting of bachelor's, master's, and doctoral studies) in higher education across Europe.

2. Changes in higher vocational education of each country: Bachelor's degree and dual programs

While globalized VET at the higher education level still varies by country, attempts have been made not only to classify VET systems in higher education by academic nature (5A or 5B) and terms, but also to compare such systems by the standard of whether education and training objectives are specialized or combination. OECD (1973, 15–17) classified post-secondary level VET by embodiment type into three models – (1) the multi-purpose model (VET in parallel with academic education, further education, preparation for advancement to universities, etc.), (2) the specialized model (programs specialized for occupation), and (3) the binary model (independent systems separated from universities and further education institutions). Grubb (2003, 3.1) renames the second model as “unitary institution” and applies each national system to the OECD classification concept. US and Canadian community colleges and Australian TAFE (Technical and Further Education) colleges are cited for the first model, universities of applied sciences in the German-speaking sphere and Northern Europe (including *Fachhochschule* in Germany) for the second model, and US and Canadian community colleges, British further education colleges, and vocational programs of French universities' colleges (including IUT technical colleges, STS higher technician schools, etc.) for the third model.

These comparisons, or classifications position VET at the higher education level as 5B or non-university. Given developments over the past two decades, however, such classifications should be modified somewhat. Modifications include relating 5B to universities (OECD 2012, 14, Frommberger 2019, 303–308) and extending 5A or bachelor's degree programs into VET, as summarized below:

First, the United Kingdom has had polytechnic universities and colleges since a *1966 white paper on polytechnics and colleges*. Polytechnic college that responded to higher education demand differ from other colleges and are characterized by “poly” (many) to cover science, technology, and social science programs or are known as “liberal science colleges” (Cantor and Roberts 1972, 37). Polytechnic colleges have been absorbed by universities since 1992 (Murata and Shinohara 2016, 37–39). They have been introduced in Muslim countries as well as in Japan—non-academic degree institutions, *Shokugyo noryoku kaihatsu daigakko* (polytechnic university) (since 1999).

Second, Germany has had a *Fachhochschule* (university of applied sciences) model separated from academic universities due to different objectives. Since North Rhine-Westphalia State introduced the model in 1969 almost at the same time as the United Kingdom's introduction of polytechnic colleges, the model has spread to almost all German states. The model was also introduced in North European countries, such as Finland (in 1992), and in Japan (*Senmon-shoku daigaku*, called professional universities, started in 2019) (Terada 2021a, 7–8). Germany built on the state engineering school and *Fachschule* (trade and technical school) to establish the education of a university of applied sciences. It was intended to improve the status of students by allowing them to obtain the degree of Diplom (FH) degree and prepare them for professional activities at home and abroad with applied learning and the acquisition of academic knowledge, which require the application of academic cognition and method (*Ministerium des Innern des Landes Nordrhein Westfalen* [Ministry of the Interior of the State of North Rhine-Westphalia] 2021: §3). In the 2019 and 2020 winter semester, Germany had 213 university of applied sciences with 1.023 million students against 107 universities with 1.177 million students (Statistisches Bundesamt 2020, SS. 7–8). University of applied science, thus, rival universities regarding the number of students.

Students at university of applied sciences are those who completed lower *Gymnasium* or *Realschule* programs and acquired university of applied sciences admission qualifications at *Fachoberschule* schools (specialized upper secondary school). University of applied sciences is a dual-system oriented institution by nature as it

requires students to complete a mandatory semester-long internship in a company to ensure the application and practice of specialized skills (Terada 2011, 5, 133–138). In addition, Germany has introduced a dual program combining the bachelor program and a skilled worker qualification program under the secondary-level dual system since 1996 (Terada 2020a). Japan’s professional universities and junior colleges, as well as “the applied professional postsecondary course” introduced in the *senmon gakko* (vocational school) in fiscal 2013, are primarily based on the German dual system.

Third, bachelor’s degree programs were incorporated into 5B higher education institutions, such as professional or other colleges. There are various cases for the incorporation, including the following cases that the author surveyed by direct visits to specific institutions around 2015. They are courses for preparation for transfer to universities at U.S. community colleges (in Ohio and Michigan) (Terada 2014, 1–2), South Korean technical colleges (Dongyang Mirae University in Seoul, Daejeong Health Sciences College in Daejeong, Yeungjin Technical College in Daegu) (Terada 2021b), an Australian TAFE (Northern Sydney Institute) (Nakamura and Terada 2016), and an attempt to connect a bachelor’s degree program to a diploma course at the School of Vocational Studies of IPB University (current College of Vocational Studies IPB University) in the north of Jakarta, Indonesia (an English presentation showed when visiting survey is conducted, in 2015). The Indonesian case yielded a somewhat unexpected outcome.

V. Implications for Japan

Finally, we will discuss the implications of the abovementioned status of VET development in other countries, particularly for Japan’s VET system at the secondary and higher education levels.

1. Segmented higher education system

Japan’s higher education system, along with VET at the higher education level, consists of separate institutions that lack comparability between them. They are hampered by the administrative jurisdictional barriers governing each institution. In particular, institutions like specialized vocational education institutions such as *kosen* (*koto senmon gakko*, colleges of technology), and Japanese type of the “polytechnics” (equivalent to universities and colleges for long-term program), and other special training colleges, which make up the majority of VET students (demographically, if junior colleges are included), are not entitled to award associate or bachelor’s degrees. This creates a separation between vocational education and traditional academic programs, as they are designed to be incompatible with each other in the usual educational framework.

Discussions at a special committee on career and vocational education (between September 2009 and December 2012) and a special committee on institutionalizing new higher education schools for practical vocational education (between May 2015 and May 2016) within the Central Council for Education, which led to the introduction of professional universities and colleges from 2019, provided a chance for Japan to overcome the segmentation of higher academic education and higher vocational education. Consequently, however, these discussions resulted in the creation of professional universities and junior colleges as a new sector, or segment, which add to the conventional education system. Thus, the segmentation of higher education in general and higher vocational education remains a historical challenge for Japan’s higher education.

2. Development of qualifications framework and competency or competence viewpoint

Vocational education at the higher education level is segmented partially because there is not any common measure to position the bachelor’s or associate degree level or the so-called diploma level after secondary education among many countries. Not only foreign developed countries other than the United States but also Asian countries have developed or are developing qualifications frameworks. They include the abovementioned

EQF, DQR (*Deutscher Qualifikationsrahmen, Bundesministerium* [German Qualifications Framework for Lifelong Learning], 2013), AQR (ASEAN Qualifications Reference Framework, 2016), and AQF (Australian Qualification Framework Council, 2013). Important are the drawing levels of VET institutions and segments and the standards, or descriptors for their assessment.

The EQF adopts knowledge, skills, and competence (responsibility and autonomy) as the descriptors of competency at each level. The DQR unifies descriptors as *Kompetenzen* (competence) divided into *Fachkompetenz* (professional competence) and *Personale Kompetenz* (personal competence). Professional competence covers knowledge and skills, while personal competence includes social competence (group skills, leadership, communication skills, etc.) and personal competence (autonomy, responsibility, learning performance, etc.). While being almost the same as the EQF, the AQR adopts two domains, one is knowledge and skills, and the other, application and responsibility as descriptors. The Australian framework adopts knowledge, skills, and application. The author considers that the development of competencies such as social competence, and application skills to demonstrate autonomy, which are specifically cultivated by VET, with its focus on practical skills and training, is highly important, alongside specialized theoretical knowledge and skills. Additionally, although VET qualification criteria may not explicitly include them, work-based learning emphasizing work management skills such as each task arrangement and its planning, is also essential.

In the United States, vocational education has been restated as Career and Technical Education (CTE) to cover work attitude, and employability skills. Germany amended its *Berufsbildungsgesetz* (Vocational Training Act) in 2005 to redefine vocational training as providing professional skills, knowledge, and abilities to act—*Berufliche Handlungsfähigkeit* (professional capacity to act), instead of special skills and knowledge as earlier defined (Terada 2020b).

3. Supplementing by parallel and dual model with partnership between institutions for shared serial model with weak partnership in school-to-work transition

To institutionally guarantee the development of social, application, and practical competence as VET quality assessment standards (descriptors), work experience and practical training should be recognized as essential factor for associate and bachelor's degrees. In terms of constructing qualifications framework, however, great constraints on the recognition exist in the Japanese VET system, which focuses on basics of the specialty and general classes in VET at the secondary and higher education levels and leaves the development of specialized and practical skills for company training and lifelong learning, as indicated by Figure 1. In addition to the development of the qualifications framework, the structural transformation of the VET system is required in Japan.

Since the government's 2003 *Wakamono jiritsu chosen puran* (Youth Independence and Challenge Plan), Japanese version of the dual system has been institutionalized at specialized course in high schools and polytechnic colleges. Furthermore, the applied professional postsecondary course of the specialized training college, as well as professional universities and junior colleges have been introduced recently as mentioned above. On the other hand, long-term internships at companies linked to capstone courses in universities have been recommended by the government (MEXT and METI 2019). As the debate on "job-based employment" (Hamaguchi 2013) develops and companies' initiatives for skill assessment of university graduates expand, the challenges should and will attract attention to improving or developing a VET system through supplementing the "shared serial model with weak (or lack of) partnership between institutions" by the parallel and dual model with partnership between institutions in the school-to-work transition.

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Key topic

Measures Required to Achieve Sustainable Wage Hikes: MHLW's White Paper on the Labour Economy 2023

In Japan, while labor productivity has been increasing to a level comparable with other countries, real wages have remained almost flat due to changes in companies' distribution of profits, bargaining power between labor and management, and the composition of employees. The Ministry of Health, Labour and Welfare (MHLW) published the White Paper on the Labour Economy 2023 and stated that the increase in wages has a positive effect on consumption on a macro level. Toward achieving sustainable wage hikes, it pointed out that measures should be taken, such as passing cost increases to prices, improving an environment to promote business start-ups, facilitating the conversion of non-regular workers to regular workers, and implementing the principle of equal pay for equal work.

I. Current status and issues of wages

1. Wage trends

A gap between growth in nominal labor productivity and growth in nominal wage

The white paper first reviewed the trends in productivity and wages over the past 50 years. Nominal labor productivity and nominal wage, for which the effect of price fluctuations is not taken into consideration, continued to increase almost consistently from 1970 until the first half of the 1990, but their growth slowed down from around the middle of the 1990s. Since then, the growth in nominal wage did not keep pace with the growth in nominal labor productivity, leaving a gap between them. According to international comparison, both nominal wage and nominal labor productivity per

capita have been growing since 1996 in countries such as the United Kingdom and the United States, whereas they have been going sideways in Japan (Figure 1). In real terms, labor productivity has been increasing to a level comparable with other countries, but real wages have remained almost flat. In all industries, the growth in nominal wage in Japan has not been as large as in other countries (Figure 2).

It is said that Japanese wages are less sensitive to labor productivity but more sensitive to the unemployment rate. An increase in nominal labor productivity per capita by 1% led to an increase in nominal wages per capita by around 1% in the United States but an increase only by 0.4% in Japan. On the other hand, when the unemployment rate increased by 1 percentage point, nominal wage per capita decreased by 0.3 percentage points in the United States but they decreased by around 1.1 percentage points in Japan. The white paper explained that in Japan, although it should be noted that wages are not reduced as much as a productivity decline, the growth in wages did not keep pace with the growth in productivity during the phase of productivity growth, when compared with the United States. It also pointed out that while the sensitivity of the wage growth rate to the employment situation is high, the wage growth rate has been kept at a low level along with the unemployment rate.

Factors that pushed down the real wage growth rate

To see the background to the changes in wages per capita, the white paper broke down these changes into those in terms of "hourly productivity," "labor

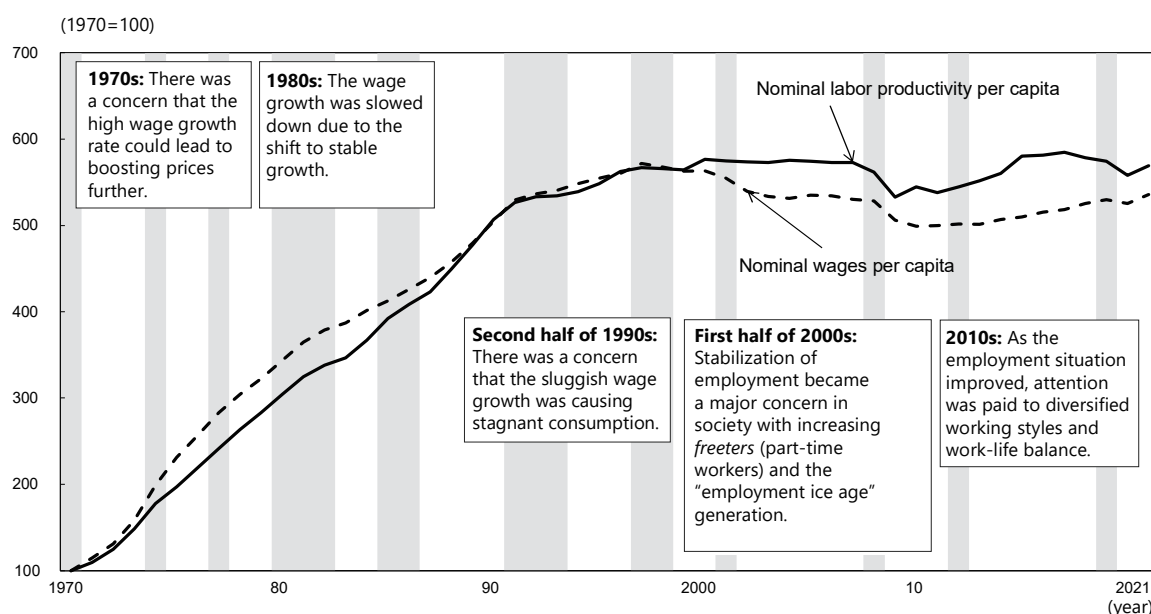


Figure 1. Trends in nominal labor productivity and nominal wage per capita (1970–2021)

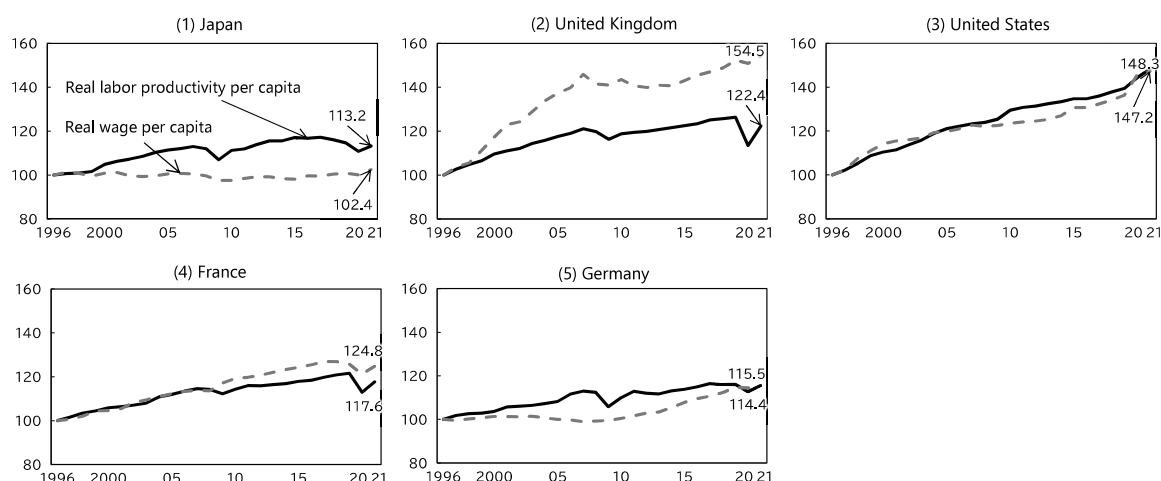


Figure 2. International comparison of nominal labor productivity and nominal wage per capita (1996=100, international comparison)

hours,” and “labor share.” Japan achieved growth in real labor productivity per hour by around 20% as in the case of the United Kingdom, France, and Germany. The white paper pointed out that this may be due to the ongoing downtrend of commodity prices. As the factors that pushed down the real wage growth rate, the white paper indicated the deterioration of trade terms, in addition to the decrease in labor hours and the decline in labor share.

It also pointed out that the decrease in labor hours is largely due to the increase in the percentage of part-time workers.

A significant decline in the labor share over the past 20 years

The white paper defined the labor share as “compensation of employees per employee divided by the GDP per worker” and compared the trends in

Japan and in other countries. It is necessary to be careful in comparison because the values of the labor share depend on the definition. See the column at the end of this article for the labor share according to various definitions.

The labor share in Japan has been constantly on a declining trend. The decline in the labor share in Japan during the period between 1996 and 2020 was large among OECD countries. The most recent level of the labor share in Japan was lower than other countries. By industry, the labor share was at a low level in “finance and insurance,” “accommodations, eating and drinking services,” and “public health and hygiene, social welfare and care services.” Based on the analysis on these points, the white paper stated that it is important to continue efforts to increase productivity to increase wages.

2. Background to sluggish wage growth

The white paper analyzed the background to the sluggish wage growth in Japan in terms of five factors. The first factor is the changes in distribution of profits by companies. The white paper pointed out that companies’ internal reserves have been increasing due to the increase in added value, explaining that the background factor for this trend is companies’ deep uncertainty over the future.

The second factor is the changes in bargaining power between labor and management. The white paper indicated the decline in the unionization rate and the rise in the percentage of labor markets where employees are concentrated in a particular company (concentration of business control in each labor market). When labor markets in Japan were divided into about 4,400 by subcategory in industrial classification and by prefecture, the percentage of labor markets where the concentration level was particularly high increased over the four years from 2012 to 2016. As the market concentration intensifies, companies have more bargaining power, causing a downward pressure on wages. Meanwhile, as the unionization rate increases, workers have more bargaining power, causing an upward pressure on wages.

The third factor is the changes in the composition

of employees in terms of employment status and age group. These changes have different effects on wages depending on the period. Looking at how these changes affected the average wage, during the period between 1996 and 2019, the increase in the number of part-time workers consistently had a negative effect on wages. During the period between 1996 and 2012, the increase in the number of employees aged under 60 had a strong negative effect on wages. During the period between 2012 and 2019, the increase in the number of employees aged 60 or over had a strong negative effect on wages.

The fourth factor is the transformation of the Japanese employment practice, which is characterized in that wages for regular employees in large companies take on the characteristic of living wages under the life-long employment system and are based on seniority, increasing according to the length of service. If many people still work under such employment practice and the tenure-wage profile is flat, this may have a downward effect on wages on a macro level. Has the Japanese employment practice changed? To see the situation of employees in long service, the white paper focused on regular employees who entered the company at a young age and continue to work for the same company, so-called *haenuki* employees.

The proportion of *haenuki* employees among regular employees, which has been on a declining trend over a long term, was about 30% of regular employees with a high school degree and 60% of regular employees with a university degree in 2021. The tenure-wage profile of *haenuki* employees was notably flat among employees with a university degree or higher education in large companies. This may be due to the decline in the percentage of employees with a university degree or higher education who have been working for the same company for 16 years or more (aged around 40), particularly among those in managerial positions. Employees who have worked for long enough to become managers may be held back in promotion because managerial positions available to them are limited due to the aging of the workforce in the company. The white paper indicated that the sluggish

wage growth due to the delay in promotion among regular employees with a university degree was observed for large companies where the characteristics of the Japanese employment practice are noticeable.

The fifth factor serving as the background to the sluggish wage growth is diversification of workers' needs. The composition ratios of workers have changed. While the percentage of males aged under 60 significantly decreased, the percentage of females under 60 increased. The percentage of males and females aged 60 or over also increased. However, most women and elderly people who are seeking jobs wish to find jobs as clerical workers and carrying workers or cleaning workers, which are offered relatively low wages. This may have led to pushing down the wages for these jobs due to the decline in the job openings-to-applicants ratio. According to the analysis of the conditions desired by job seekers, while wage is still the most important condition, other conditions such as days-off and job relocation are now also considered as important. The white paper analyzed that as job seekers give more weight to work conditions other than wage, the degree of importance of wage declines relatively, which may result in putting a downward pressure on wage.

II. Economic impact of wage hikes

1. Impact on companies and workers

A wage increase has a positive impact on companies and workers. The white paper pointed out that wages offered for job seekers affect the status of job applications. For example, if the lower limit of the offered wage is higher by 5% or more than the minimum wage, the number of applicants introduced to full-time jobs within three months increases by about 10%. Wage hikes also have an effect of decreasing the job separation rate. According to the MHLW Survey on Employment Trends, 2021, in relation to the question about the reason for quitting the previous job, "low wage" accounted for a high percentage along with "poor working conditions" and "personal relationships at the workplace," if involuntary reasons (e.g., the mandatory retirement, termination of the term of contract, reasons on the

part of the company) and personal reasons are excluded. When the Japan Institute for Labour Policy and Training (JILPT) asked the companies that gave their employees across-the-board pay raises (888 out of 2,450 respondents) about the effects of pay raises they recognized, about 40% mentioned "increase in motivation among the existing employees" and labor 20% mentioned "decline in the separation rate" (JILPT 2024). In view of such survey results, the white paper pointed out the possibility that wage hikes may have a positive impact on workers' motivation for work and personal development.

2. Impact on economy

The white paper indicated that wage hikes have a positive impact on consumption on a macro level. According to its analysis, regular pay for full-time workers has a strong impact on the rate of consumption growth expected when elements such as the amount of wage and the number of workers increase by 1%. The white paper also pointed out the effect of an increase in the amount of wage or salary in increasing production and employment. Specifically, it showed an estimate that a 1% wage increase for all workers will increase the production amount by about 2.2 trillion yen, employment by about 160,000 persons, and compensation of employees by about 500 billion yen.

III. Toward achieving sustainable wage hikes

1. Situation of wage hikes at companies

More than 90% of the companies raised wages

The white paper analyzed the wage policy for raising wages in a sustainable manner and the effect of such a policy. How many companies and what kind of companies raised wages for their employees? Based on the abovementioned JILPT 2024 ("Survey on Companies' Wage Determination" conducted in January to February 2023, asking the situation as of December 2022), the white paper reviewed how companies' economic prospects and cost pass-through are related to wage hikes, and the circumstances in which companies determine wages.

Among the surveyed companies, more than 90% raised wages and more than half increased regular pay and summer bonus per employee. The companies that experienced an increase in terms of the total sales, operating income, ordinary income, and labor productivity over the past three years tend to give their employees across-the-board pay raises or temporary pay raises, when compared to the companies that experienced a decrease in terms of these factors. Furthermore, the percentage of companies that gave across-the-board pay raises or temporary pay raises was higher among the companies that presented a prospect of increase in the total sales and other factors than among the companies that presented a prospect of decrease.

Positive correlation between cost pass-through and wage hikes

According to JILPT 2024, while only slightly more than 10% of the surveyed companies were able to pass through more than 80% of their cost increases to prices, the companies that were not able to achieve a cost pass-through accounted for as much as 30%. The higher the degree of cost pass-on, the higher the percentage of enterprises that have achieved across-the-board pay raises or temporary pay raises. As the reason for not being able to achieve a cost pass-through, the percentage of “the sales would decrease if prices were raised” was the highest at about 34%. The white paper maintained that it is important to encourage companies to pass through cost increases to prices appropriately and develop a climate and environment in society that facilitate wage hikes by companies, so that companies will sell and purchase goods and services at fair prices.

Positive correlation between the business start-up rate and the wage growth rate

A positive correlation was observed between the business start-up rate and the labor productivity growth rate as well as between the business start-up rate and the wage growth rate. The white paper stated that although these correlations do not always represent cause-and-effect relationships, there is a possibility that the initiative to create an environment

where start-up companies that are expected to promote innovations can actively start and develop business will drive productivity, resulting in wage increases. Compared with OECD countries, Japan’s business start-up rate is low. Although simple comparison is difficult due to the difference in the definition, looking at the long-term trends, the business start-up rate was most recently around 10% in the United Kingdom, France, and the United States, and 7% even in Germany, where the rate is comparatively low. The business start-up rate has remained at a lower level in Japan, slightly less than 5% in 2021. The white paper pointed out the possibility that this may be attributed to Japanese societal trends. It is necessary to build a mechanism where starting business will not be disadvantageous.

New companies may tend to raise wages as they have high growth prospects and need to secure workforce as their urgent task. The white paper analyzed the results of JILPT (2024), and the web survey conducted by Venture Enterprise Center, Japan, targeting venture companies, and pointed out that start-up companies tend to be active in increasing wages due to their high needs for securing human resources. Focusing on the regular pay growth rate per employee among the companies which have achieved an increase over the three years for at least one of the three following factors of total sales, operating income or ordinary income, the percentage of companies with a regular pay growth rate of 5% or higher was larger among companies in business for less than 15 years rather than other companies (JILPT 2024).

Higher probability of annual income growth over the previous job two years after the job change

Both the number of people seeking job changes and people changing jobs have been increasing since 2013. How will wages change after the job change? Using the Japanese Panel Study of Employment Dynamics conducted by the Recruit Works Institute, the white paper analyzed the long-term wage increase or decrease after the job change and the impact of the job change on wage increases. The white paper clearly indicated that the probability of wage

decreases is high immediately after the job change, but two years after the job change, annual income is more likely to significantly increase compared to when remaining in the previous company. It also pointed out that the conversion of non-regular workers to regular workers leads to annual income growth and makes workers realize self-development more strongly.

2. Impact of policy measures on wages

The minimum wage hike has an impact on part-time workers

The white paper analyzed the impact of policy measures on wages from two perspectives: the minimum wage hike and the implementation of the principle of equal pay for equal work under the Act on the Arrangement of Related Acts to Promote Work Style Reform. It reviewed the distribution and transition of workers working for nearly the minimum wage among full-time workers and part-time workers, respectively. Among full-time workers, the percentage of workers working for the minimum wage plus 50 yen or so has been increasing but not significantly, and no major change has been seen in the distribution of wages. On the other hand, among part-time workers, the percentage of workers working for the minimum wage plus not more than 100 yen has been increasing over a long term. Particularly since 2015, the percentage of workers working for the minimum wage plus 20 yen has increased significantly. In accordance with the minimum wage hike, the percentage of part-time workers working

for nearly the minimum wage has significantly increased recently. As a result, the minimum wage hike had a greater impact on the wages of part-time workers than before. The white paper performed a simulation regarding the impact of the minimum wage hike on the distribution of wages among part-time workers, using the data for the period between 2012 and 2021. The simulation indicated the possibility that the future minimum wage hike will increase the percentage of part-time worker working for the minimum wage plus not more than 75 yen. It also indicated the possibility that the minimum wage hike of 1% will increase the wage among the bottom 10% of part-time workers by around 0.8% and will also increase the wage among the middle group by 0.7%.

The principle of equal pay for equal work may fill the gap between the hourly pay for regular workers and that for non-regular workers

The white paper indicated by statistical data that a gap tends to widen between the hourly pay for regular workers and that for non-regular workers, along with the increase in the length of service. It also indicated the analysis results that the implementation of the principle of equal pay for equal work may have filled the gap by around 10% between the hourly wage for regular workers and that for non-regular workers. It also pointed out that the implementation of this principle may have resulted in an increase of 5% in the percentage of employers that paid a bonus to non-regular workers.

Column

Labor Share According to Various Definitions

The labor share is an indicator of the share of the value added received by workers out of the value added obtained through production activities. In Japan, there are several measurement methods depending on how value added generated by companies and how the share received by workers are defined. This column introduces following five definitions.¹

Definition 1

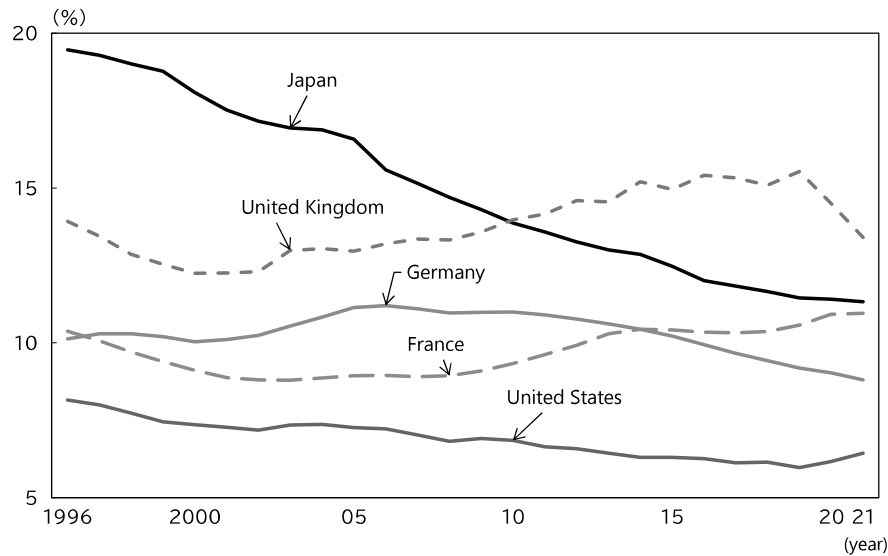
$$\text{Labor share} = \frac{\text{Labor cost}}{\text{Labor cost} + \text{Net operating income} + \text{Interest expense and discount expenses} + \text{Taxes and dues} + \text{Rent on movable and immovable property}}$$

Definition 1 is widely used in past *White Papers on Labour Economy* and *Annual Reports on Japan's Economy and Public Finance*. Using the “Survey for the Financial Statements Statistics of Corporations by Industry” by the Ministry of Finance, “labor cost + net operating income + interest expense and discount expense + taxes and dues + rent on movable and immovable property” is used in the denominator as the sum of value added generated by the company. The numerator is labor cost (including executive compensation) as the distribution of value added to workers. This definition allows us to confirm the distribution of value added to workers in private companies. However, international comparison in this definition is often difficult due to differences in statistics and other data from various countries. In addition, there is the question of whether it is appropriate to exclude self-employed workers. (hereinafter the “self-employed workers”), from the analysis of distribution in the first place.

Definition 2

$$\text{Labor share} = \frac{\text{National income}}{\text{Compensation of employees}}$$

In Definition 2, the labor share is calculated by dividing compensation of employees by national income. International comparison in this definition is easy because compensation of employees and national income are published in the national accounts of each country. However, there are some problems, such as the fact that the denominator, national income, includes the value added generated by self-employed workers, while the numerator, compensation of employees, does not include the income earned by self-employed workers. The number of self-employed workers in Japan has been declining at a faster rate than in other countries (Figure 3). Therefore, in recent years, the labor share measurement has been higher than when the number of self-employed workers was relatively large.



Source: Prepared by the MHLW (Office for Policy Planning and Evaluation for the Director-General for Policy Planning and Evaluation) based on OECD. Stat.

Figure 3. Percentage of self-employed workers in all workers (International comparison)

Definition 3

$$\text{Labor share} = \frac{\text{Compensation of employees} / \text{Number of employees}}{\text{National income} / \text{Number of workers}}$$

Definition 3 defines the labor share as the quotient of compensation per employee and national income per worker. Compensation of employees in the numerator is divided by the number of employees, and national income in the denominator is divided by the number of workers. The effect of the declining share of self-employed workers in all workers can be corrected. It should be noted, however, this method assumes that the value added per capita produced by employees and produced by self-employed workers are the same.

Definition 4

$$\text{Labor share} = \frac{\text{Compensation of employees} / \text{Number of employees}}{\text{GDP} / \text{Number of workers}}$$

Since national income does not include depreciation (consumption of fixed capital, which is evaluated as a distribution to capital in the long term), one could use gross domestic product (GDP) instead of national income as the denominator. In order to maintain international comparability while taking this point into account, Definition 4 defines the labor share as the ratio of compensation of employees per employee divided by GDP per worker. However, as in the case of Definition 3, there are assumptions and limitations regarding self-employed workers.

Definition 5

$$\text{Labor share} = \frac{\text{Per-capita compensation of employees} \times \text{Number of employees} + \text{Per-capita income of self-employed workers} \times \text{Number of self-employed workers}}{\text{GDP}}$$

In order to confirm the extent to which the value added generated by the Japanese economy as a whole is distributed to all workers, including the self-employed workers, in consideration of various limitations, this column attempts to estimate the labor share, taking into account income of self-employed workers as well as income of employees, as Definition 5. The average annual income per capita of self-employed workers is taken from the *Labour Force Survey (Detailed Tabulation)* of the Statistics Bureau of the Ministry of Internal Affairs and Communications. However, although the survey asks about income from all jobs during the year, income is not an actual amount, but rather the option selected from the annual income categories.² Therefore, here we estimate the median³ of each category as the mean.⁴

As described above, there are various ways to measure the labor share,⁵ and it is not that only one of them is correct. International comparison should be made with caution as the standard varies widely depending on the definition. In looking at the labor share, it is important to confirm its long-term trend while considering the characteristics of each measurement method.

Notes

1. This column is an edited translation of the column that appeared in the white paper (MHLW 2023), 93–95.
2. The annual income categories in *Labour Force Survey (Detailed Tabulation)* are as follows: “No income,” “Less than 500,000 yen,” “500,000 to 990,000 yen,” “1,000,000 to 1,490,000 yen,” “1,500,000 to 1,990,000 yen,” “2,000,000 to 2,990,000 yen,” “3,000,000 to 3,990,000 yen,” “4,000,000 to 4,990,000 yen,” “5,000,000 to 6,990,000 yen,” “7,000,000 to 9,990,000 yen,” “10,000,000 to 14,990,000 yen,” and “15,000,000 yen or more.” Respondents (individuals) are asked to select one of these categories. Note that self-employed workers are supposed to apply operating income (sales minus necessary expenses), not sales.
3. In the case of “15,000,000 yen or more,” 15,000,000 yen is considered as the median value because the median value cannot be measured.
4. Specifically, the ratio of the average income of employed persons to that of self-employed workers is estimated from the median of each age group and the number of workers using *Labour Force Survey (Detailed Tabulation)* for the period from 2002 to 2021. This ratio is then multiplied by per-capita compensation of employees (compensation of employees divided by the number of employees) to estimate per-capita compensation of self-employed workers. Since “annual income from work” is available from the 2002 survey, the ratio of income of employed persons to that of self-employed workers is assumed to be the same as in 2002.
5. For more information on multiple definitions and other details, see JILPT 2022.

Reference

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- . 2024. *Kigyo no chingin kettei ni kakaru chosa* [Survey on companies’ wage determination]. JILPT Survey Series no. 236. Tokyo: JILPT. <https://www.jil.go.jp/institute/research/2024/documents/0236.pdf>.
- MHLW (Ministry of Health, Labour and Welfare). 2023. *2023 White Paper on the Labour Economy*. Tokyo: MHLW <https://www.mhlw.go.jp/wp/hakusyo/roudou/23/dl/23-1.pdf> [in Japanese].

Commentary

Dismissal due to Company Dissolution in the COVID-19 Pandemic

The *Ryusei Taxi* Case

Tokyo High Court (May 26, 2022) 1284 *Rodo Hanrei* 71

HAMAGUCHI Keiichiro

I. Facts

On April 15, 2020, a taxi company Y (hereinafter “Company Y”), issued an advance notice to all 33 employees including X, informing them that the company would dismiss all of them as of May 20, 2020, because business continuity had become impossible due to a sharp decline in sales amid the COVID-19 pandemic. After issuing this advance notice of dismissal, Company Y engaged in collective bargaining with a labor union consisting of the majority of the employees and another labor union A (hereinafter “Union A”), of which X was a member, and explained its business conditions. Company Y made an offer to all employees except one employee in charge of liquidation affairs, for an agreement on their separation from employment. While 31 employees accepted the offer and received special severance payment, X and another employee refused the offer, and they were dismissed by the company. On June 2, 2020, Company Y was dissolved based on a resolution reached at the shareholders’ meeting. X filed a lawsuit against Company Y, alleging that the dismissal by the company was null and void. On October 28, 2021, the Tokyo District Court dismissed X’s claim. X filed an appeal with a higher court.

II. Judgment

In the judgment rendered on May 26, 2022, the Tokyo High Court stated as follows. A company has the freedom to decide its dissolution, and if the

company is dissolved, there is no basis for continuous employment of workers. Therefore, if a worker is dismissed due to the dissolution of the company, it is not appropriate to apply the so-called collective redundancy (collective dismissal based on economic reasons) theory in determining whether the dismissal constitutes an abuse of the right to dismiss. At the same time, the court presented a judgment framework whereby the dismissal by a company due to its dissolution would be judged to be an abuse of the right to dismiss and therefore null and void in cases where (i) the dismissal is regarded as seriously lacking consideration for procedures, or (ii) the dissolution, which is asserted as the cause of the dismissal, was fictitious or effected for unjust purposes (e.g., eliminating the existing employees), because the dismissal in these cases lacks objectively reasonable grounds and is not considered to be appropriate in general societal terms.

Regarding Company Y’s situation, the court found that the company was facing difficulty in continuing its business under reasonable conditions due to the impact of the spread of COVID-19 and the issuance by the government of the declaration of a state of emergency. The court also stated as follows. In consideration of the magnitude of the impact that the dismissal could have on workers’ livelihood, even in the case of dismissal due to the dissolution of the company, it is desirable that the employer should hold consultation with workers and provide them with relevant information in a timely manner. The dissolution of Company Y was triggered by a sharp

decline in operating income amid the COVID-19 pandemic. It might have been difficult for Company Y to foresee such situation, and even if Company Y had provided information on its business conditions directly to X or Union A before its business conditions rapidly deteriorated, it is unthinkable that this could have made a significant difference to X's job search activities. Therefore, it cannot be said that the dismissal by Company Y seriously lacked consideration for procedures just because the company did not provide such information. The court rather evaluated the procedures conducted by Company Y, finding that the company gave consideration to procedures to the extent possible even while its business conditions were worsened rapidly. This was demonstrated by the company providing specific information through collective bargaining, although this occurred after the issuance of the advance notice of dismissal. Additionally, the court noted the provision or offer of monetary benefits by the company although in a small amount.

X alleged that Company Y should have used the Employment Adjustment Subsidy (EAS) to continue employment while searching for a business transferee and seeking new jobs for the employees. The court rejected X's allegation, stating as follows: the EAS is a means for the employer to continue employment by taking measures such as temporary absence from work when it has been compelled to rapidly curtail its business activities for economic reasons; it cannot be considered that it is naturally assumed that the employer, having given up the continuity of its business, will use the EAS for the purpose of securing employment until its employees find new jobs.

In conclusion, the court held that as X's dismissal by Company Y was caused by an unforeseeable situation, it was difficult for Company Y to provide X with significant information in advance, and that some procedural considerations were still given after the dismissal, and that, therefore, it cannot be said that the dismissal was carried out with a significant lack of procedural consideration.

III. Commentary

Before providing commentary on this judgment, the author provides an overview of the current status of the dismissal regulations in Japan. Article 16 of the Labor Contracts Act stipulate that: "If a dismissal lacks objectively reasonable grounds and is not considered to be appropriate in general societal terms, it is treated as an abuse of rights and is invalid." This provision is the enactment (restatement) of the case law (abuse of the right to dismiss theory), almost as it is, that was established by Japanese courts through the accumulation of judgments during the period between the 1950s and the 1970s. There is no further detailed provision in positive law. In actual lawsuits, however, courts have presented more detailed judgment criteria depending on types of dismissal such as dismissal for a lack of capability, dismissal for disciplinary actions, and dismissal for collective redundancy. Among these, a dismissal for collective redundancy or economic reasons has four requirements established as case law and is justified only when all of the following are satisfied: (i) there was a business necessity to resort to reduction of personnel; (ii) efforts were made to avoid dismissal; (iii) selection of employees to be dismissed must be made on an objective and reasonable basis; and (iv) appropriate procedures (consultation with a labor union and workers in good faith) were conducted.

The collective redundancy theory applies in full in cases of dismissal for reasons such as the abolition of a post, the closure of a business division, and the closure of a branch, but its applicability in the case of dismissal due to the dissolution of the company that is the employer has been disputed so far. Some court decisions are in favor of the applicability of this theory in such case and others are not. In the judgment on this case, the court denied the applicability of the theory of collective redundancy on the grounds that if a company is dissolved, there will be no basis for continuous employment of workers. However, while denying the applicability of this theory, the court presented the judgment criteria in a different form for the case of dismissal due to the dissolution of the company because the theory of the abuse of the right

to dismiss is still applicable pursuant to Article 16 of the Labor Contracts Act. Specifically, the court specified the following two requirements: (i) appropriate procedures were conducted; and (ii) the dissolution of the company was not fictitious or effected for unjust purposes. The requirement mentioned in (ii) is out of the question because, if this requirement is not satisfied, the dissolution of the company, which is the basis for the dismissal, would be invalid. The focus should be on the other requirement of appropriate procedures mentioned in (i), that is, to what extent the employer should conduct procedures such as providing information to and holding consultation with a labor union or workers when the workers would eventually lose their jobs due to the dissolution of the company.

Requiring appropriate procedures even in the case of collective redundancy due to the dissolution of the company is a common judgment criterion adopted in similar court decisions. The distinctive feature of this judgment lies in the recognition that, despite setting forth such criteria for assessment, the Company Y satisfied the requirement of appropriate procedures by (a) considering the extraordinary circumstances of the COVID-19 pandemic, and (b) engaging in information provision and consultation with the labor unions and workers after issuing the advance notice of dismissal, although the absence of any prior consultation with them.

Regarding the point in (a), the court stated that although it is necessary in principle for the employer to provide information to and hold consultation with a labor union and workers before issuing the advance notice of dismissal, Company Y cannot be deemed to have failed to conduct appropriate procedures on the following grounds: it was difficult for Company Y to foresee a sharp decline in operating income due to the sharp decrease in the number of taxi users as a result of the declaration of a state of emergency issued by the government amid the COVID-19 pandemic; and even if the company had provided information to X beforehand, it cannot be said that this could have made a significant difference to X's job search activities. It is true that the pandemic had an impact to a level of suddenly paralyzing economic

activities on a global scale. However, it is unclear where to draw a line depending on whether or not appropriate procedures are conducted. It is, one might say that the court left the explanation to the enormity of the background circumstances, that is, the pandemic. There may be no criterion that can clearly indicate the scale of a social challenge in which prior consultation would be unnecessary due to the urgency of the dismissal.

Regarding the point in (b), while stating that the employer should, in principle, provide information to and hold consultation with a labor union and workers before issuing the advance notice of dismissal, the court determined that Company Y satisfied the requirement of appropriate procedures on the grounds that within the one-month period of advance notice of dismissal, Company Y engaged in collective bargaining with the labor unions and made an offer to the employees for an agreement on their separation from employment on condition of payment of a small amount of special severance payment, and the large majority of the employees actually accepted this offer and left the company. This is a difficult point to evaluate. In theory, providing information to or holding consultation with workers would be meaningless if the employer did not conduct these procedures before dismissing them. However, in Company Y's case, there was one month before the dismissal. During this period, at least before X was actually dismissed, Company Y took measures to mitigate the shock by the dismissal (providing information and holding consultation), which X claimed as measures that should have been taken before issuing the advance notice of dismissal. In view of this fact, it cannot be completely denied that Company Y can be judged to have satisfied the requirement of appropriate procedures. However, one must be deliberate about applying this logic without restraint because a worker, once they have received the advance notice of dismissal, would desire to reach an agreement with the employer during the advance notice period and avoid the harsh situation.

As shown above, the two points, (a) and (b), which are cited by the court as the reasons for finding

that Company Y satisfies the requirement of appropriate procedures, cannot be easily accepted because they already have many problems. However, the idea of solving these problems by making up for the lack of prior consultation, which is required in principle, with the combination of the two special reasons, that is, the urgency amid the COVID-19 pandemic and the procedures conducted after the issuance of the advance notice of dismissal (collective bargaining and offer for an agreement on separation from employment), cannot be denied as a practical argument in some respects. The author supports the conclusion of the judgment in this case although it still involves many issues.

X claimed that the EAS should have been used

under the circumstances of this case. However, this subsidy funded by the employment insurance, is to pay “the employers who [gave temporary absence from work [...]] in the case where the employer[s] have been compelled to curtail business activities [for] economic reasons” (Article 62-1 of the Employment Insurance Act). The subsidy system is based on the major premise that the employers will resume their business activities and the workers will return to their jobs after the temporary absence period ends. Therefore, it is contrary to the purpose of the system to use this subsidy to cover wages for workers who are decided to be dismissed until they find new jobs. Consequently, in this respect, the conclusion of the judgment on this point is appropriate.

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<https://www.jil.go.jp/english/profile/hamaguchi.html>



Employment and Job Resignation among Japanese Youth

IWAWAKI Chihiro

1. School-to-work transition in recent years

In Japan, most young people obtain their first job en masse, immediately after graduating from the last school they attended. Regarding the school-to-work transition and the subsequent career development, on the other hand, the process varies by educational attainment.

Let us first review the status of youth education based on the *School Basic Survey* by the Ministry of Education, Culture, Sports, Science and Technology (MEXT). Under the Japanese government's labor policy, the "youth" is defined as people aged from 15 to 34, a definition used in this paper as well.

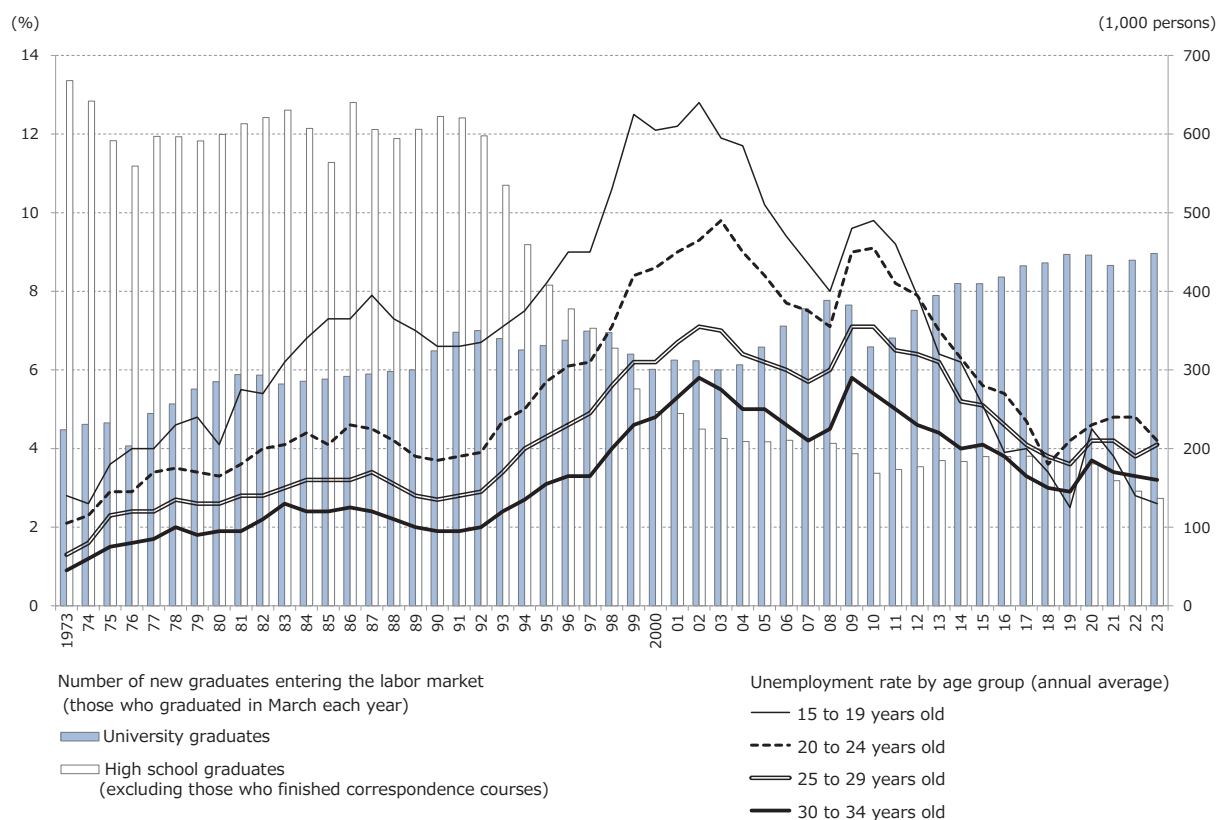
Most educational institutions send out their graduating students in March. The following shows the courses taken after graduation regarding new graduates of March 2023. 98% of junior high school graduates advanced to schools of latter secondary education. Among high school students, around 70% are taking ordinary general education courses at high schools and 30% are taking vocational courses. Of those who graduated from high schools, 60.8% advanced to universities or junior colleges and 20.3% to vocational schools or vocational training centers and the like, while 14.2% started working and 4.5% are in other states. Of those who graduated from universities, 75.9% obtained a job, while 14.2% advanced to graduate schools or other educational institutions and 8.2% took other choices.

The percentage of high school graduates who advance to universities or junior colleges continued to rise from 36.3% in 1990, up to 61.1% in 2023. The

number of new university graduates entering the labor market surpassed that of new high school graduates in 1997 (Figure 1). Looking at the breakdown of new graduates of March 2023 entering the labor market, 74,000 persons are from graduate schools, 448,000 from universities, 39,000 from junior colleges and technical colleges (higher educational institutions with a learning period of five years that accept junior high school graduates to help them acquire technical skills in the engineering field), 190,000 from the specialized courses of vocational schools (institutions that accept high school graduates to help them acquire specialized skills and expertise) and 136,000 from high schools.

As is clear from the above, university graduates account for the bulk of the new graduates who enter the labor market in Japan. According to a sampling survey conducted jointly by MEXT and the Ministry of Health, Labour and Welfare (MHLW) on the employment situation for new graduates from higher educational institutions, 97.3% of university graduates of March 2023 who sought a job have an offer of employment by the month of graduation.

High school graduates are a minority group in the labor market. However, against the backdrop of the shrinkage of the youth workforce due to the demographic crisis (the aging of society coupled with a chronically low birthrate), labor demand for high school graduates has been growing in recent years. According to MHLW's tabulation of job openings and application data collected by the *Hello Work* (Public Employment Security Offices), the ratio of job openings to job applicants was 3.49 for high school graduates of March 2023. Of all new



Sources: Number of new graduates from Ministry of Education, Culture, Sports, Science and Technology, *School Basic Survey*, and Unemployment rate from Ministry of Internal Affairs and Communications, *Labour Force Survey*.

Figure 1. The number of new graduates entering the labor market and in the youth unemployment rate (1973–2023)

high school graduates who sought a job, 99.7% obtained one within three months from graduation.

2. Japan's unique system of new graduates recruiting

Behind the fact that most new graduates who seek a job become employed immediately after graduation is Japanese society's unique practice of recruiting of new graduates (hereinafter the "new grad recruiting system"). In Japan, which at first lagged behind Western countries in industrialization, a highly fluid labor market segmented by occupation did not develop. As a result, a system of labor management that relies on an internal labor market has taken root widely as a kind of norm, mainly in manufacturing industries and among large companies

since the rapid economic growth in the mid-1950s through the mid-1970s. Under such system of labor management, employers provide seniority-based pay raises and slow promotions in order to motivate employees to develop a long-term commitment to their jobs, while responding to changes in labor supply and demand through in-house training with flexible personnel transfers. Therefore, companies hire young people—a labor force supposed to be highly responsive to training—at a time of graduation as regular employees (full-time workers with permanent labor contracts) without a pre-defined job description. That is to say, the new grad recruiting system comprises the hiring portion of the set of processes of this employment management system.

Under the new grad recruiting system, the personnel affairs management division, rather than

the heads of individual business divisions, is responsible for identifying the labor needs on a company-wide basis as well as for recruiting and training workers and assigning jobs to them. Generally, the personnel affairs management division recruits soon-to-be graduates in broad job categories—typically, “clerical jobs” and “technical jobs”—and selects applicants based on the level of general skills that may be useful in any divisions within the company, rather than specialized skills directly related to specific jobs. After being hired upon graduation, new recruits are first provided universal basic training and then assigned to individual divisions in accordance with their aptitudes and the divisions’ labor demand. New recruits finally receive on-the-job training under the supervision of the heads of their respective divisions. This recruitment and training cycle repeats itself periodically each year to coincide with the cycle of Japan’s academic year.

In Japan, organizations such as schools and Public Employment Security Offices act as intermediaries between students or new school graduates and companies, which is unique to Japan as an arrangement that resulted in the development of an institutional system for labor supply-demand adjustment in the period of postwar reconstruction through that of rapid economic growth. Regarding new high school graduates in particular, there is a long-standing practice of recruiting and hiring students through mediation by schools. In each prefecture, there has been an agreement among the government, the academia and the industry regarding recruiting and hiring students to protect minors and maintain the order of the labor market. However, the 2021 revision of the agreement made clear that high school students may engage, if they desire, in job-hunting activity apart from traditional way of seeking a job through recommendation by their schools. In addition, while each student has traditionally been allowed to apply only for a single job offer in principle during a prescribed period, the period tends to be shorter in recent years.

On the other hand, the recruiting and hiring of new university graduates, is not subject to such

restrictions in principle because they are adults and because they are educated and considered specialized enough to negotiate on equal terms with future employers. Nevertheless, since 1953, there has been an agreement between universities and business organizations on the timetable for recruiting activities due to concerns that inter-business competition was causing recruitment activities to be brought forward, which is interfering with students’ academic studies. Even so, as the agreement is not legally binding, many companies have not complied with it. The agreement has gone through a repeated cycle of losing and regaining effectiveness: it was disregarded when labor demand was strong and was respected when the demand was weak. The Japan Business Federation (*Keidanren*), the most influential business organization in Japan, announced its intention to discontinue the practice of formulating guidelines on university students hiring selection in 2018. The government set rules on the recruiting activity schedule regarding university students, which applied to graduates of March 2021 and beyond. Moreover, the treatment of internship programs for university students, the purpose of which has until now been limited to education, will be changed starting with students who will graduate in March 2025. Companies will be able to use information on students that they have obtained during internship for the purpose of hiring selection if certain conditions are met. While this change is expected to facilitate job matching for the youth, concerns have been raised that the start of job-hunting activity may be in effect moved forward or that hiring competition between companies may intensify.

3. Destabilization of youth careers

Due to the successful effects of the new grad recruiting system and institutional linkage, the youth unemployment rate in Japan stayed low compared with those in other developed countries for many years from the 1960s. However, following the collapse of the economic bubble in the early 1990s, the employment situation for the Japanese youth started to deteriorate. Behind that trend was the fact

the new grad recruiting system is susceptible to the effects of economic cycles. That is because companies try to overcome periods of recession by curbing personnel costs through the suspension of new graduate recruitment.

From a long-term perspective, the destabilization of the employment situation for the youth was due to the effects of companies' efforts to increase employment flexibility in order to adapt to the increased uncertainty over the business environment caused by the progress in globalization and post-industrialization. More specifically, because of an increase in non-regular employment, overseas transfer of production bases, and outsourcing of business processes, relatively simple routine business processes that were previously performed by new graduates moved away from the Japanese labor market for regular employees.

The effects of that trend became particularly conspicuous among young people who were at a competitive disadvantage in the labor market, such as women and people with a high school diploma. The number of job openings for new high school graduates was reduced to a seventh of the peak level over a period of only 10 years (from 1.67 million openings in 1992 to 220,000 openings in 2003). As a result of an increase in high school students who choose to advance to higher education, rather than seeking a job, a supply glut occurred in the labor market of new university graduates, resulting in intensified competition for jobs.

Consequently, such phenomena had increased the number of young people who continue job-seeking activity after graduation or who start their working career as non-regular employees. This situation attracted attention to the social problems of the expanding pool of young people, to whom new labels such as "freeters" (young part-time workers, excluding those married) and "NEET" (not in education, employment, or training) were attached.

As shown above, the employment situation for the youth deteriorated rapidly in the 1990s through the middle of the 2000s, and after improving somewhat due to economic recovery, it deteriorated once again because of the global financial crisis in

2009. However, since the economy entered an expansion phase thanks to the monetary easing policy introduced around 2015, the employment situation for the youth has until now stayed favorable, in part because of a decline in the youth population. The number of freeters, which surpassed two million at its peak in 2003, has gradually decreased, standing at 1.32 million in 2022, the most recent year for which the data is available. Meanwhile, the number of jobless young people has stayed at around 600,000 since the first half of the 2000s except for a temporary rise in 2020 due to the effects of the COVID-19 pandemic, and it stood at 570,000 in 2022.

However, the degree of recovery in the employment situation for the youth differed depending on the career path that individuals followed. Figure 1 shows that the decline in the unemployment rate in the 2010s was more moderate for the age groups of 25–29 and 30–34 years old than for 15–19 and 20–24 years old which include new graduates. That is because job openings for regular employee positions are very limited for young people who are considered as neither new graduates nor human resources with sufficient work experience, in the Japanese labor market where the new grad recruiting system has been firmly entrenched. The options available for young people who failed to start their career as a new graduate would be applying for jobs as second-chance candidates in the new grad recruiting system, or applying for mid-career positions that are open to fill vacancies or to meet specific labor demand. They have to search such job offers while being unemployed or working as non-regular employees. Despite such efforts, new graduates of the relevant year are given precedence even when the recruitment of new graduates reopens or the number of recruits increases during the economic recovery period. For mid-career positions, importance is attached to the possession of sufficient work experience and readily useful skills. In either case, young people who are not new graduates and who have little work experience are put at a disadvantage.

In Japan, a society dependent on an internal labor market, opportunities for developing occupational

abilities are concentrated on in-house training conducted by companies, and those who receive such training tend to be mostly regular employees, who are legitimate members of companies. Public vocational training programs are not widely available. Young people have few opportunities to develop vocational abilities once they fail to obtain a job upon graduation and start their career as a non-regular employee or when they are jobless for a long time, even if they wish to improve their skills to the level required to mid-career workers. Furthermore, even if they obtain a regular employee job from a non-regular position or state of jobless, they tend to be employed by small and medium-sized companies or in the labor-intensive industries, and to engage in a job as sales, services, and manual labor. In contrast, those who were hired as regular employees upon graduation tend to be working for large companies or in manufacturing or knowledge-intensive industries, and to engage in specialized jobs or technical jobs and clerical jobs.

Summarizing the above, the new grad recruiting system has the structural flaws. The fortunes of new graduates in the labor market are largely left to chance depending on the economic situation when they graduate. Also, as the system is for recruiting students en masse, it is difficult for non-new graduates to start over for a second chance. In fact, these negative features of the system caused the greatest damage to people who graduated from schools between 1993 and 2004 (who were born between 1975 and 1985 in the case of high school graduates and between 1970 and 1980 in the case of university graduates) because the period was the time when the school to work transition was particularly difficult. Those people, so-called employment ice-age generation, are now in their 40s or 50s, and have tended to find it difficult to develop a stable career compared with other generations.

4. Quality of employment for the youth and the problem of early job resignation

Now that the low birth rate has significantly shrunk the youth population, starting career as a

regular employee will not be as difficult for new generations who have yet to transition from school to work as for older generations. *The Employment Status Survey* conducted by the Ministry of Internal Affairs and Communications shows, between 2007 and 2022, the number of the employed aged 15 to 24 not attending schools fell steeply, from 4,385,000 to 3,444,000 persons, and the percentage of regular employees among them rises sharply, from 66.8% to 77.2%. One emerging challenge at the moment is the “quality of employment as regular employees.”

Why has the quality of employment come to be recognized as a challenge? There are two reasons: 1) the presence of companies that have abused the youth as an expendable labor force that may be exploited under harsh working conditions, which has become a social problem, 2) the percentage of new graduates’ job resignation within three years after obtaining the job (hereinafter the “early job resignation rate”), which had remained at a high level since the mid-1990s (until the mid-2000s).

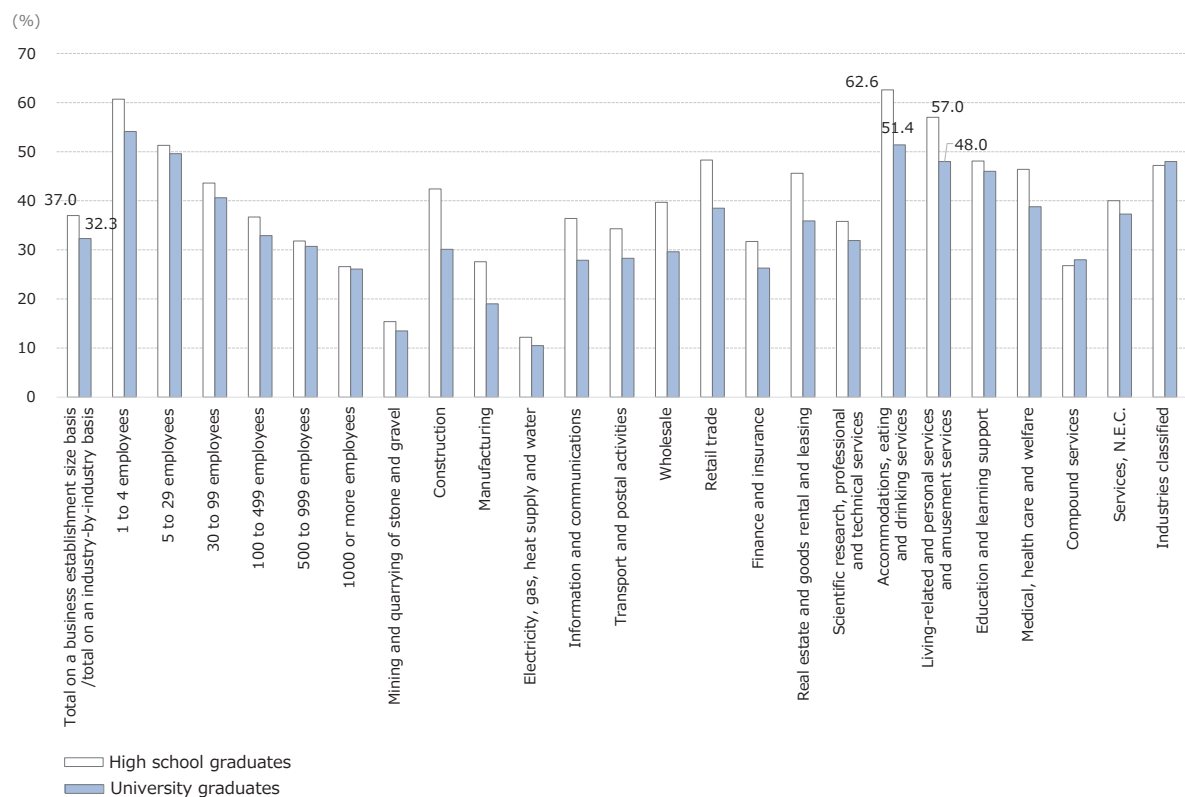
In Japan, the path to regular employment is difficult for not only young people who are jobless or non-regular employees but also those with little work experience. Specifically, a new graduate who is hired as a regular employee but soon resigns from the job before obtaining sufficient work experience will have hard time to obtain a regular employee job again as they are recognized by companies as being not usable enough for mid-career positions. For companies as well, having a young new regular employee leaves from the company soon after entering would cause a significant loss in that the costs of recruiting and initial training are wasted. According to the MHLW’s statistics calculated based on employment insurance data, the early job resignation rate was 52.9% for those who graduated from junior high schools, 37.0% for those from high schools, 42.6% for those from junior colleges, vocational colleges, and the like, and 32.3% for those from universities, as for new graduates of March 2020 (the most recent data available in this source). As changes in the ratio of job openings to job applicants affect job matching for the youth, the early job resignation rate tends to rise in periods of

economic contraction when the number of those who accept unwilling jobs increases, and in contrary tends to decline in periods of economic expansion when the matching goes well. As the economic situation has been favorable in recent years, the early job resignation rate has stayed flat at a slightly lower level than in the past.

The reasons for early resignation from the job may include their forward-looking ones necessitated by efforts toward career development such as climbing the career ladder and searching a more suitable job. On the other hand, inappropriate employment management by employers is presumably another reason for that. According to a survey conducted by the Japan Institute for Labour Policy and Training (JILPT 2019), companies that tend to lose employees who have obtained their first regular employee job there within three years of hiring have the characteristics such as “long working

hours,” “low wages,” “gaps in working conditions between the reality and what was informed before hiring,” “the occurrence of workplace problems such as nonpayment of overtime pay and acts of harassment,” and “a lack of education and training or workplace communication.”

In addition, the early job resignation rate tends to be higher at smaller business establishments and high in the following industries: accommodations, eating and drinking services; living-related and personal activities, and amusement services; retail trade; medical, healthcare and welfare; and education and learning support (Figure 2). This tendency is observed almost every year. That is presumed to be because the sorts of employment management that are peculiar to small business establishments and the abovementioned industries are liable to encourage young people to resign from their job early. For example, in industries that employ many workers



Source: Created by the author based on MHLW 2023, <https://www.mhlw.go.jp/content/11805001/001158687.pdf>.

Figure 2. Early job resignation rate among new graduates of March 2020 who immediately entered the labor force (by business establishment size, by industry, and by educational attainment)

engaging in specialized jobs or technical jobs requiring occupational qualifications, the labor market is highly mobile and employment management may not be conducted in a way suited to long-term employment in the first place. Meanwhile, in industries that tend to suffer a chronic labor shortage, employers may be unable to allocate financial and human resources sufficiently to training the youth or improving their working conditions.

5. Youth employment policy in recent years

As mentioned earlier, the new grad recruiting system enables young people to transition from school to work smoothly in Japan. When the employment situation for the youth started to deteriorate in the mid-1990s, public opinion initially leaned toward the view that young people themselves were to blame because of their moratorium tendency and immature career views. However, the understanding of the social structural factors that were beyond young people's control gradually spread. Around the mid-2010s, when the youth population started to decline conspicuously, awareness about the importance of society-wide efforts to care and support for the youth began to grow on the labor demand side.

This social trend led to the entry-into-force in 2015 of the Act for Employment Promotion of Youth, etc. (Youth Employment Promotion Act), which constitutes the legal foundation for supporting youth employment on a permanent basis. As its basic principle, this law regards the youth as the future backbone of the society and economy and as people who should be cared for so that they can develop into capable workers and lead a fulfilling working life in accordance with their motivations and abilities, and it also calls for young people themselves to have awareness about their responsibilities and behave accordingly. The law has clarified the respective responsibilities of companies, specified local public organizations, and job mediation service business operators and has prescribed provisions for cooperation and collaboration between those entities so that it enables young people to choose an

appropriate occupation and to provide them with employment opportunities suited to their abilities and desires. Specifically, existing organizations to support youth employment were established permanently based on the law. Also, the following schemes were set up. First, they obligated companies that offer jobs to new graduates to provide accurate information on not only the working conditions but also other employment-related affairs including the recruiting and hiring situation, education and training, and the status of employment management. Second, a new system was established to prohibit companies that have violated the specified labor-related laws and regulations from offering jobs to new graduates through the Public Employment Security Offices for a certain period of time. Third, the "Youth Yell Certified Company" system was established to recognize small and medium-sized companies that are actively hiring and training the youth under an excellent youth employment management (The word "yell" is used here to mean "give encouragement").

6. Closing

It is almost 10 years since the enactment of Youth Employment Promotion Act. As the young population continues to shrink, conscious efforts are necessary for our society to reflect the opinions of young people who are now a minority group in the aging society. The escalation of competition for young labor in the business world may create unexpected employment-related problems. We need to keep a more careful watch on future developments. Also, we need to continue support for the employment ice age generation, who, as youth, happened to enter the labor market at an extremely difficult time. Japan is expected to face a severe labor shortage. The sustainable development is difficult to achieve without building a society in which all young people and former young people in different situations can fully exercise their respective abilities.

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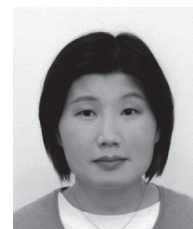
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Main Labor Economic Indicators

1. Economy

The Japanese economy is recovering at a moderate pace, although it recently appears to be pausing. 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. In addition, full attention should be given to the economic impact of the 2024 Noto Peninsula Earthquake. (*Monthly Economic Report*,¹ April 2024).

2. Employment and unemployment

The number of employees in March increased by 440 thousand over the previous year. The unemployment rate, seasonally adjusted, was 2.6%.² Active job openings-to-applicants ratio in March, seasonally adjusted, was 1.28.³ (Figure 1)

3. Wages and working hours

In March, total cash earnings increased by 1.0% year-on-year and real wages (total cash earnings) decreased by 2.1%. Total hours worked decreased by 2.6% year-on-year, while scheduled hours worked decreased by 2.6%.⁴ (Figure 2)

4. Consumer price index

In March, the consumer price index for all items increased by 2.7% year-on-year, the consumer price index for all items less fresh food increased by 2.6%, and the consumer price index for all items less fresh food and energy increased by 2.9%.⁵

5. Workers' household economy

In March, consumption expenditures by workers' households increased by 4.1% year-on-year nominally and increased by 1.0% in real terms.⁶

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>

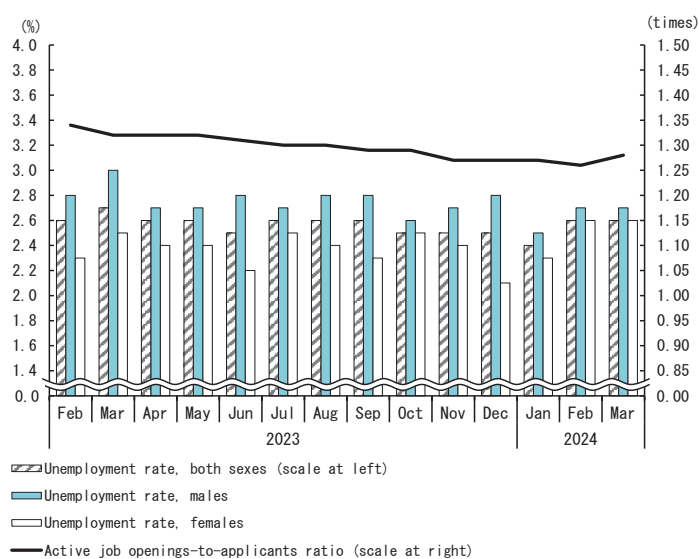
2. <https://www.stat.go.jp/english/data/roudou/results/month/index.html>

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>

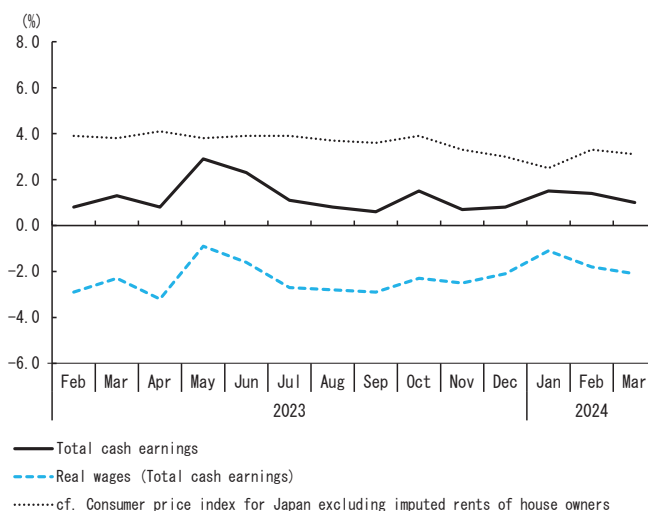
6. MIC, *Family Income and Expenditure Survey*. <https://www.stat.go.jp/english/data/kakei/index.html>



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

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