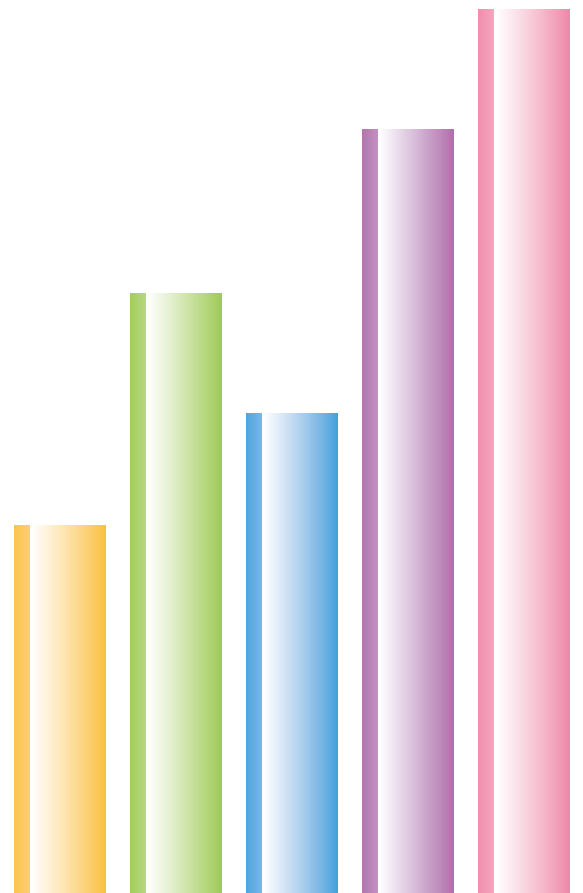


# Labor Situation in Japan and Its Analysis: Detailed Exposition 2014/2015



# The Japan Institute for Labour Policy and Training

The objective of **The Japan Institute for Labour Policy and Training** is to contribute to the planning of labor policies and work toward their effective and efficient implementation, as well as to promote the livelihood of workers and the development of the national economy by conducting comprehensive research projects regarding labor issues and policies, both domestically and internationally, and capitalize on the findings of such research by sponsoring training programs for administrative officials.

The Institute will concentrate our effort in the following areas.

## 1. Comprehensive Research on Labor Policies

The following research projects are now being conducted.

- (1) Research on Strategic Labor/Employment Policies for Non-regular Workers
- (2) Research on Employment/Labor in Response to Changes in Economic and Social Environments in Japan
- (3) Research on Vocational Capability Development System in Response to Economic and Social Changes
- (4) Research on Support for Lifetime Career Development and Promotion of Employment
- (5) Research on Companies' Employment Systems and Personnel Strategies, Improvement of the Quality of Employment through Development of Employment Rules, and Realization of Decent Work
- (6) Research on Mechanism for Establishing Terms and Conditions of Employment, Centering on Labor Management Relations

The Institute will also engage in collection and coordination of information on labor policies, both domestically and internationally, and various statistical data in order to lay a solid basis for its research activities. We will also carry out policy studies from an international perspective by building a network with overseas research institutions and individual researchers.

## 2. Training of Staff and Other Personnel Related to Labor Affairs

Using the results of the above mentioned research projects, the institute will provide training programs for personnel in charge of labor affairs and other interested parties at the Ministry of Health, Labour and Welfare. Simultaneously, through such training sessions, the Institute will be kept abreast of current issues in labor administration and the problems frontline officials in such positions face. The information so acquired will then be utilized in future research activities.

## 3. Dissemination of Results and Findings, Including Policy Proposals

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

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First published 2015

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# **Labor Situation in Japan and Its Analysis: Detailed Exposition 2014/2015**

**The Japan Institute for Labour Policy and Training**

## Labor Situation in Japan and Its Analysis: Detailed Exposition 2014/2015

# Foreword

The Japan Institute for Labour Policy and Training (JILPT) was established in October 2003 with the objective of contributing to the planning of labor policies and working toward their effective and efficient implementation. In order to achieve this objective, the Institute works towards building a network with overseas research institutions and individual researchers, and is also engaged in the promotion of joint study from an international perspective.

This publication describes and analyzes the current status of labor issues in Japan. The authors are primarily JILPT researchers; assistance has been provided by officials at the relevant departments of the Ministry of Health, Labour and Welfare regarding explanations of concrete labor measures, and JILPT International Affairs Department is responsible for compilation and editing.

In principle, this publication is issued alternately as “General Overview” and “Detailed Exposition” editions. The General Overview 2013/2014 edition was issued in January 2014, and provides an exhaustive range of write-ups that covered basic points on issues related to labor issues and labor policies in Japan. Consequently, as opposed to the General Overview, this Detailed Exposition 2014/2015 edition provides recent write-ups by JILPT researchers dealing mainly with important labor issues.

We hope that this publication will help its readers gain an understanding of the current labor situation in Japan.

February 2015

SUGENO Kazuo, President

The Japan Institute for Labour Policy and Training

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# Trends in Non-regular Employment in Japan and Analysis of Several Related Themes

As in other countries, in Japan the diversification of employment is progressing, meaning in effect the increasing prevalence of non-regular employment. This trend presents a range of socio-economic problems. In this section, we present the results of an analysis of Japan's diversification of employment in recent years and several issues that accompany it, based on the contents of our JILPT Research Report No. 161, "Transition in Diversification of Employment III: 2003/ 2007/ 2010", published November 2013.<sup>1</sup> This report is based in turn on figures specially tabulated by JILPT from the Ministry of Health, Labour and Welfare "General Survey on Diversified Types of Employment" (hereinafter, "the Diversification Survey"), one of the central government's statistical surveys on diversification of employment in Japan. The Diversification Survey is conducted once every three or four years, and the figures specially tabulated for this report were from three surveys carried out in 2003, 2007 and 2010.<sup>2</sup>

The Diversification Survey consists of a survey of business establishments (the "Survey on Establishments") and a survey of workers employed at these establishments in various formats, including regular employees (the "Survey on Workers"). The Survey on Establishments investigates changes in the number of workers in diverse types of employment and their percentages of the entire workforce, as well as establishments' reasons for utilizing non-regular employees and the status of application of systems for each type of employment. Meanwhile, the Survey on Workers covers the character of workers, their current status of employment, reasons for being non-regular

employees, and levels of job satisfaction.

To give an outline of the contents of this chapter: Part 1 shows trends in diversification of employment through comparison of data from the three survey years. Part 2 reports the outcomes of an analysis of trends related to regulatory changes made between the surveys. Next, other thematic analysis results from Report No. 161 that are particularly relevant to non-regular employment trends were selected, and Part 3 discusses establishments' reasons for utilizing contract employees and the employment conditions and attitudes of these workers, while Part 4 discusses the impact of application of systems for each type of employment on ratios of types of workers. Finally, the section ends with a brief summary of the author's views on non-regular employment in Japan.

The following are the definitions of various employment types from the Diversification Survey, which will be used throughout this section.

- Regular employees: Persons hired for an indefinite period, excluding part-time employees and employees temporarily transferred to other companies.
- Contract employees: Employees with a fixed contract term who engage in specific work to exercise their specialist capabilities.
- Entrusted employees: Those employed by contract, with the purpose of reemploying retired employees for a certain period of time.
- Transferred employees: Employees temporarily transferred from other companies under secondment agreement, regardless of whether they belong to the companies from which they were transferred.

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1 This report is summarized in English on the JILPT website:  
See [http://www.jil.go.jp/english/reports/jilpt\\_research/2013/no.161.htm](http://www.jil.go.jp/english/reports/jilpt_research/2013/no.161.htm)

2 The survey only covers the years up until 2010, so this article may not be the best place to obtain a picture of the latest developments in non-regular employment in Japan. Since then, the government has taken steps to end deflation and boost the economy, and as these take effect there has been a modicum of improvement in the status of non-regular employees working under poor labor conditions. However, the basic structural problems cannot be said to have undergone any significant change.

- **Dispatched workers:** Those who were dispatched from employment agencies under the Worker Dispatch Act. These are further subdivided into “registered dispatched workers,” who are under contract with the dispatcher only during the period when they are dispatched, and “regularly employed dispatched workers,” who are permanent employees of the dispatcher.
- **Temporary employees:** Those employed on a temporary or daily basis, with employment period not exceeding one month.
- **Part-time workers:** Those whose employment periods exceed one month, or is indefinite, but who have shorter regular working hours per day or fewer regular number of working days per week than full-time employees.
- **Others:** Employees other than those described above.

regular employees is increasing. However, the rate of decline during the 2003 to 2007 period (hereinafter, “the first period”) averaged 0.8 percentage points per year, but during the 2007 to 2010 period (hereinafter, “the second period”) it was 0.3 percentage points per year. In other words, the pace of transition to non-regular employment showed signs of slowing during the second period.

With regard to the breakdown of non-regular employment types, significant change was seen not in the percentage of part-time workers (hereinafter, “part-timers”), but in the percentages of full-time non-regular employees. For example, the percentage of contract employees rose from 2.3%→2.8%→3.5%, and the percentage of entrusted employees rose from 1.4%→1.8%→2.4%. The remarkable fluctuation was seen in the percentage of dispatched workers, which went from 2.0%→4.7%→3.0%.

In terms of reasons behind this, several can be cited: (1) While a gradual economic recovery was evident, in many cases it was not sufficient to compel employers to meet increasing labor needs by actively seeking out full-time workers, and instead they hired a greater number of full-time non-regular employees, (2) The relatively large increase in the percentage of entrusted employees during the second period reflects the fact that members of the Japanese postwar baby boom generation reached the standard retirement age of 60 from 2007 onward. However, many remained employed until the age of 65, classified as entrusted employees rather than regular employees, following a

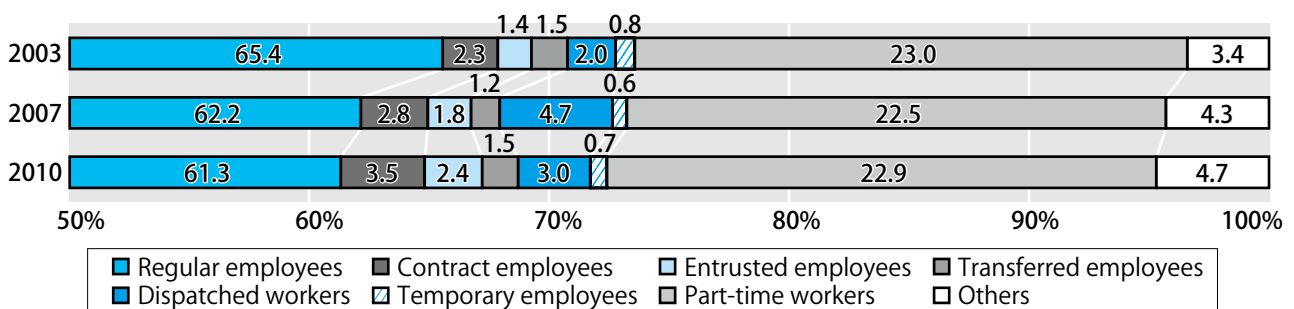
## Part 1 Trends in Diversification of Employment

Part 1 examines the status of diversification of employment as seen in the Diversification Survey, and tracks the changes in survey results for several items specific to the survey.

### 1. Status of Diversification of Employment

The percentage of regular employees declined, from 65.4% in 2003, to 62.2% in 2007, to 61.3% in 2010, and it follows that the percentage of non-

**Figure I-1 Status of Employment Diversification (Change in Percentages of Workers of Each Type)**



Note: Left side of graph shows the 50% mark, not 0%.

2006 revision of the Act on Stabilization of Employment of Elderly Persons intended to address this sudden wave of retirements, and (3) Regarding dispatched workers, the previously prohibited dispatch of workers for manufacturing work was legalized in 2004, and the first period saw dramatic growth in their utilization, but the downsizing of manufacturing business activities following the financial crisis that struck in autumn 2008 caused utilization of dispatched workers to be scaled back during the second period.<sup>3</sup>

As these reasons illustrate, in terms of the growth of non-regular employment, the diversification of employment is progressing under the influence of fluctuations in economic conditions and revisions to labor regulations.

## 2. Business Establishments' Reasons for Utilization of Non-regular Employees

One of the items covered by the Diversification Survey is the reasons why businesses hire various types of non-regular employees. Let us examine the

three main types of non-regular employees: contract employees, dispatched workers, and part-timers (Table I-2).

The most widespread reason for hiring contract employees was “To deal with specialized operations”, followed by “To obtain capable personnel who will contribute immediately”. For dispatched workers this order was reversed, with the most often cited reason being “To obtain capable personnel who will contribute immediately”, followed by “To deal with specialized operations”. These reasons appear similar, but the reasons for hiring dispatched workers were somewhat more disparate than those for hiring contract employees.

Meanwhile, the most often cited reason for hiring part-timers was “To economize on wages”, followed by “To deal with busy and slack periods on a daily or weekly basis”.

There was no major structural change to the prevalence of reasons among the three survey years, but we may note that “For elderly person reemployment measures” rose over time as a reason

**Table I-2 Employers' Reasons for Hiring (Utilizing) Non-regular Employees (Three Most Common Employment Types, Multiple Responses Possible)**

(%)

Reason for utilization by businesses	Contract employees			Dispatched workers			Part-time workers		
	2003	2007	2010	2003	2007	2010	2003	2007	2010
Regular employees cannot be obtained	14.3	18.2	17.1	16.9	26.0	20.6	12.4	17.6	16.0
To enable regular employees to specialize in key operations	15.4	10.6	15.1	17.2	20.4	16.1	12.8	15.3	17.5
To deal with specialized operations	44.9	43.6	41.7	25.9	20.2	27.0	10.1	12.7	13.3
To obtain capable personnel who will contribute immediately	37.9	38.3	37.3	39.6	35.2	30.6	12.3	11.8	11.9
To adjust employment volume in response to business cycles	21.7	15.6	15.0	26.4	25.7	24.7	23.4	18.0	23.2
To deal with extended business (operation) hours	8.9	6.4	7.3	2.8	3.4	6.3	20.4	21.7	23.8
To deal with busy and slack periods on a daily or weekly basis	3.5	4.5	9.1	8.0	13.1	9.5	35.0	37.2	41.2
To respond to shifts in special or seasonal work volume	9.0	5.0	7.5	14.4	20.3	17.4	15.4	14.5	18.8
To economize on wages	30.3	28.3	30.2	26.2	18.8	18.7	55.0	41.1	47.2
To economize on non-wage labor costs	11.9	8.1	13.0	26.6	16.6	16.2	23.9	21.3	30.8
For elderly person reemployment measures	7.3	11.0	14.6	1.7	2.6	3.4	6.4	7.9	9.7
As replacements for regular employees taking childcare or nursing-care leave	2.1	2.4	5.1	8.8	6.5	15.1	2.1	1.6	5.2
Other	1.8	13.2	4.6	1.7	7.0	2.1	2.4	10.6	6.8

<sup>3</sup> The change in percentages of dispatched workers in the manufacturing sector was 2.0% → 9.8% → 4.9%.

for hiring contract employees, there was a drop in hiring of dispatched workers for labor cost-based reasons such as “To economize on wages”, and “To enable regular employees to specialize in key operations” rose as a reason for hiring part-timers. Also, in 2007 when the economy was comparatively strong, “Regular employees cannot be obtained” was higher than in other years for all types of non-regular employment.

### 3. Non-regular Employees’ Reasons for Selecting Their Type of Employment

Next, let us examine non-regular employees’ reasons for selecting their type of employment, an item covered in the section of the Diversification Survey targeting individual workers. Here as well, we will examine three main types of employment, but here separate results are shown for male and female respondents, as there are disparities between their

responses (Table I-3).<sup>4</sup>

For contract employees, the two most common responses were “To make use of specialized qualifications or skills” (“Utilization of specialization”) and “Was unable to secure regular employment” (“Lack of regular employment opportunities”). Along gender lines, among males “Utilization of specialization” was more prevalent than “Lack of regular employment opportunities”, while “Lack of regular employment opportunities” was somewhat more prevalent among females. For dispatched workers, both “regularly employed” and “registered”, and both male and female, “Lack of regular employment opportunities” was the most common response, but the second most common response differed depending on gender and year of survey. Among male regularly employed dispatched workers, “Utilization of specialization” held the

**Table I-3 Non-regular Employees' Reasons for Selecting Their Type of Employment (Three Most Common Employment Types, Multiple Responses Possible)**

(%)

	Men											
	Contract employees			Regularly employed dispatched workers			Registered dispatched workers			Part-time workers		
	2003	2007	2010	2003	2007	2010	2003	2007	2010	2003	2007	2010
To make use of specialized qualifications or skills	54.9	47.0	51.3	36.0	28.7	32.6	34.6	18.4	18.9	11.9	13.7	17.1
To engage in a higher-income occupation	17.7	21.0	19.8	20.5	23.1	18.8	20.3	26.7	22.4	6.8	9.8	5.2
To work hours that are convenient for me	8.7	12.2	10.1	5.2	8.7	9.7	13.4	14.6	22.0	45.4	56.6	48.7
To work shorter hours or fewer days	6.5	11.2	7.9	4.9	4.7	5.1	4.9	12.2	15.2	23.3	18.7	17.9
Work is easy and responsibilities are light	3.3	7.2	6.1	5.4	13.3	13.7	7.1	17.6	12.7	11.9	15.5	15.9
Wanted to carry out "employment adjustment"	1.7	3.0	2.6	1.9	1.2	1.2	1.2	1.7	1.9	4.3	7.2	3.2
To supplement household income, earn tuition, etc.	5.5	9.3	9.8	4.9	9.0	5.4	7.4	7.5	15.5	23.4	33.9	17.8
To earn money I could spend freely	7.2	10.9	8.1	9.3	13.3	9.7	12.7	24.1	22.5	30.7	22.0	33.4
Shorter commute	9.8	12.5	12.2	12.8	12.8	11.3	11.2	13.3	8.6	18.5	16.4	19.9
Did not want to be constrained by an organization	13.4	9.4	8.6	16.5	10.6	7.5	16.3	11.1	9.4	11.5	18.0	6.5
Lack of regular employment opportunities	32.9	32.6	33.1	36.3	37.5	47.8	49.7	43.6	52.8	26.8	16.0	25.4
For domestic reasons, or so as to engage in non-work activities as well	4.1	5.3	5.6	8.2	6.2	4.0	13.0	7.8	13.2	17.9	14.2	9.7
Lacked physical endurance to work as a regular employee	2.4	2.9	1.9	3.4	1.9	0.8	0.5	1.7	1.1	2.5	2.7	5.8
Other	7.0	24.5	13.7	7.6	29.3	5.6	5.5	17.2	6.9	0.5	2.6	5.2

4 As examination of the entire table shows, the biggest difference between men and women is the greater diversity of choices made by women.

	Women											
	Contract employees			Regularly employed dispatched workers			Registered dispatched workers			Part-time workers		
	2003	2007	2010	2003	2007	2010	2003	2007	2010	2003	2007	2010
To make use of specialized qualifications or skills	29.3	28.7	30.1	13.8	12.8	16.6	19.0	13.3	16.2	9.0	7.5	11.0
To engage in a higher-income occupation	12.2	13.7	11.9	13.7	21.0	17.4	14.9	17.2	13.9	7.0	2.2	4.6
To work hours that are convenient for me	10.8	14.6	13.5	14.1	17.9	26.8	17.5	26.0	24.6	37.6	55.7	50.7
To work shorter hours or fewer days	7.7	10.6	7.8	7.7	16.4	15.3	10.8	17.1	8.9	19.3	29.9	19.3
Work is easy and responsibilities are light	5.0	5.3	4.3	6.6	10.4	20.7	6.2	10.1	9.9	10.6	6.5	8.1
Wanted to carry out "employment adjustment"	4.6	1.4	1.0	6.5	2.0	0.5	5.5	1.6	2.0	13.9	7.1	6.8
To supplement household income, earn tuition, etc.	21.5	26.0	24.4	21.9	25.4	23.6	16.4	21.1	24.4	46.0	45.1	46.9
To earn money I could spend freely	20.4	15.6	15.8	20.4	13.7	14.2	17.4	19.1	15.4	27.4	22.9	21.7
Shorter commute	18.1	20.3	21.8	20.1	21.6	19.8	14.4	21.3	16.1	36.0	27.9	33.0
Did not want to be constrained by an organization	7.0	5.0	4.0	15.0	12.7	10.4	27.5	14.0	10.1	6.7	1.9	1.0
Was unable to secure regular employment	38.7	30.6	35.8	43.7	35.1	36.8	38.3	35.3	43.6	20.5	11.0	12.9
For domestic reasons, or so as to engage in non-work activities as well	15.3	16.2	19.7	22.7	19.7	16.2	27.8	25.2	24.5	27.3	37.7	38.0
Lacked physical endurance to work as a regular employee	2.7	2.7	2.1	2.5	1.2	1.4	3.0	1.6	2.6	6.2	3.2	3.1
Other	7.0	20.6	9.6	3.1	21.6	5.4	4.1	15.0	6.3	1.9	6.3	2.4

second position in all survey years, whereas among male registered dispatched workers "To engage in a higher-income occupation" ("Comparatively higher income") was more common than "Utilization of specialization" in 2007 and 2010. In both of these years, "To earn money I could spend freely" ("Disposable income") had also gained prevalence as a reason. These trends can be seen as linked to the lifting of the ban on dispatched workers in manufacturing. Meanwhile, among female dispatched workers, in 2003 the second most common reason was "For domestic reasons, or so as to engage in non-work activities as well", but in 2007 and 2010 this was surpassed by "To work hours that are convenient for me" ("Convenient work times"), particularly among registered workers. Among male part-timers, the most common reason was "Convenient work times", followed by "Disposable income" and "To supplement household income, earn tuition, etc." ("Household income supplementation, etc."). Among their female counterparts, "Household income supplementation, etc." and "Convenient work times" were approximately equivalent, but the percentage for the latter rose somewhat in recent years. Among female part-timers, "Lack of regular employment opportunities" had already been a relatively infrequent response, but in recent years it fell further

to approximately 10%.

#### 4. Occupations Engaged in, by Type of Employment

Next, let us examine the types of occupations workers were engaged in, by type of employment (Table I-4). For each type of non-regular employment, there were certain occupations that were much more common than they were among regular employees. Among contract employees, this was true of "Specialized or technical occupations". However, the percentages for this rate may be affected greatly by the definitions employed by the survey, and it is not necessarily true that contract employees tend to be engaged in sophisticated or highly specialized occupations. Among dispatched workers, "Clerical" was by far the most common in 2003, but in 2007 and 2010 it fell, while still remaining high, while the percentage engaged in "Manufacturing processes or labor" rose.

Part-timers gave "Service positions" as the most common response, followed by "Sales positions" and "Manufacturing processes or labor". For the percentages of other occupations, please refer to Table I-4.

**Table I-4 Types of Occupations Workers Were Engaged in, by Type of Employment**

(%)

		Total	Specialized or technical	Administrative	Clerical	Sales	Service	Security	Transport / communications*	Manufacturing processes or labor**	Other
Regular employees	2003	100.0	15.7	19.6	39.3	7.9	4.8	0.5	3.8	8.2	0.2
	2007	100.0	19.5	19.2	35.5	6.9	5.2	0.0	3.6	9.8	0.3
	2010	100.0	13.8	15.1	46.0	8.0	6.4	0.4	3.4	6.9	0.0
Contract employees	2003	100.0	72.5	1.2	8.6	2.7	4.6	0.7	2.2	7.5	0.0
	2007	100.0	27.4	3.1	26.5	9.1	11.1	1.6	6.3	11.5	3.4
	2010	100.0	31.3	3.5	25.0	10.0	10.7	2.7	8.3	8.3	0.3
Entrusted employees	2003	100.0	16.3	11.9	26.4	4.7	9.4	3.1	10.1	18.0	0.1
	2007	100.0	17.3	10.5	20.2	6.9	9.0	2.5	11.0	17.3	5.3
	2010	100.0	17.8	12.2	26.8	7.4	7.4	2.3	14.7	11.1	0.4
Regularly employed dispatched workers	2003	100.0	15.2	2.8	52.0	2.4	5.3	0.0	5.0	17.4	0.0
	2007	100.0	23.6	2.1	25.0	2.5	2.7	0.5	2.7	39.0	1.9
	2010	100.0	22.6	2.0	30.4	2.9	8.2	0.4	9.4	24.0	0.2
Registered dispatched workers	2003	100.0	10.0	0.7	73.3	1.7	4.7	0.0	2.2	7.3	0.0
	2007	100.0	7.9	0.6	52.7	2.1	5.4	0.2	1.1	26.5	3.6
	2010	100.0	10.2	0.2	56.4	2.6	4.8	0.2	4.6	20.1	1.1
Temporary employees	2003	100.0	7.4	0.6	11.6	5.6	33.3	5.7	4.8	30.9	0.1
	2007	100.0	12.9	0.2	11.7	13.6	20.2	5.1	10.2	19.1	7.0
	2010	100.0	6.9	2.1	18.5	8.5	36.3	0.4	9.2	17.7	0.5
Part-time workers	2003	100.0	7.2	1.3	24.2	14.3	31.7	0.8	3.8	16.7	0.0
	2007	100.0	6.7	1.3	25.9	13.0	28.1	0.7	3.7	15.5	5.2
	2010	100.0	8.6	1.0	22.1	19.2	30.1	0.7	8.4	9.6	0.3
Other	2003	100.0	7.8	1.9	26.9	10.2	17.4	1.0	2.9	31.6	0.2
	2007	100.0	8.5	3.1	19.3	11.3	20.3	2.5	3.1	24.9	7.0
	2010	100.0	10.4	3.4	22.7	10.2	20.1	2.3	9.7	19.8	1.5

Notes: \*In 2010, "shipping and machinery operation" and "transport, cleaning, packaging, etc." were added".

\*\* 2010 figures were obtained by adding "manufacturing processes" and "construction and mining".

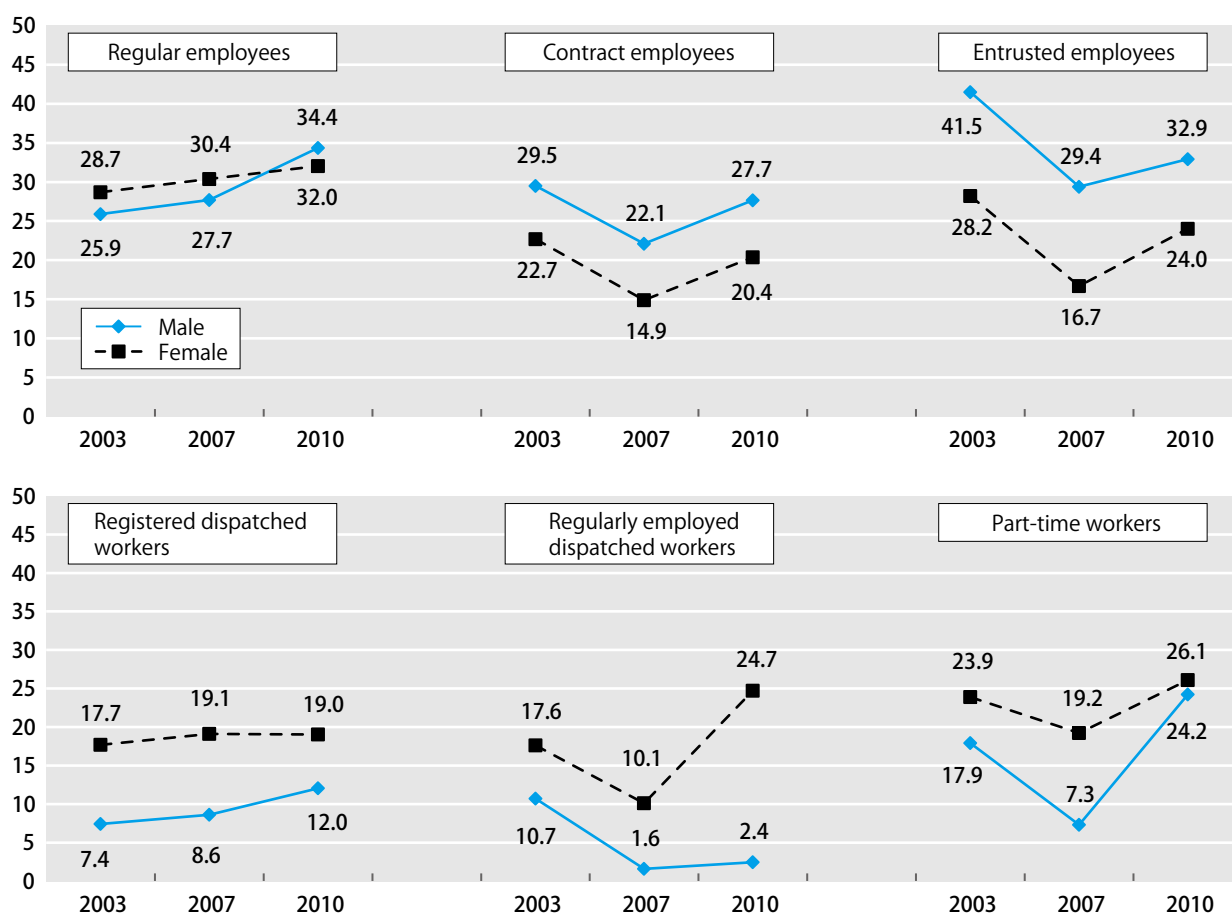
## 5. Change in Satisfaction Levels

In the "Survey of workers" section of the Diversification Survey, workers were asked to select from among five levels of satisfaction: "Satisfied", "More or less satisfied", "Cannot say either way", "More or less dissatisfied", and "Dissatisfied". Here, let us examine the D.I. of response percentages for working life as a whole, with the percentage "Dissatisfied" or "More or less dissatisfied" subtracted from the percentage "Satisfied" or "More or less satisfied" (Figure I-5).

In Figure I-5, many things are evident. One is that between 2003 and 2010, the level of satisfaction rose gradually among regular employees, while among

non-regular employees the same trend can only be seen among male registered dispatched workers, with the other categories largely showing a pattern of satisfaction levels dropping in 2007 and rising again in 2010. A second point is that when comparing types of employment, satisfaction was highest overall among regular employees, followed by entrusted employees, then by contract employees and part-timers, with dispatched workers having the lowest levels. Thirdly, when comparing genders, while there is not a significant gender-based disparity among regular employees, male contract employees and entrusted employees were more satisfied than their female counterparts, while the opposite was true among dispatched workers and part-timers. The low



**Figure I-5 Change in D.I. of Levels of Satisfaction with Working Life as a Whole**

Note: Satisfaction level D.I. = Percentage who were "Satisfied" or "Somewhat satisfied" minus percentage who were "Dissatisfied" or "Somewhat dissatisfied"

satisfaction level among dispatched workers largely owes to the dissatisfaction of the male contingent.

## Part 2 Employment Diversification Trends Related to Regulatory Changes during the Period

In terms of regulatory changes relating to diversification of employment between 2003 and 2010, some have already been described. The three key revisions were (1) the lifting of a ban on dispatch

of workers in the manufacturing work under the March 2004 revision of the Worker Dispatch Act, (2) a 2006 revision of the Act on Stabilization of Employment of Elderly Persons making it mandatory for businesses to offer employment to over-60 workers until they turn 65, and (3) an April 2008 revision of the Part-time Workers Act requiring equal or balanced treatment of part-time and full-time workers in terms of wages and other matters.<sup>5</sup> Below, we will examine the relevant findings of the Diversification Survey with regard to dispatched

<sup>5</sup> The respective full names of these laws are: (1) Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers, (2) Act on Stabilization of Employment of Elderly Persons, and (3) Act on Improvement, etc. of Employment Management for Part-time Workers.



workers in the manufacturing work, entrusted employees (particularly male employees aged 60-64), and part-timers.

## 1. Dispatched Workers in the Manufacturing Work

Unfortunately, not only for dispatched workers but for all employment types, the Diversification Survey does not provide data on whether workers are in the manufacturing work or not. For this reason, we tabulated and analyzed the data for “manufacturing processes and labor” as the occupational category most similar to “the manufacturing work”.<sup>6</sup>

According to the Diversification Survey, the number of workers in the manufacturing work went from 4.56 million→5.07 million→3.39 million (4.82 million when broadly defined), with the number of dispatched workers among them fluctuating greatly from 90,000 → 600,000 → 260,000 (330,000 when broadly defined). It is evident that the fluctuation of the number of workers in the manufacturing work largely results from the fluctuation of the number of dispatched workers.

When examining data on male workers in the manufacturing work broken down by educational background, the greatest change was in the percentage of junior high school or high school graduates (13.9% → 24.8% → 16.0%), with little change in the percentages graduating from university or graduate school (3.3% → 3.2% → 3.2%). There was also a fluctuation in dispatched workers as a percentage of all male junior high school or high school graduates in the manufacturing work, from 3.0% → 14.4% → 9.8%. This fluctuation is particularly pronounced among workers aged 20-29, going from 5.8% → 30.0% → 19.4%. In the context of an export-driven economic recovery, the lifting of the ban on dispatching workers in the manufacturing work can be said to have quantitatively expanded employment

opportunities for male high school graduates, particularly those of younger age.

Next, let us look at wages. Table I-6 shows the results of a simple regression analysis using total monthly wages as an explained variable. This analysis covers non-regular employees in the manufacturing work. The results show that dispatched workers in the manufacturing work can earn significantly higher income than their part-time or temporarily employed counterparts. In this sense it can be said that enabling dispatching of workers in the manufacturing work increased employment opportunities in terms of relative remuneration as well. On the other hand, however, in recent years the wages of dispatched workers have compared increasingly unfavorably with those of contract employees. Also, although the relevant data is not shown here, a considerable percentage of dispatched employees have selected this employment type unwillingly because of a lack of regular employment opportunities, and their levels of satisfaction are lower due to qualitatively poorer working conditions and environment, including longer hours and so forth.

This observation is borne out by data on level of satisfaction with working life. Figure I-7 shows the satisfaction levels of male non-regular employees in the manufacturing work expressed as numerical scores, and on the whole dispatched workers have lower scores than other employment types. Satisfaction levels were particularly low in 2007, when a large number of people were engaged in dispatched work in the manufacturing work. We may conclude that while lifting the ban on dispatching of workers in the manufacturing work quantitatively increased employment opportunities in some aspects, from a qualitative standpoint appropriate work environments and systems for treatment of employees were not in place to accommodate these workers.

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6 As the classifications of sectors were changed for the 2010 survey, the 2010 data does not connect directly to prior data. In 2010, “manufacturing processes and labor” has become an independent category, and comes close to providing specific data on the manufacturing work, but unfortunately it does not connect to the 2003 and 2007 surveys. It is necessary to keep in mind that the “manufacturing processes and labor” data for 2010 is much narrower in scope than its counterparts in past surveys. For reference, figures for an expanded definition where “transport, cleaning, packaging, etc.” is added to “manufacturing processes and labor” are provided in parentheses.

**Table I-6 Results of Regression Analysis of Total Monthly Wage (OLS) Irregular Employees Engaged in Manufacturing Work**

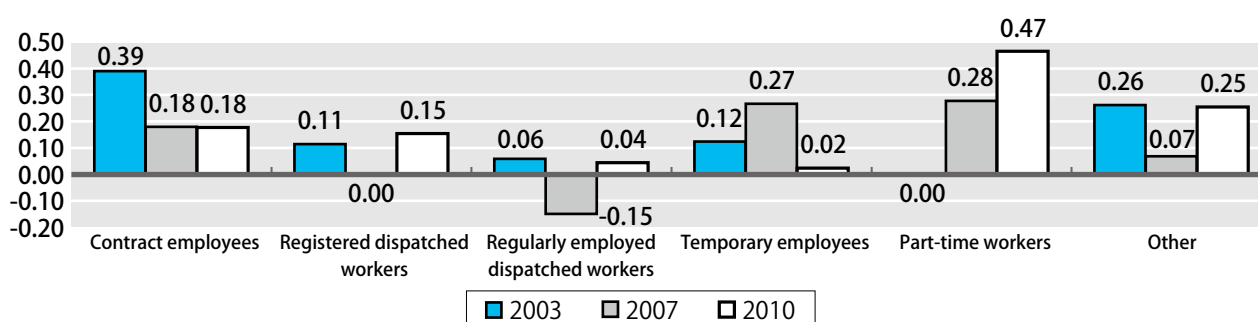
(Only regression coefficients shown)

	2003	2007	2010
(Constant)	10.651 ***	11.766 ***	13.064 ***
Male dummy	5.524 ***	7.223 ***	5.942 ***
Class label by five-year age segment	1.510 ***	1.604 ***	1.473 ***
Square of class label by five-year age segment	-0.130 ***	-0.151 ***	-0.124 ***
Large establishment dummy (1,000 employees or more)	0.076	1.359 ***	0.846 **
Medium-sized establishment dummy (300-999 employees)	-0.287	0.312	-0.047
Small establishment dummy (5-29 employees)	-1.107 **	1.435 **	-1.114 **
Educational background dummy (vocational, technical, or junior college graduate)	-0.262	0.033	-0.828 *
Educational background dummy (university or graduate school)	-0.550	0.540	-0.052
Employment type dummy (Registered dispatched workers)	0.786	-2.107 ***	-2.995 ***
Employment type dummy (Regularly employed dispatched workers)	1.294 **	0.176	-1.708 ***
Employment type dummy (Temporary employees)	-3.295 ***	-5.493 ***	-7.950 ***
Employment type dummy (Part-time workers)	-5.034 ***	-5.834 ***	-6.263 ***
Number of cases utilized for measurement (N)	1,415	2,421	1,378
F value	86.896 ***	133.298 ***	79.387 ***
Determination coefficient adjusted for degree of freedom (AR <sup>2</sup> )	0.422	0.396	0.406

Notes: 1) Reference items for the dummy variables are as follows: Establishment size: 30- 299 employees, Educational background: Junior high school or high school graduate, Employment type: Contract employee

2) The marks next to the coefficients indicate significance probability, with \*\*\* indicating less than 1%, \*\* less than 5%, and \*less than 10%.

3) This estimate covers contract employees, dispatched workers, temporary employees and part-time workers.

**Figure I-7 Change in Satisfaction Level Score for Manufacturing Workers (Male): Working Life as a Whole**

Notes: 1) This tabulation does not include currently enrolled students.

2) Satisfaction level score is obtained by assigning 2 points to "Satisfied", 1 point to "Somewhat satisfied", -1 point to "Somewhat dissatisfied", and -2 points to "Dissatisfied", and obtaining the weighted average.

## 2. Transferred Employees in Their Early Sixties

To secure employment for workers until the age of 65 despite a standard retirement age of 60, many companies terminate the regular employment of workers when they reach retirement age, pay a retirement allowance, and then rehire them as transferred employees. The Diversification Survey found that transferred employees as a percentage of all workers aged 60 to 64 rose from 20.2% in 2007 to 25.8% in 2010.

Here, let us examine the data on male entrusted employees aged 60-64, in light of the fact that currently the overwhelming majority of company employees working continuously until retirement age are males.

Data on differences in work contents and conditions before and after retirement age show that in terms of occupations (Table I-8), a major difference between regular employees aged 55-59 and entrusted employees aged 60-64 lies in the percentage in administrative positions, with the latter being lower than the former. We may infer that many employees leave managerial posts upon retirement age and take up specialized, technical, or on-site (non-clerical) positions instead. However, among entrusted employees there is no significant change in occupations over time, indicating that while employees may have managerial titles removed, when they remain at the same companies the actual contents of their work do not change much.

Similarly, in terms of work hours, although the relevant data is not shown here, it indicates that while work hours grow slightly shorter after retirement age, they tend to stay in or near the 40-49 hours per week range and are in effect full-time hours. Wages, however, show a significant change, with total monthly wages for regular employees aged 55-59 being squarely in the ¥300,000 to ¥400,000 range or above (for approximately 80% of workers), while among entrusted employees aged 60-64 the majority (around 70%) earn somewhere between ¥150,000 and ¥350,000.

The data shows that, as is generally recognized, workers who continue being employed after retirement age have their status changed from regular employee to entrusted employee, are removed from administrative positions, and have their wages adjusted downward significantly although the contents of duties and work hours may remain largely unchanged.

Now, let us turn our attention to satisfaction levels. When satisfaction level scores (see footnote 2 below Figure I-7 above) for male workers aged 60-64 are calculated, the highest scores are for contract employees (0.56 for level of satisfaction with working life as a whole in the 2010 survey), with entrusted employees in second place with a score of 0.49. These are followed by regularly employed dispatched workers (0.46) and part-timers (0.42). Here it should be noted that satisfaction levels are far from high (0.28) among workers who maintain regular employee status in this age group.

**Table I-8 Comparison of Occupations of Regular Employees Aged 55-59 and Entrusted Employees Aged 60-64 (Male)**

(%)

		Total	Specialized or technical	Administrative	Clerical	Sales	Service	Security	Transport / Communications	Manufacturing processes / Labor	Other	Unclear
Regular employees aged 55-59	2003	100.0	0.3	56.1	19.0	6.6	3.6	0.0	1.1	12.7	0.5	0.0
	2007	100.0	10.5	33.8	25.1	8.0	1.9	0.0	9.5	9.3	0.5	1.4
	2010	100.0	8.6	42.2	23.0	5.7	1.7	0.2		18.5		0.0
Entrusted employees aged 60-64	2003	100.0	18.2	15.2	19.4	5.7	6.7	3.9	13.6	17.1	0.0	0.2
	2007	100.0	16.0	13.0	19.6	7.5	5.7	2.7	10.9	19.3	3.5	1.9
	2010	100.0	18.1	15.1	23.6	7.4	4.8	2.9		28.0		0.1

**Table I-9 Change in Satisfaction Level Score for Entrusted Employees Aged 60-64**

(%)

	Content of duties and sense of fulfillment	Wages	Labor conditions such as work hours and holidays	HR evaluations and treatment	Workplace environment (lighting, heating/cooling, noise pollution, etc.)	Relationships and communication with regular employees	Relationships and communication with workers other than regular employees	Clarity of chain of command	Job security	Benefits	Training and competency development	Working life as a whole
2003	1.00	0.19	0.87	0.36	0.65	0.70	—	—	0.78	0.32	0.12	0.54
2007	0.82	-0.17	0.72	0.16	0.69	0.69	—	—	0.71	0.33	0.12	0.42
2010	0.84	-0.08	0.67	0.24	0.67	0.81	0.78	0.41	0.59	0.39	0.21	0.49

Notes: 1) In the 2003 and 2007 surveys, the "Relationships and communication" item did not differentiate between regular and non-regular employees. The item "Clarity of chain of command" was newly added to the 2010 survey.  
2) For an explanation of satisfaction level score, refer to Note 2 on Figure I-7.

The data shows that when comparing employment types, the relatively higher satisfaction level of entrusted employees is notable. However, when a comparison of entrusted employees' satisfaction levels over time is carried out, some notable points emerge. One is that between 2007 and 2010, satisfaction with "wages" dropped into the negative range, indicating widespread dissatisfaction in this area. Declines were also seen in satisfaction with "labor conditions such as work hours and holidays", "HR evaluations and treatment", and "job security". These findings suggest that while wages are the only area of significant change after retirement age, the treatment of these workers has not necessarily earned their acceptance or satisfaction.<sup>7</sup>

### 3. Equal or Balanced Treatment of Part-time Workers

The April 2008 revision of the Part-time Employment Act requires equal or balanced treatment of part-time and full-time workers employed at the same business establishment, but its structure is hierarchical rather than across-the-board. When part-timers meeting three criteria—equivalent duties including degree of responsibility, indefinite employment without a fixed-term contract, and similar scope of potential career—they are viewed as

"part-timers that should be viewed as equivalent to regular employees", and discriminatory treatment is prohibited in terms of formulas for determining wages, training programs offered, and welfare facilities utilization privileges. If workers do not meet all three criteria, the law only goes so far as asking businesses to make efforts to treat part-timers in a manner equal to that of regular employees.

Before examining wages, let us examine employment-related programs applied to part-timers as reported in the Diversification Survey, which clearly illustrate the effects of regulatory changes. Between 2003 and 2010, the percentage of part-timers undergoing in-house training rose from 24.8% → 30.5%, those participating in programs to support self-development from 6.3% → 10.8%, promotion and career advancement programs 14.3% → 17.3%, "transition to regular employment" programs 26.7% → 30.9%, and utilization of welfare-benefit facilities 21.0% → 23.7%.

When comparing wages, it is necessary to take into account the three criteria outlined above (contents of duties, non-specification of employment period, and scope of career potential). This data cannot be obtained from the Diversification Survey, meaning precise comparisons are not possible. Also, there is no clear definition for "ordinary workers" as contrasted with part-time workers in the revised law.

<sup>7</sup> For example, when satisfaction level scores for "wages" are calculated by monthly salary amount, higher wages tend to be correlated with higher satisfaction levels, and scores change from negative to positive at the point where monthly wages exceed 260,000 yen.

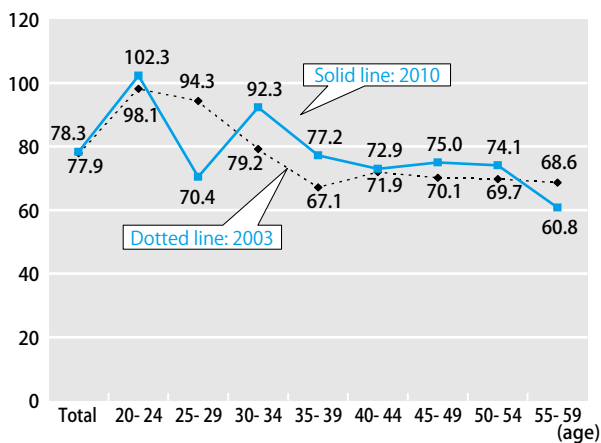
If comparison with any full-time worker would be acceptable, then part-time workers could be compared with contract employees rather than regular employees. With this in mind, based on Diversification Survey data, we divided business establishments into two categories those having regular employees and part-timers but no contract employees (hereinafter, “two-employment-type establishments”) and those with regular employees, part-timers, and contract

employees (hereinafter, “three-employment-type establishments”) and calculated the index of part-timers’ wage levels when regular employees’ wages equal 100 and when contract employees’ wages equal 100. The results, broken down by age group, are shown in Figure I-10. The findings show that, while it must be noted that there is wide variance among wages, overall the gap between regular employees’ and part-timers’ wages at two-employment-type

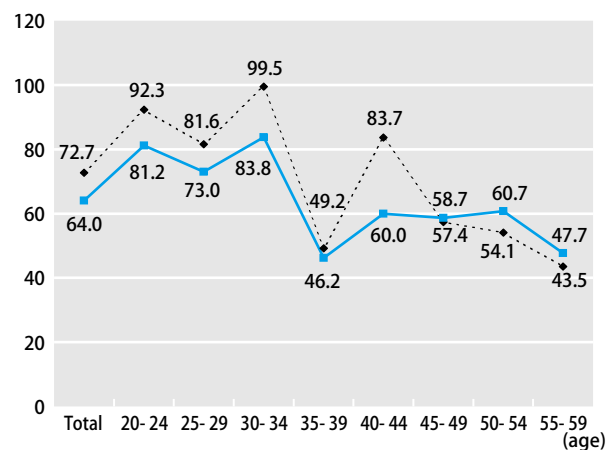
**Figure I-10 Part-time Workers' Average Wage Levels Compared to Regular and Contract Employees (Female, Aged 20-59)**

<Estimated hourly wage base, Individual Survey data>

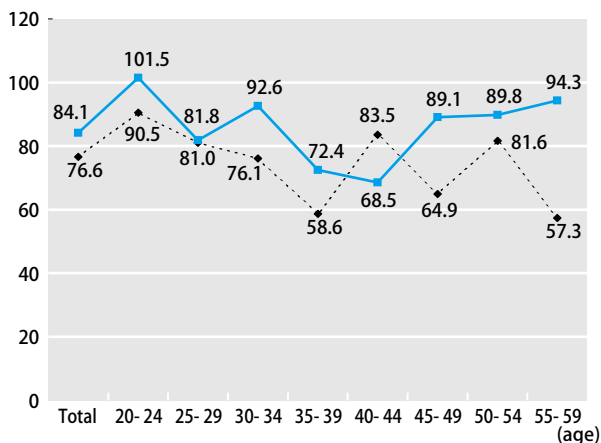
(1) Establishments with regular and part-time employees but no contract employees (Regular employees = 100)



(2) Establishments with regular, part-time and contract employees (Regular employees = 100)



(3) Establishments with regular, part-time and contract employees (Contract employees = 100)



establishments narrowed slightly between 2003 and 2010, while at three-employment-type establishments the gap between part-timers' and regular employees' wages widened while that between part-timers' and contract employees' wages narrowed.

One thing to point out is that the percentage of business establishments giving "To enable regular employees to specialize in key operations" as a reason for hiring part-timers rose during the period. This was true at two-employment-type establishments (2003: 13.2% → 2010: 17.3%), but the trend was particularly pronounced at three-employment-type establishments (2003: 10.2% → 2010: 24.53%). There was a widespread trend toward having regular employees specialize in key operations, and more sharply differentiating their duties from those of part-timers. It is possible that this is also a reaction to the revision of the Part-time Employment Act.

Next, let us examine the satisfaction levels of part-

timers. Their scores for level of satisfaction with working life as a whole show that while zig-zagging up and down, satisfaction level is trending gradually upward, and at three-employment-type establishments in particular, with formerly low levels rising up to near the average for all employment types.<sup>8</sup> When broken down by category, already relatively high areas such as "Content of duties and sense of fulfillment" (2003: 0.71 → 2010: 0.84) and "Labor conditions such as work hours and holidays" (0.53 → 0.62 over the same period) rose, while areas of low satisfaction rose gradually as well, with "Wages" going from 0.11 → 0.17, "Benefits" from -0.07 → 0.00, and "Competency development" from -0.07 → 0.03. It is evident that changes in company's programs, etc. resulting from the revision of the Part-time Employment Act have contributed to these improvements. Similar positive trends can be seen in both two-employment-type and three-employment-

**Table I-11 Change in Satisfaction Level Score for Female Part-time Workers (Aged 20-59)**

		Content of duties and sense of fulfillment	Wages	Labor conditions such as work hours and holidays	HR evaluations and treatment	Workplace environment (lighting, heating/cooling, noise pollution, etc.)	Relationships and communication with regular employees	Relationships and communication with workers other than regular employees	Job security	Benefits	Training and competency development	Working life as a whole
Total	2003	0.71	0.11	0.53	0.15	0.42	0.67		0.31	-0.07	-0.07	0.32
	2007	0.74	-0.01	0.69	0.12	0.29	0.60		0.41	-0.05	-0.11	0.26
	2010	0.84	0.17	0.62	0.28	0.46	0.65	0.73	0.40	0.00	0.03	0.37
Employees of establishments with regular and part-time employees but no contract employees (Two-employment-type establishments)	2003	0.74	0.15	0.52	0.19	0.45	0.71		0.35	-0.05	-0.05	0.37
	2007	0.73	0.09	0.68	0.16	0.35	0.60		0.45	0.00	-0.11	0.27
	2010	0.83	0.19	0.66	0.30	0.47	0.69	0.77	0.45	0.03	0.06	0.38
Employees of establishments with regular, part-time and contract employees (Three-employment-type establishments)	2003	0.54	-0.17	0.54	-0.10	0.33	0.45		0.15	-0.12	-0.20	0.08
	2007	0.62	-0.33	0.70	-0.01	-0.18	0.57		0.26	-0.19	-0.25	0.13
	2010	0.83	0.01	0.60	0.13	0.39	0.54	0.65	0.29	-0.03	-0.07	0.34

Notes: 1) In the 2003 and 2007 surveys, the "Relationships and communication" item did not differentiate between regular and non-regular employees.

2) "Total" includes part-time workers at establishments besides those with the employment/ labor utilization patterns shown.

3) For an explanation of satisfaction level score, refer to Note 2 on Figure I-7.

<sup>8</sup> Three-employment-type establishments include former two-employment-type establishments to which contract employees have been added, and there are probably many of these, in light of the fact that contract employees have been increasing in number in recent years. This means that some of the improvement in satisfaction levels at three-employment-type establishments is due to their absorption of former two-employment-type establishments where levels of satisfaction were already high among part-timers.



type establishments, but problems remain, with satisfaction levels for “Wages”, “Benefits”, “Competency development”, etc. all lower at three-employment-type establishments than at their two-employment-type counterparts.

### **Part 3 Reasons for Utilization of Fixed Term Contract Workers, Employment Situation and Attitudes**

In this part, we will discuss reasons for utilization of non-regular employees at business establishments that employ fixed term contract workers, and the outcomes of analysis of the nature of the relationship between these employees’ employment situation and their attitudes. In the past, many analyses of non-regular employees’ employment situation and attitudes focused on these employees’ reason for selecting non-regular employment (i.e. whether this selection was made voluntarily, etc.). However, little light has been shed on business establishments’ reasons for hiring non-regular employees, and here we sought to elucidate this area. The data comes from the “Survey on workers” section of the Diversification Survey, but it is matched with data on reasons for hiring non-regular employees from the “Survey on establishments” section.

In terms of factors used to classify types of non-regular employment, in addition to whether or not the term of employment is fixed, analysts have cited factors such as length of work hours and whether employment is direct or indirect, as well as work conditions and the scope of career formation. Here, one reason for focusing on fixed term contract workers is the increased attention paid to fixed-term contract employment in Japan in recent years. For example, under the revised Labor Contract Act enacted in April 2013, fixed term contract workers who have been continuously employed for a total of over five years, if he/ she hopes, must be offered a non-fixed-term contract. In these cases, other

employment conditions are expected to stay the same after the switch to a non-fixed-term contract.

The analysis entailed both cross-tabulation and regression analysis, and tendencies in the employment situation and attitudes of fixed term contract workers at business establishment that gave various reasons for non-regular employee utilization were extracted respectively. In the regression analysis, data on the explained variables (employment situation and attitudes) was largely qualitative (nominal), but in these cases the ordered probit method was used.<sup>9</sup> The results are summarized in Table I-12. The most notable points are enumerated below.

1) In cases where establishment are utilizing contract employees because “regular employees cannot be obtained”, job security is good but contract employees’ levels of satisfaction with “Benefits” and “Training and competency development” were low. Medical, welfare, etc. were common fields, and “5 to 29 employees” was the most common size for establishments giving this response.

2) At establishments responding, “To enable regular employees to specialize in key operations”, employee turnover tended to be low, but wages tended to be low as well. Levels of satisfaction with “Wages” and “HR evaluations and treatment” were also low. Fixed term contract workers at these establishments were often female and not responsible for supporting a household.

3) When the reason given was “To deal with specialized operations”, job security and wages were high, and employee turnover was low. There were also high levels of satisfaction with “Content of duties and sense of fulfillment”, “Wages”, “Labor conditions such as work hours and holidays”, “Workplace environment”, “Clarity of chain of command”, “Benefits”, “Training and competency development”, and “Working life as a whole”. Fixed term contract workers at these establishments tended to be male, university graduates, in managerial or administrative positions and/or engaged in specialized

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9 Naturally, other explanatory variables were used in the regression analysis besides reason for utilizing non-regular employees: sector, size of establishment, type of establishment (for example, factory, storefront, etc.), age of individual worker, academic background, whether or not worker is the breadwinner, and occupation. Data used is from the 2010 survey.

**Table I-12 Summary of Results of Regression Analysis on Impact of Reasons for Utilization of Fixed-term Contract Workers on Work Conditions and Satisfaction Level**

	Work conditions				Attitudes (satisfaction level)											
	Duration of contract	Total wages	Hourly wages	Length of employment at establishment	Content of duties and sense of fulfillment	Wages	Labor conditions such as work hours and holidays	HR evaluations and treatment	Workplace environment	Relationships and communication with regular employees	Relationships and communication with workers other than regular employees	Clarity of chain of command	Job security	Benefits	Training and competency development	Working life as a whole
Regular employees cannot be obtained	++													--	-	
To enable regular employees to specialize in key operations		--	-	+++		--		--								
To deal with specialized operations	+++	+++	+++	++	++	+++	++		+++			++		+++	+++	+++
To obtain capable personnel who will contribute immediately	++	+++	+++	-	++											
To adjust employment volume in response to business cycles	---		+										--			
To deal with extended business (operation) hours	-		-													
To deal with busy and slack periods on a daily or weekly basis	---	---	---	+++		+							+			
To respond to shifts in special or seasonal work volume	---	---	---	---										--	--	
To economize on wages		---	---	++	-	---	--	--	--	-		---	--	---	--	---
To economize on non-wage labor costs																
For elderly person reemployment measures	+++	++	+++	---		---		--				--	+	++		
As replacements for regular employees taking childcare or nursing-care leave	-	---	---	--		-			+	+			--			
Other	++	+		-									-			

Note: +++ indicates positive statistical significance at the 0.1% level, ++ indicates positive statistical significance at the 1% level, + indicates positive statistical significance at the 5% level, --- indicates negative statistical significance at the 0.1% level, -- indicates negative statistical significance at the 1% level, and - indicates negative statistical significance at the 5% level.

or technical work.

4) At establishments where the reason was “To obtain capable personnel who will contribute immediately”, both job security and wages were high, but rate of turnover was high as well. On the other hand, there was a high level of satisfaction with “Content of duties and sense of fulfillment”. These employees, as well, tended to be male, university graduates, in

managerial or administrative positions and/or engaged in specialized or technical work.

5) Where the response was “To adjust employment volume in response to business cycles”, both job security and level of satisfaction with “Job security” were low, but wages were somewhat high. Many of these employees were engaged in manufacturing processes.



6) Where the response was “To deal with extended business (operation) hours”, both job security and wages were low, as was level of satisfaction with “Relationships and communication with regular employees”. This reason for utilization was common in the retail, hospitality, and food service industries, and in terms of establishment format, it was common at storefront retail operations. Employees tended to be female, younger, not responsible for supporting a household, and/or in sales or service positions.

7) At establishments responding, “To deal with busy and slack periods on a daily or weekly basis”, both job security and wages were low, but rate of turnover was low as well. Although job security and wages were low, levels of satisfaction with these areas were high. This reason for utilization was common in the retail, hospitality, and food service industries, and in terms of establishment format, it was common at storefront retail operations. Employees tended to be female, not responsible for supporting a household, and/or in sales or service positions.

8) At establishments responding, “To respond to shifts in special or seasonal work volume”, both job security and wages were low, and rate of turnover was high. Levels of satisfaction with “Benefits” and “Training and competency development” were also low. Industries in which this reason was often given included lifestyle- and leisure-related services, and employees were often engaged in service, construction, or mining.

9) Where the response was “To economize on wages”, the wages were low, as were levels of satisfaction in all areas except “Relationships and communication with workers other than regular employees”. Employees tended to be female and in sales positions.

10) There are no notable characteristics of establishments where the response was “To economize on non-wage labor costs”.

11) Where the reason given was “To reemploy elderly personnel”, both job security and wages were high, but rate of turnover was high as well. Levels of satisfaction with “Job security” and “Benefits” were high, but they were low for “Wages”, “HR evaluations and treatment”, and “Clarity of chain of command”. Workers tended to be male, aged 60 or above, and responsible for supporting a household.

12) At establishments where the reason given was “To replace workers on childcare or nursing care leave”, both job security and wages were low, and rate of turnover was high. Levels of satisfaction with “Wages” and “Job security” were low, but they were high with regards to “Workplace environment” and “Relationships and communication with regular employees”. This reason was often given in the electric power, gas, heating, and water industries, and workers tended to be female.

As outlined above, the employment situation and attitudes of workers vary widely depending on business establishments’ reasons for utilizing contract employees, and it is important to recognize the facts in this regard.

#### **Part 4 The Effects of Application of Programs Such as Social Insurance, etc. on the Percentages of Workers in Different Employment Types**

In this part, we will examine the impact of whether or not programs such as social insurance are applied on the percentage of workers in different employment types.

In Japan, in recent years the application of social insurance benefits has been expanded to part-timers, and there is currently a discussion underway on the impact this expansion exerts on the employment decisions of workers and the hiring practices of employers.<sup>10</sup> To analyze this with a high degree of

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10 In August 2012, there was a partial revision of the National Pension Act on Strengthening the Fiscal Foundations of the Public Pension System and Minimum-guarantee Functions, etc., with employee pension and health insurance coverage expanded to short-hours workers from October 2016 onward. Specifically, from 2016 onward the minimum weekly hours for coverage will be reduced from the current 30 hours to 20 hours, like that for employment insurance coverage, as long as workers meet the criteria of wages (88,000 yen or more), projected term of employment (one year or more), size of company (501 employees or more), and non-student status.

accuracy, it is necessary to survey and examine the relevant data from before and after the expansion went into effect. However, even cross-sectional data

provided by the Diversification Survey can serve as a rough benchmark for inferring this impact. Also, in addition to the application of social insurance

**Table I-13 Summary of Results of Regression Analysis on Impact of Employment-related Programs' Application on Percentages of Workers in Each Type of Employment and the Increase and Decrease of These Percentages (Past Results and Future Projections, 2010 Survey)**

	Regular employees			Contract employees		
	Percentage of total workers at time of survey	Rise or fall over the preceding three years	Projected rise or fall over the next three years	Percentage of total workers at time of survey	Rise or fall over the preceding three years	Projected rise or fall over the next three years
Employment insurance						
Health insurance						
Public pension				+	+	+
Corporate pension	+					
Retirement allowance	+			+	-	
Asset accumulation savings				-		
Bonus		-	-		+	+
Utilization of welfare-benefit facilities						
In-house training				+	+	+
Support for self-development	-			-		
Promotion / advancement	-			+		
Transition from non-regular to regular employment						
Transition to full-time regular employment				+	+	+
Transition to shortened-hours regular employment						
	Dispatched workers			Part-time workers		
	Percentage of total workers at time of survey	Rise or fall over the preceding three years	Projected rise or fall over the next three years	Percentage of total workers at time of survey	Rise or fall over the preceding three years	Projected rise or fall over the next three years
Employment insurance				+	+	+
Health insurance						
Public pension						
Corporate pension						-
Retirement allowance						
Asset accumulation savings						
Bonus				+		
Utilization of welfare-benefit facilities		+	+	-	+	+
In-house training	+	+	+		+	
Support for self-development				-		
Promotion / advancement				+		
Transition from non-regular to regular employment						
Transition to full-time regular employment					+	+
Transition to shortened-hours regular employment				-		

Note: Places where plus or minus signs are shown are those where a statistically significant result was calculated, with + indicating an increase and - indicating a decrease.

benefits, there are other types of employee benefits and programs such as in-house or external training or transition to regular employee status, and information on which employment-type percentages are heightened or lowered by these programs has the potential to serve as valuable basic data for the design and implementation of these programs.

Here, we adopted a simple approach, performing a regression analysis using percentages of workers in each type of employment and the increase and decrease of these percentages (past results and future projections) as explained variables, and giving consideration to their endogeneity with the explanatory variables. In addition to whether or not programs were applied to non-regular employees, explanatory variables included the industrial sector, size, format, and geographical location of business establishments. A portion of the overall outcome is shown in Table I-13. This table shows the percentage of workers and the relevant increase or decrease for regular employees and the major types of non-regular employment as a result of application of various programs, based on 2010 data. The most notable points are enumerated below.

### **1. Legally Mandated Welfare-benefit Programs (Employment Insurance, Health Insurance, Public Pension)**

At business establishments where employment insurance programs cover part-timers, a high percentage of employees are part-timers, and percentages are expected to rise in the future. Many establishments consider the burden of employment insurance to be a given, but appear to be avoiding the cost of social insurance and pension programs by hiring part-timers for a number of work hours less than the 30-hour-per-week threshold. However, the 2003 data shows that establishments providing health insurance coverage to part-timers was positively correlated with plans for increasing the number of part-time employees in the future, and that the increase in labor costs due to application of social insurance would not necessarily have the effect of lowering the ratio of non-regular employees in the future.

In recent years, the direct impact of employment

insurance programs on the ratio of non-regular employees other than part-timers appears to have been weakening. With regard to full-time workers or non-regular employees with schedules equivalent to full time, a rise in labor costs due to the application of social insurance does not necessarily result in curtailed hiring, but seems to result in establishments dealing with social insurance costs and utilizing employees appropriately.

### **2. Non-legally Mandated Welfare-benefit Programs (Corporate Pension, Retirement Allowance, Utilization of Welfare-benefit Facilities, etc.)**

At business establishments where non-legally mandated welfare-benefit programs cover non-regular employees, current ratios of non-regular employees are not consistent but may be high or low depending on the employment format. Looking to the future, however, the percentages are set to drop in line with the enactment of non-legally mandated welfare-benefit programs.

An exception is the utilization of welfare-benefit facilities, which is currently correlated with lower ratios of all types of non-regular employees, but has the effect of a projected rise in these same ratios in the future.

### **3. Training Programs (In-house Training, Support for Self-development)**

At business establishments that offer in-house training programs to non-regular employees, the current percentages of the non-regular employee types covered are relatively high, and there is a positive correlation with a future projected rise in these same percentages. Establishments that aim to boost the ratio of non-regular employees prepare systems for in-house training, although it cannot be ascertained whether these consist of on- or off-the-job training. Meanwhile, establishments that offer programs providing support for workers' autonomous self-development activities currently tend to have low percentages of non-regular employees.

In other words, business establishments that aim to boost the ratio of non-regular employees tend to offer in-house training programs but not programs

that provide support for workers' self-development.

#### **4. Compensation-related Programs (Bonuses, Promotion/ Advancement, etc.)**

At business establishments that offer compensation-related programs such as bonuses and promotions to non-regular employees, a relatively high percentage of employees are non-regular employees of the types covered by these programs, and in general these percentages are projected to rise in the future.

#### **5. Programs for Transition from Non-regular to Regular Employment**

Programs for transition from non-regular to regular employment were mainly correlated with a higher percentage of contract employees and part-timers. However, these correlations differed depending on whether post-transition regular employees were in full-time or shortened-hours employment. The 2010 data shows that providing a program for transition to shortened-hours regular employment was correlated with a lower percentage of part-timers, while a program for transition to full-time regular employment was correlated with a higher percentage of both contract employees and part-timers. This would indicate that there is a demand for transition from part-time to full-time regular employee status. In the 2010 data, the application of a program for transition to shortened-hours regular employment was correlated to a future rise in the ratio of transferred employees. In cases where older workers past retirement age made up the bulk of transferred employees, the results are thought to reflect demand for shortened work hours among these workers.

The above findings indicate that the impact on non-regular employment of various programs such as social insurance is not a simple one, as might be predicted on the basis of cost alone. It is evident that thorough and accurate assessment of the situation, including the attitudes of persons involved, is required.

### **Epilogue: A sketch of the Outlook for Diversification of Employment in Japan**

This paper primarily examined data relevant to the structural aspects of diversification derived from the Diversification Survey, but in studies on changes in each type of employment of over time, the general practice is to view data from the Labour Force Survey, a household survey conducted by Statistics Bureau, the Ministry of Internal Affairs and Communication. Table I-14 shows data starting in 2007, immediately prior to the global financial crisis.

In Japan, the ratio of non-regular employees is rising and diversification is advancing. Within this overall trend, however, different patterns appear over time. In Japan, before the service industry and tertiary industries took prominence, non-regular employment largely consisted of seasonal or fixed-term work on construction sites or in factories, but later part-time work became increasingly common, and part-timers came to exemplify non-regular employment in the minds of many people. Incidentally, around 1985 when a special segment of the Labour Force Survey began tracking the number of people employed in different formats, part-timers made up between 55% and 60% of non-regular employees. Thereafter, non-regular employment continued to rise with part-timers making up the bulk of growth, but until 1997 regular employment continued to rise as well. However, regular employment figures peaked in 1997 and then began to dwindle, while non-regular employment continued to increase. For a time this growth continued to be propelled by part-timers, but from around the turn of the century onward, there was a noticeable rise in the number of so-called full-time non-regular employees, such as dispatched workers and contract employees, and in 2002 the percentage of non-regular employees accounted for by part-timers fell below 50%. In 2004, the ban on dispatched work in the manufacturing sector was lifted, and non-regular employment trends followed the course described above.

**Table I-14 Employee by Type of Employment**

(ten thousands)

	Employee								
	Employee, excluding executive of company or corporation	Regular staff	Non-regular staff	Part-time worker	Arbeit (temporary worker)	Dispatched worker from temporary labour agency	Contract employee or entrusted employee	Other	
2007 Jan.-Mar. average	5,530	5,128	3,399	1,728	830	337	121	293	148
2007 Apr.-Jun. average	5,610	5,225	3,490	1,734	835	332	132	296	139
2007 Jul.-Sep. average	5,589	5,218	3,479	1,739	826	345	136	301	131
2007 Oct.-Dec. average	5,558	5,168	3,427	1,741	804	355	145	307	130
2008 Jan.-Mar. average	5,500	5,122	3,381	1,741	824	321	145	311	139
2008 Apr.-Jun. average	5,592	5,196	3,460	1,736	825	335	131	312	134
2008 Jul.-Sep. average	5,550	5,180	3,397	1,783	828	332	140	322	161
2008 Oct.-Dec. average	5,581	5,203	3,403	1,801	819	336	146	342	158
2009 Jan.-Mar. average	5,493	5,105	3,400	1,704	801	333	116	320	134
2009 Apr.-Jun. average	5,511	5,125	3,435	1,689	810	321	105	320	135
2009 Jul.-Sep. average	5,512	5,134	3,386	1,748	829	339	102	331	148
2009 Oct.-Dec. average	5,490	5,130	3,360	1,766	830	360	111	320	145
2010 Jan.-Mar. average	5,477	5,095	3,381	1,714	823	330	98	326	137
2010 Apr.-Jun. average	5,481	5,109	3,358	1,750	842	346	90	334	138
2010 Jul.-Sep. average	5,526	5,164	3,383	1,781	858	342	104	337	141
2010 Oct.-Dec. average	5,547	5,182	3,375	1,806	887	356	92	334	137
2011 Jan.-Mar. average	5,533	5,154	3,334	1,819	875	363	96	362	123
2011 Apr.-Jun. average	5,541	5,192	3,416	1,776	876	330	94	350	127
2011 Jul.-Sep. average	5,508	5,139	3,334	1,804	878	349	99	353	127
2011 Oct.-Dec. average	5,541	5,168	3,325	1,843	867	376	93	375	132
2012 Jan.-Mar. average	5,524	5,140	3,334	1,805	903	347	90	337	129
2012 Apr.-Jun. average	5,511	5,146	3,370	1,775	877	347	81	346	124
2012 Jul.-Sep. average	5,511	5,156	3,327	1,829	879	367	87	365	131
2012 Oct.-Dec. average	5,541	5,173	3,330	1,843	895	350	103	368	126
2013 Jan.-Mar. average	5,494	5,154	3,281	1,870	912	374	124	375	85
2013 Apr.-Jun. average	5,543	5,198	3,317	1,881	917	377	112	392	84
2013 Jul.-Sep. average	5,553	5,205	3,295	1,908	928	399	110	393	78
2013 Oct.-Dec. average	5,591	5,248	3,283	1,965	954	419	117	395	80
2013 Jan.-Mar. average *	5,501	5,161	3,288	1,870	912	374	124	386	85
2013 Apr.-Jun. average *	5,552	5,207	3,326	1,881	917	377	112	385	84
2014 Jan.-Mar. average *	5,544	5,201	3,231	1,970	941	410	116	409	87
2014 Apr.-Jun. average *	5,586	5,235	3,312	1,922	935	384	113	401	86

Source: Ministry of Internal Affairs and Communications Statistics Bureau "Labour Force Survey (Detailed Tabulation)" and "Labour Force Survey (Basic Tabulation)"

Note: Previously, type of employment was surveyed with a "Special questionnaire" and detailed statistics were tabulated and released on a quarterly basis, but from 2013 onward it became an item on the "Basic questionnaire," with basic tabulations released on a monthly basis (data marked with a \*).

Over this period, regular employment figures were trending downward, but they rose at one point when the economy was strong in 2006 and 2007. However, after the financial crisis struck in autumn 2008, the entire global economy was dragged downward, and regular employment numbers once again began falling and continued to do so until recently. In 2009, non-regular employment numbers also fell amid an overall drop in the employment rate.

In terms of recent trends, the number of contract employees and entrusted employees has been growing steadily, and the number of part-timers is rising again. The number of dispatched workers, as well, was falling at one point but has begun to recover. As for regular employees, there was a year-on-year drop in the April to June 2014 period, but it marks a smaller decline than in recent years. These figures indicate that the economy, which had been struggling in the wake of the global financial crisis and the 2011 Great East Japan Earthquake, has begun moving in a positive direction under government policies aimed at ending deflation. If the current trend continues, regular employment figures will once again begin rising as in 2006-2007, and regular employees as a percentage of the total workforce will start to increase once again.

However, since Japan became a predominantly tertiary-industry economy, non-regular employment has continued to advance, starting with an increase in part-timers largely driven by women's need to balance work with household duties, followed by an increase in full-time non-regular employment as companies increasingly tended to replace regular employees with non-regular ones (regardless of whether this happened within a particular company or not). Even if regular employment figures rise amid the above-described economic recovery, it remains to be seen whether "regular employment" will have the same character it had in the past. In other words, diversification seems likely to progress within the scope of regular employment as well.



## Section 1 Introduction

This study uses an economic model to simulate changes in the labor force and the number of persons in employment up to the year 2030, in line with assumed market scale in growth sectors as well as measures to promote women's employment and other employment policies envisioned in the "Japan Revitalization Strategy (Japan Is Back)", the government's New Growth Strategy (decided by the Cabinet on June 14, 2013). Simulations are based on "Population Projections for Japan" by the National Institute of Population and Social Security Research in Japan (IPSS) in January 2012 (Medium Fertility and Mortality Projections), and are designed to contribute to the planning and proposal of future employment policies. Simulations were conducted by gender and age group, as well as by industry for employed persons. They also assume a second scenario in which the market scale, women's employment promotion measures and others envisioned in the "Japan Revitalization Strategy" are not achieved, and one other scenario (totaling 3 scenarios).

The Japan Institute for Labour Policy and Training (JILPT) has conducted similar simulations several times since 2004. The last one was based on the "New Growth Strategy" (decided by the Cabinet on June 18, 2010) and the "Strategy for the Rebirth of Japan" (decided by the Cabinet on July 31, 2012), the results being published in JILPT Research Material Series No.110 "Labor Supply and Demand Estimates – Policy Simulations Based on the Labor Supply and Demand Model (2012)". This time, as well as reconsidering the conventional estimation method, the latest actual data have been incorporated in simulations based on the government's New Growth Strategy.

This study is part of "Research on Labor Supply and Demand Estimates", a subtheme of the JILPT Project Research "Survey Research on Directions for

Employment and Labor in Response to Changes in Japan's Economic and Social Environments". It was conducted in response to a request from the Employment Policy Division of the Employment Security Bureau, Ministry of Health, Labour and Welfare (MHLW).

## Section 2 Labor Supply and Demand Model

In this study, simulations based on the attainment targets (KPIs: Key Performance Indicators) of the "Japan Revitalization Strategy" (decided by the Cabinet on June 14, 2013) are used to estimate the labor force by gender and age group, the number of employees by gender and age group, and the number of employees by industry, up to the year 2030. Simulations are conducted using an economic model (the Labor Supply and Demand Model) consisting of a labor demand block, a labor supply block and a labor supply and demand adjustment block. The relationship between the blocks is shown in the flowchart in Figure II-1.

To obtain labor demand in the labor demand block, the nominal output, hourly wage and working hours in a given industry are combined with a labor demand function based on an error correction model estimated for each industry. Of these, the nominal output is calculated by exogenously giving the economic growth rate, the item composition of final demand and composition of goods and services by item, the input coefficient and import coefficient of input-output tables, and the output deflator. Working hours are calculated by applying full- and part-time working hours and the rate of change in all industry working hours (calculated from future assumptions of the part-time worker ratio) to each industry. Hourly wages are calculated by applying rates of change estimated in each labor supply and demand adjustment block to each industry. The labor demand function used in the estimation is as follows.

$$\Delta \ln L(t) = \text{const.} + a \Delta \ln Z(t) + b \ln Z(t-1) + c \ln L(t-1) + \varepsilon(t)$$

where,  $L$ : employed persons,  $Z = \frac{pX}{wH}$   
 ( $p$ : output deflator,  $X$ : real output,  $w$ : hourly wage and  $H$ : total actual working hours), and  $\varepsilon$ : error term.

In the labor supply block, the labor force participation rate is sought by giving the educational advancement rate, fertility rate, part-time worker ratio, nursery and kindergarten enrollment rate, the ratio of companies offering all employees employment to age 65, and other factors thought to contribute to the labor force participation rate, to the labor force participation rate function estimated by gender and age group. For females, these are further divided into two subcategories (“with spouse” and “without spouse and others”) depending on the spousal situation. Next, the size of the labor force is calculated by multiplying the obtained labor force participation rate by the projected future population. Factors determining the labor force participation rate vary by gender and age group. Future assumptions for these are given exogenously, with the exception of the unemployment rate and real wages. The unemployment rate is the rate estimated in the previous term. Real wages are taken as one of the determinants for the labor force participation rate of females without spouse and others, but their value is calculated using the rate of change in wages determined in the labor supply and demand adjustment block. The labor force participation rate function used for the estimation is as follows.

$$r(t) = \text{const.} + \sum_{i=1} d_i V_i(t) + \varepsilon(t)$$

where,  $r = \ln(R/(100 - R))$

( $R$ : labor force participation rate (%)),  $V$ : explanatory variable of behavioral factors, policy factors and others determining the labor force participation rate, and  $\varepsilon$ : error term.

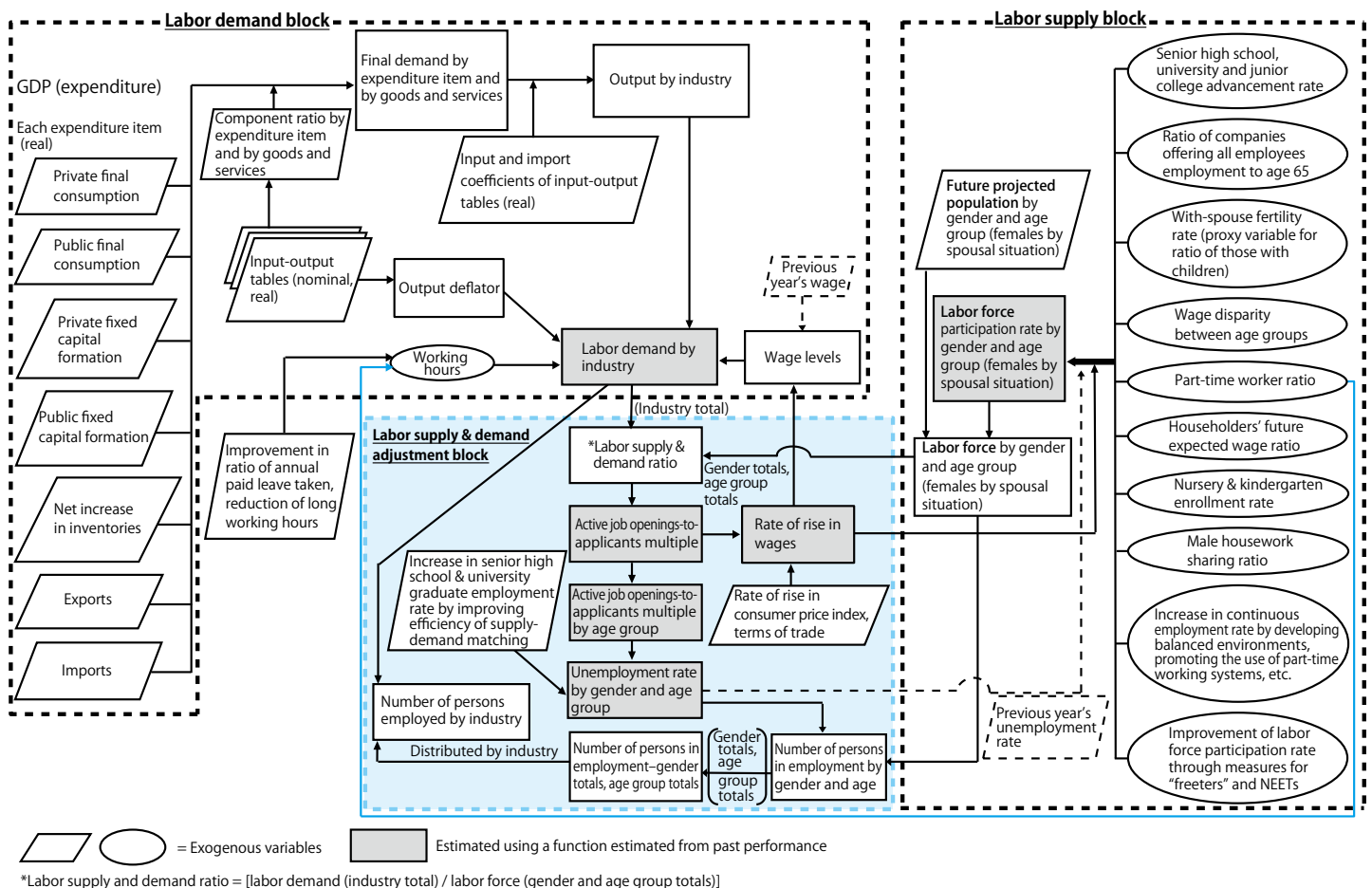
In the labor supply and demand adjustment block, the rationale of the Phillips curve is applied to calculate the rate of rise in wages from the active job openings-to-applicants ratio, the rate of change in the consumer price index, and terms of trade (the ratio of the export price index to the import price index).

Meanwhile, the conversion equation for calculating the unemployment rate by gender and age group from the active job openings-to-applicants ratio is estimated based on past performance, and the unemployment rate by gender and age group thus obtained. The active job openings-to-applicants ratio is obtained by using a conversion equation estimated from past performance and the ratio of the total labor demand, calculated in the labor demand block, and the total labor force, calculated in the labor supply block (labor supply and demand ratio). The rate of change in the consumer price index and terms of trade are given exogenously.

The rate of change in wages in the labor supply and demand adjustment block is calculated from the labor demand and labor force calculated in the labor demand and labor supply blocks. This is fed back to the labor demand and labor supply blocks (the future rate of change in wages by industry is collectively based on the industry total), and the labor demand and labor force are calculated using a new wage standard. The figures before and after feeding back are compared, and the model calculation is judged complete (labor demand, labor force and various other estimates determined) at the point when the rates of change in wages appear to converge. Numbers of employed persons by gender and age group are calculated from the unemployment rate and labor force at the point of convergence. Next, the gender and age group totals for these employed persons are divided by industry, based on the industry composition of labor demand, and the resultant figure is taken as the number of employees by industry.



**Figure II-1 Flowchart of the Labor Supply and Demand Model**



### Section 3 Simulation Scenarios

#### 1. Outline of Scenarios

In this study, simulations will be made to show how the future image of labor supply and demand would appear until the year 2030 if economic and employment policies indicated in the “Japan Revitalization Strategy” and elsewhere are properly implemented and the economic growth rate targets cited in the “Japan Revitalization Strategy” are met. In this study, this shall be called the “economic revival / progressive labor participation scenario”. The “Japan Revitalization Strategy” not only specifies

numerical targets for new market scale in sectors where growth is anticipated in future, but also sets the aim of average macroeconomic growth of about 2% in real terms over the next 10 years.<sup>1</sup> These points are incorporated in the assumption of labor demand in the economic revival/ progressive labor participation scenario. On the other hand, to achieve a real growth rate of around 2%, demand for goods would have to be stimulated, participation in the labor market promoted and constraints on the supply of goods eased. Thus, the case in which economic and employment policies are properly implemented and participation in the labor market progresses will be

1 The Cabinet Office “Calculations concerning Medium- to Long-term Economic and Fiscal Administration” (submitted by the Council on Economic and Fiscal Policy, Jan. 20, 2014) calculate an average growth rate of around 2% in real terms over the next 10 years (FY2013-2022) in the event of an economic revival. From this, the period in which the real growth rate outcome target is cited in “Japan Revitalization Strategy” is assumed to be 2012-2022.

assumed as the economic revival/ progressive labor participation scenario on the labor supply side.

To compare and contrast with this scenario, in which economic and employment policies are properly implemented, i.e. the economic revival/ progressive labor participation scenario, the following two scenarios have been prepared in this study. The first is a scenario in which the necessary economic and employment policies are not implemented and risks of a downturn materialize, causing an economic situation close to zero growth in real terms (lower than the average growth rate over the last ten years or so) to be assumed, while participation in the labor market does not improve from present levels (2012). In this study, this will be called the zero growth/ unchanged labor participation scenario. The other is a scenario in which economic and employment policies assumed in the economic revival/ progressive labor participation scenario are partially implemented, a real growth rate of about 1% is achieved (i.e. about half the growth rate target stated in the “Japan Revitalization Strategy”), and labor market participation progresses to a degree. In this study, this will be called the reference/ gradual labor participation scenario. Incidentally, a real growth rate of around 1% would be about the same as the average growth rate over the last 10 years. The last 10 years was a period in which the economy was gradually recovering, notwithstanding major shocks such as the global financial crisis and the Great East Japan Earthquake. However, it was also a period when no rise in wages was observed, prompting some to call it a hollow economic boom.

The characteristics of the economic revival/ progressive labor participation, reference/ gradual labor participation, and zero growth/ unchanged labor participation scenarios are as follows. Assumptions on the labor demand side will be called the economic revival scenario, the reference scenario, and the zero growth scenario, respectively. Meanwhile, assumptions regarding labor market participation on the labor supply side will be called the progressive labor participation case, the gradual labor participation case, and the unchanged labor participation case, respectively.

## 1) The economic revival/ progressive labor participation scenario

In this scenario, economic growth and labor market participation by young people, women, the elderly and others progress through proper implementation of various economic and employment policies (the case in which economic growth and labor participation progress properly).

- (1) Annual economic growth of around 2% in real terms is achieved (in the “Japan Revitalization Strategy”, the target is real growth of around 2% in 10 years’ time).
- (2) Additional demand based on growth sector attainment targets (KPIs) in the “Japan Revitalization Strategy” is taken into account.
- (3) Medical and nursing care costs after reforms in “Revised Future Estimate of Costs Related to Social Security” (March 2012) are taken into account.
- (4) The labor force participation rate and employment rate of young people are raised through measures for freeters and NEETs, as well as improved matching efficiency for senior high school and university graduate employment rates.
- (5) Labor market participation by young people progresses by reducing wage disparity among young people compared to the all-age average.
- (6) The ratio of companies offering all employees employment to age 65 rises to 100% by 2025, and working environments for the elderly are developed.
- (7) Nursery and kindergarten enrollment rates rise, and female participation in the labor market progresses.
- (8) The continuous employment rate for women is improved by developing the WLB environment.
- (9) The continuous employment rate for the elderly is improved by promoting the use of part-time working systems, among other measures.
- (10) The ratio of housework sharing by men increases.
- (11) While the part-time worker ratio rises as channels for diverse forms of employment are developed, average working hours decrease with the reduction of long working hours, etc.

## 2) The reference/ gradual labor participation scenario

In this scenario, economic growth and labor market participation by young people, women, the elderly and others progress to a degree through partial implementation of various economic and employment policies (the case in which economic growth and labor participation progress to a degree).

- (1) Annual economic growth of around 1% in real terms is achieved (about half the growth rate targeted in the “Japan Revitalization Strategy”).
- (2) About half the additional demand based on growth sector attainment targets (KPIs) in the “Japan Revitalization Strategy” is taken into account.
- (3) Medical and nursing care costs after reforms in “Revised Future Estimate of Costs Related to Social Security” are taken into account.
- (4) Shrinkage of wage disparity among age groups is about half that in the economic revival/ progressive labor participation scenario.
- (5) The ratio of companies offering all employees employment to age 65 rises to 100% by 2025, and working environments for the elderly are developed.
- (6) Nursery and kindergarten enrollment rates grow by about half compared to those in the economic revival/ progressive labor participation scenario.

### 3) The zero growth/ unchanged labor participation scenario

In this scenario, economic growth is posited close to zero growth, and the labor force participation rates by gender and age group remain at the same level as at present (2012) (the case in which economic growth and labor participation do not progress properly).

- (1) An economic situation close to zero growth is assumed (same economic growth rate as in the reference/ gradual labor participation scenario until 2015, zero growth from 2016 onwards).
- (2) Additional demand based on growth sector attainment targets (KPIs) in the “Japan Revitalization Strategy” is not taken into account.
- (3) Medical and nursing care costs after reforms in “Revised Future Estimate of Costs Related to Social Security” are taken into account in line with an economic situation close to zero growth.
- (4) Current (2012) labor force participation rates by gender and age group do not change in future. This

means that the current labor force participation rate is applied to the estimated future population. The female labor force ratio is seen in terms of the spousal situation (i.e. with spouse or without spouse).

## 2. Assumptions in the Labor Demand Block

### 1) Numbers of employees

Numbers of employees by industry are defined by taking data from the Ministry of Internal Affairs and Communications (MIC) “Labour Force Survey” and reclassifying them under the industrial category notation used for the Labor Supply and Demand Model. Basically, industrial categories are reclassified using simple aggregation, but for reclassifications up to 2002, the “Population Census” is used. In the Labor Supply and Demand Model, meanwhile, dispatched workers from temporary labor agencies are classified under “Miscellaneous business services”, the industry to which the agencies belong; they are not included in other industries. The rate of change in numbers of employees is obtained from the labor demand function and future numbers of employees are determined.

### 2) Real outputs

Future real outputs by industry are estimated using the input-output model. That is, an inverse matrix is calculated from the future input and import coefficients assumed in e. below, and this is multiplied by the final demand estimated in a. to d. to obtain the real output by industry for each scenario.

#### A. Assumptions of macroeconomic growth rate and rate of change in commodity prices

The macroeconomic growth rate and rate of change in commodity prices are assumed for each scenario (divided into the two periods 2012-2015 and 2015-2023, annual average values applied for each period). The assumptions use estimates for the real economic growth rate, the rate of change in the corporate goods price index and the rate of change in the consumer price index in the economic revival and reference scenario of the Cabinet Office “Calculations concerning Medium- to Long-term Economic and Fiscal Administration” (submitted by

the Council on Economic and Fiscal Policy, January 20th, 2014), as shown in Table II-2.<sup>2,3</sup>

As Cabinet Office calculations for both economic revival and the reference scenario cover the period until FY2023, figures from 2024 are assumptions by this study. As for the macroeconomic growth rate for 2024-2030, it is assumed that the per capita economic growth rate (annual average) in 2012-2023 based on Cabinet Office calculations for 2024-2030 will be maintained, and that the macroeconomic growth rate (annual average) will only decrease to the extent of population decline, compared to that for 2012-2023.

On the rate of change in prices in 2024-2030, it is assumed that the annual average rate of change for 2012-2023 based on Cabinet Office calculations will also be maintained in 2024-2030.

Finally, the zero growth scenario is an assumption unique to this study. In anticipation of reconstruction demand, the same macroeconomic growth rate and rate of change in prices as in the reference scenario are assumed until 2015. From 2016 on, however, the macroeconomic growth rate and rate of change in prices are assumed to be zero.

**Table II-2 Assumptions of Macroeconomic Growth Rate & Rate of Change in Prices**

Real economic growth rate (% annual average)

	Actual	Period covered by Cabinet Office calculations			JILPT assumption	2012-20	2020-30	2012-30
	2005-12	2012-15	2015-23	2012-23	2023-30			
Economic revival scenario		1.9	2.2	2.1	1.8	2.1	1.9	2.0
Reference scenario	0.3	1.6	1.2	1.3	1.1	1.4	1.1	1.2
Zero growth scenario			0.0	0.4	0.0	0.6	0.0	0.3

Per capita real economic growth rate (% annual average)

	Actual	Period covered by Cabinet Office calculations			JILPT assumption	2012-20	2020-30	2012-30
	2005-12	2012-15	2015-23	2012-23	2023-30			
Economic revival scenario		2.1	2.6	2.5	2.5	2.4	2.6	2.5
Reference scenario	0.3	1.9	1.7	1.7	1.7	1.7	1.7	1.7
Zero growth scenario			0.5	0.7	0.7	0.9	0.6	0.8

Rate of change in the consumer price index (% annual average)

	Actual	Period covered by Cabinet Office calculations			JILPT assumption	2012-20	2020-30	2012-30
	2005-12	2012-15	2015-23	2012-23	2023-30			
Economic revival scenario		2.2	2.1	2.1	2.1	2.1	2.1	2.1
Reference scenario	-0.1	1.9	1.3	1.5	1.5	1.5	1.4	1.5
Zero growth scenario			0.0	0.4	0.0	0.7	0.0	0.3

Rate of change in the corporate goods price index (% annual average)

	Actual	Period covered by Cabinet Office calculations			JILPT assumption	2012-20	2020-30	2012-30
	2005-12	2012-15	2015-23	2012-23	2023-30			
Economic revival scenario		2.6	1.2	1.6	1.6	1.7	1.5	1.6
Reference scenario	0.4	2.4	0.5	1.0	1.0	1.2	0.9	1.0
Zero growth scenario			0.0	0.6	0.0	0.9	0.0	0.4

Note: Actual values and Cabinet Office calculations (economic revival/ reference scenario) are computed from the Cabinet Office "Calculations concerning Medium- to Long-term Economic and Fiscal Administration" (submitted by the Council on Economic and Fiscal Policy, January 20, 2014), the MIC (Ministry of Internal Affairs and Communications) "Population Estimates", and the IPSS "Population Projections for Japan (January 2012 Medium Fertility and Mortality Projections)". For 2024 onwards, it is assumed that the per capita real economic growth rate, the rate of change in the consumer price index and the rate of change in the corporate goods price index in 2012-2023 will all trend in accordance with their annual average values. The zero growth scenario presents figures assumed for this study.

2 The real economic growth rate is based on the chain-linking method.

3 The Cabinet Office calculations are based on fiscal years, but in this study, fiscal years are replaced by calendar years. Also, the growth rate in fiscal year  $t$  in the Cabinet Office calculations is assumed as the growth rate from year  $t - 1$  to year  $t$  in this study. As such, the average growth rate for FY2013-2023 in the Cabinet Office calculations is assumed as the annual average growth rate for 2012-2023 in this study.

B. Assumptions of final demand component ratio by expenditure item

Although results for the macroeconomic growth rate are shown in the Cabinet Office calculations, the final demand composition by expenditure item is not published. Therefore, the annual average rate of change in estimates for 2005-2020 and 2020-2025 in the Japan Center for Economic Research (March 2013) “39th Medium-term Economic Forecast” is used for the final demand composition by GDP expenditure item (expenditure side), and real values converted from the 2007 “SNA Input-output Tables” are extended by using the rate of change.

C. Assumptions of the final demand composition of goods and services by expenditure item

On the future final demand composition of goods and services by expenditure item, as with the final demand composition by GDP expenditure item (expenditure side), the average rate of change in estimates until 2025 in the Japan Center for Economic Research (March 2013) “39th Medium-term Economic Forecast” is used, and real values converted from the 2007 “SNA Input-output Tables” are extended by using the rate of change.

D. Additional demand in growth sectors in the “Japan Revitalization Strategy” and addition of medical and nursing care costs in “Revised Future Estimate of Costs Related to Social Security”

In this study, real GDP assumed for each scenario in a. is divided by the final demand composition of GDP (expenditure side) calculated from the Japan Center for Economic Research “Medium-term Economic Forecast” in b., and this further divided by goods and services, using the composition of final demand by expenditure item and by goods and

services in c., to obtain the final demand. By factoring in additional demand by growth sector to this final demand, the final demand corresponding to attainment targets (KPIs) in the “Japan Revitalization Strategy” and medical and nursing care costs in “Revised Future Estimate of Costs Related to Social Security” is produced.

In the main text of the “Japan Revitalization Strategy”, attainment targets (KPIs) for each main policy are indicated in I. Overview 5. Examples of Necessary Key Measures in Line with the “Roadmap to Growth”. As attainment targets (KPIs) related to future market scale by industry, the following will be used in this study:

Of “(1) Unleashing the power of the private sector to the fullest extent”, the figures included in “4. Creating and developing a good health and longevity industry”, “5. Turning agriculture, forestry and fishery industries into growth industries” and “6. Developing the energy industry and acquiring global market share”; and of “(3) Creating new frontiers”, those included in “3. Through public-private sector joint efforts, capturing a share of the world’s infrastructure market that is expected to grow” and “4. Promoting globalization by advancing Cool Japan and increasing the number of foreign visitors to Japan and encouraging foreign direct investment in Japan”.<sup>4</sup>

In the debate on comprehensive reform of tax and social security, the “Future Estimate of Costs Related to Social Security” has been revised (March 2012) and estimates of social security costs estimated using new assumptions. Assumptions of additional medical and nursing care costs will be based on these estimates.

The attainment targets (KPIs) and medical and nursing care costs in the “Japan Revitalization

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4 In “(1) Unleashing the power of the private sector to the fullest extent”, the attainment target (KPI) of expanding the PPP/PFI program scale from the current 4.1 trillion yen to 12 trillion yen over the next 10 years is stated in “7. Establishing, managing, and updating social infrastructure by making use of private funds and know-how (PPP/PFI)”. In this study, however, this is seen as a means of attaining targets in other sectors (such as stimulating infrastructure investment markets), and is not directly included in the calculation of final demand.



Strategy” taken into account in this study are as follows<sup>5</sup> (below, in the case of the economic revival scenario).

- (1) Expand markets for health promotion, preventive care and living assistance industries to 10 trillion yen by 2020 (6 trillion yen up from 2011).
- (2) Expand markets for pharmaceuticals, medical devices, and regenerative medicine-related industries to 16 trillion yen by 2020 (4 trillion yen up from 2011).
- (3) Japanese companies to capture domestic and international market shares of energy-related industries amounting to 26 trillion yen by 2020 (18 trillion yen up from 2012). Of which, domestic share 10 trillion yen (6 trillion yen up from 2012), overseas share 16 trillion yen (12 trillion yen up from 2012). Domestic market scale 11 trillion yen in 2030 (7 trillion yen up from 2012).
- (4) Expand overseas orders for infrastructure sales to 19.5 trillion yen by 2020 (13.6 trillion yen up from 2010). Of which, orders in the medical sector 1.5 trillion yen (1 trillion yen up from 2010). Domestic market scale 16 trillion yen in 2020 (14 trillion yen up from 2010), 33 trillion yen in 2030 (31 trillion yen up from 2010).
- (5) Expand markets for “6th industries” to 10 trillion yen by 2020 (9 trillion yen up from 2010), 3 trillion yen by 2015 (2 trillion yen up from 2010).
- (6) Expand total exports by agricultural and food manufacturing industries to 1 trillion yen by 2020.
- (7) Increase the number of foreign visitors to Japan to 10 million by 2013 and 30 million or more by 2030.
- (8) Increase total medical and nursing care costs borne by households and government contributions to 57.1 trillion yen after reform by 2015, 69.9 trillion yen after reform by 2020, and 83.1 trillion yen after reform by 2025.<sup>6</sup>

\*1 As detailed attainment targets (KPIs) for 2030 are not necessarily shown by sector, some are estimated.

\*2 Overseas orders for infrastructure sales in 2020 consist of the target of 30 trillion yen minus amounts for energy and medical costs.

#### E. Assumptions of input and import coefficients

The future industry and technology composition (input coefficient) and import ratio (import coefficient) are assumed as constants, based on real converted values in the 2007 “SNA Input-output Tables”. This means that the 2007 industry and technology composition and import coefficient will also be assumed in future. However, the import coefficient is adjusted to be consistent with the gross import value, obtained by dividing the real GDP assumed for each scenario by the final demand composition of GDP (expenditure side) calculated from the Japan Center for Economic Research “Medium-term Economic Forecast”.

#### 3) Output deflator

The future value of the output deflator by industry is basically obtained by means of an extended estimate based on trends using the 2000-2007 “SNA Input-output Tables”.

#### 4) Wages and working hours

Working hours by industry are based on total actual working hours, obtained by adding the actual number of scheduled hours worked by full-time workers in the Ministry of Health, Labour and Welfare (MHLW) “Basic Survey on Wage Structure” to the actual number of overtime hours worked. Wages by industry are obtained by dividing the contractual cash earnings of full-time workers in the MHLW “Basic Survey on Wage Structure” by total actual working hours. In both cases, the figures refer to private businesses with 10 or more workers. As no data for agriculture, forestry and fisheries can be obtained from the “Basic Survey on Wage Structure”, industry total figures are used for these.

5 Although the “Japan Revitalization Strategy” sets specific targets (KPIs), it should be noted that some sectors have no targets in this study. For example, by promoting “Cool Japan”, overseas sales of broadcast contents are to be tripled from the current level (6.3 billion yen) by 2018. Such targets are not explicitly mentioned in this study, as it would have been difficult to estimate the portion of additional demand arising from policy implementation.

6 Medical and nursing care costs are calculated by combining amounts in the Future Estimate of Costs Related to Social Security with individual contributions.

Again, no data can be obtained for “government” and “industries unable to classify”, and so figures for other service industries are used for government, compound services, and industries unable to classify.

Future values for wages by industry are sought by multiplying the rate of rise in wages determined in the labor supply and demand adjustment block for each industry by the previous term’s hourly wage. The rate of rise in wages function is estimated from the rate of change in hourly wages, obtained by dividing the contractual cash earnings (monthly) of full-time workers (industry total) by working hours (monthly). For each industry, working hours are obtained from the weighted average (industry total) of full-time workers and part-time workers, and assumed for each case in line with the degree of future labor market participation. Future estimates of working hours in the progressive labor participation case take account of the rising ratio of part-time workers and reduction due to improvement in the ratio of annual paid leave taken and reduction of long working hours, based on policy targets deliberated by the working groups and subcommittees of the Labour Policy Council.

### 3. Assumptions in the Labor Supply Block

#### 1) 3 cases in line with progress in labor market participation

Future assumptions of explanatory variables for the labor force participation rate function are divided into the following three cases, depending on the degree of progress in labor market participation. Future assumptions of each explanatory variable in the progressive labor participation case and the gradual labor participation case are as shown in Table 2. The labor force ratio in the unchanged labor participation case is unchanged from the situation in 2012.

(1) Progressive labor participation case: Various

employment policies are properly implemented and labor market participation progresses (the case in which labor market participation progresses).

- (2) Gradual labor participation case: Various employment policies are partially implemented and labor market participation progresses to a degree (the case in which labor market participation progresses to a degree).
- (3) Unchanged labor participation case: The 2012 labor force participation rates by gender and age group remain constant in future (the case in which labor market participation does not progress).

Of the explanatory variables, the previous term’s unemployment rate and real wages are not included in Table II-3, but these are determined endogenously within the model. Future values for real wages (contractual cash earnings (industry total, full-time workers) / consumer price index (General Index)) are obtained from the rate of change in full-time workers’ contractual cash earnings (male-female total), as determined in the labor supply and demand adjustment block. However, the consumer price index as the denominator of real wages is based on the assumptions in Table II-2.

#### 2) Labor force participation rate and population aged 15 and over

The source for the labor force participation rate by age group (labor force/ population aged 15 and over) is the MIC “Labour Force Survey” (for both the labor force and the population aged 15 and over). However, data by spousal situation for the over 65s are not published in the Labour Force Survey, and so figures obtained by estimating in this study are used as actual figures.<sup>7</sup> Meanwhile, figures for 2005-2010 are

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7 Concerning the elderly portion of the female population, information on the labor force ratio by 5-year age groups cannot be obtained by spousal situation from the “Labour Force Survey”. Instead, the population aged 15 and over and the labor force composition by 5-year age group and by spousal situation obtained from the “Population Census” are taken as initial values, and the RAS method is used to estimate the population aged 15 and over and the labor force by 5-year age group and by spousal situation. This is to ensure consistency with the population aged 15 and over and labor force by 5-year age group and the population aged 15 and over and labor force by spousal situation in the “Labour Force Survey”. The labor force participation rate is calculated from the estimated population aged 15 and over as well as the labor force by 5-year age group and by spousal situation.

**Table II-3 Settings in Cases of Labor Market Participation**

		Progressive labor participation	Gradual labor participation	Unchanged labor participation	
		Case in which participation in the labor market progresses	Case in which participation in the labor market progresses to a degree	Case in which participation in the labor market does not progress (2012 labor force participation rate fixed case)	
Basic trend change variables	Senior high school advancement rate (males)	Logistic curve applied to extend until 2030			
	Senior high school advancement rate (females)				
	University and junior college advancement rate (males)				
	University and junior college advancement rate (females)				
	With-spouse fertility rate				
		For 2013 onwards, the fertility rate (medium, 5-yearly) in the IPSS "Population Projections for Japan (January 2012 Estimates)" is used (linear interpolation for intermediate years).			
Measures for young persons	Improvement of the labor force participation rate by freeter measures and employment or other career decisions by NEETs	On the assumption that labor market participation by younger age groups will be encouraged by freeter measures and employment or other career decisions by NEETs, the labor force participation rate for males and females aged 15-19, 20-24, 25-29, and 30-34 is assumed to be 0.01-0.12 points higher in 2020 (linear interpolation for intermediate years; from 2021 onwards, linear extrapolated estimates).	None		
	Increase in senior high school & university graduate employment rates by improving the efficiency of supply-demand matching	On the assumption that employment in younger age groups will be encouraged by the improvement in supply and demand matching efficiency, the employment rate for those aged 15-19 is assumed to rise by 0.27 points (males) and 0.47 points (females) in 2020, and by 0.28 points (males) and 0.47 points (females) in 2030. The employment rate for those aged 20-24 is assumed to rise by 0.41 points (males) and 0.11 points (females) in 2020, and by 0.43 points (males) and 0.12 points (females) in 2030.	None		
M-curve measures for women	Improvement of continuous employment rate by developing WLB environment Ratio of housework sharing by men	On the assumption that job leaving on grounds of childbirth and childcare will decrease with the development of the WLB environment, a rise in the continuous employment rate is assumed to result in the labor force participation rate of females (with spouse) aged 30-34 rising by 2.0 points in 2020 and 1.5 points in 2030.	None		
	Ratio of housework sharing by men	With an increase in the share of housework by men due to a reduction of working hours, wives' conversion to regular employment, changes in husbands' awareness, and other factors, the share of housework by men is set to rise from 13.2% in 2011 to around 37.2% in 2030 via linear interpolation. By contrast, the wife's share of housework is assumed to decrease commensurately with this effect.	Fixed at the 2012 value (14.5%) in the assumption for the progressive labor participation case		
	Nursery and kindergarten enrollment rate	Trend extension from 53.1% in 2012 (65.6% in 2030), taking account of the reduction in waiting lists by expanding childcare arrangements until 2017.	Set at about half the rate of increase from the actual figure in 2012 to the progressive labor participation case in 2030		
Measures for the elderly	Improvement of continuous employment rate by promoting the use of part-time working systems, etc.	The labor force participation rate for both males and females aged 65-69 is assumed to rise by 0.8 points (males) and 0.4 points (females) in 2030, due to promoting the use of part-time working systems, among others (linear interpolation for intermediate years).	None		
	Ratio of companies offering employment to age 65	Extended at a constant rate until the ratio of companies rises to 100% in 2025.	As on left		
Work-life balance related measures and other explanatory variables	Average working hours	Weighted average of full-time and part-time workers	To decrease from 157.2 hours per month in 2012 to 152.2 hours in 2030.	Fixed in future at the 2012 monthly figure of 157.2 hours	As on left
		Full-time	To decrease from 178 hours per month in 2012 to 175.5 hours in 2020 and 172.0 hours in 2030 (linear interpolation for intermediate years).	Fixed at the 2012 monthly figure of 178 hours	As on left
	Part-time	To increase from 89.6 hours per month in 2012 to 111.7 hours in 2030 (linear interpolation for intermediate years).	Fixed in future at the 2012 monthly figure of 89.6 hours	As on left	
	Part-time worker ratio	To reach 34.7% (obtained by applying a logistic curve to the part-time worker ratio) in 2030 by linear interpolation.	Fixed at the 2012 part-time worker ratio (26.4%)	As on left	
	Reduction of age group wage disparity (in relation to age group totals) by conversion to regular employment, etc.	Disparity to shrink to 10% by 2030 for ages 15-19, 20-24, 25-29 and 30-34, by year-on-year linear interpolation.	Disparity to shrink to 10% by 2030 for ages 15-19 and by 5% for ages 20-24, 25-29 and 30-34, by year-on-year linear interpolation.		
Householders' future expected wage ratio (male age 45-49 wage / male age 20-24 wage)	Fixed at 2012 value (1.925).	As on left			

- Notes: 1) In the progressive labor participation case, the improvement of the labor force participation rate through measures for freeters and NEETs takes account of targets (KPIs) in the "Japan Revitalization Strategy" (decided by the Cabinet on June 14, 2013) and policy targets deliberated by working groups and subcommittees of the Labour Policy Council. There are to be 1.24 million young freeters by 2020. The number of NEETs who will decide their career paths with help from the Local Youth-Support Station Project is to be 15,000 per year by 2020 (in the estimates, about 80% of these "career path deciders" are assumed to actually find employment).
- 2) In the progressive labor participation case, improvement of the continuous employment rate by developing the WLB environment takes account of the target (KPI) stated in the "Japan Revitalization Strategy" of increasing the rate of continuous employment before and after the birth of the first child to 55%.
- 3) In the progressive labor participation case, the nursery and kindergarten enrollment rate takes account of the target (KPI) stated in the "Japan Revitalization Strategy" of providing additional childcare arrangements for about 200,000 children in FY2013 and FY2014, and for about 400,000 more in FY2013-2017.
- 4) In the progressive labor participation case, the reduction of average working hours takes account of policy targets deliberated by working groups and subcommittees of the Labour Policy Council. The ratio of annual paid leave taken is to be increased to 70% by 2020 (ratio assumed by JILPT to reach 100% by 2030). The ratio of workers working 60 or more hours per week is to be cut to half the 2008 figure by 2020 (in 2008, about 10%).



compatible time-series data based on the (revised) Census-based population for 2010 in the “Labour Force Survey”, while those for 2011 are supplementary estimates affected by the Great East Japan Earthquake (based on the (revised) Census-based population for 2010). For those aged 70 and over in 2005-2011, similarly, no Census-based population figures have been published. Instead, this study uses figures estimated in reference to the method of interpolation correction accompanying the switch in the basis for benchmark population by the Ministry of Internal Affairs and Communications. As for the data by spousal situation, for which supplementary estimates have not been published, figures obtained by dividing the post-supplement data for females based on the pre-supplement component ratio by spousal situation are used.

Future values for the labor force participation rate are obtained using the labor force participation rate function, but there are exceptions in some age groups. That is, for males aged 70 and over, females (with spouse) aged 60 and over, and females (without spouse and others) aged 55 and over, estimates are not made using the labor force participation rate function, but future estimates are made on the assumption that they will trend in accordance with a fixed survival rate (cohort<sup>8</sup> survival rate) from the closest age group.<sup>9</sup> Specifically, the labor force participation rate for each relevant age group is estimated from the 2012 actual figure for the rate at which it decreased from the labor force participation rate for the age group 5 years younger at a point 5 years previously (1– survival rate), or from the average of actual figures for 2008-2012. Also, since the absolute number of “females (with spouse)” aged 15-19 in the labor force is small and the 2012 labor force participation rate would be calculated as zero, the average labor force participation rate for 2000-

2012 is adopted. For the “females (with spouse)” 20-24 age group, similarly, the absolute number of the labor force is small, and so the 2012 labor force participation rate is simply extended.

Future values for the population aged 15 and over are obtained from “Population Projections for Japan (January 2012 Medium Fertility and Mortality Projections)” by the National Institute of Population and Social Security Research in Japan (IPSS). As future values for the population aged 15 and over by spousal situation, ratios by spousal situation are calculated from “Household Projections for Japan (Whole Country Estimate) (January 2013 Estimate)”, and the future values are obtained by multiplying these by the population in “Population Projections for Japan (January 2012 Estimate)”.

### 3) Explanatory variables in the labor force participation rate function

#### A. Assumptions of senior high school, university and junior college advancement rates

As those enrolled in education have a lower labor force participation rate than those not enrolled in education, the educational advancement rate is seen as a factor that reduces the labor force participation rate. Although the university and junior college advancement rate is an explanatory variable of the labor force participation rate function in the 20-24 age group, data going back two years are used, as advancement usually takes place at around age 18. In other words, the rise in the university and junior college advancement rate 2 terms previously (2 years previously) is seen as reducing the labor force participation rate in the 20-24 age group in the term in question (year in question). Data are sourced from the Ministry of Education, Culture, Sports, Science and Technology (MEXT) “School Basic Survey”. The senior high school advancement rate in 2012 was

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8 A cohort (age group population) is a single collection of people belonging to a given age group at a given point in time.

9 According to the 2010 Population Census, non-marriage accounted for a higher ratio than widowhood among women (no spouse and others) in age groups up to 55-59 compared to the population of each age group, but the opposite was true in age groups 60-64 or higher. Therefore, changes in the labor force participation rate in ages 60-64 and over are thought to be impacted relatively strongly not only by the same cohort but also by the change from females (with spouse). Because of this, no survival rate by spousal situation is assumed for women aged 60 and over, but the total female survival rate is used equally for those with spouse, without spouse and others.

96.2% for males and 96.8% for females, while the university and junior college advancement rate was 51.6% for males and 55.5% for females.

Future estimates of the advancement rate are based on past trends. Since the high rate of increase in recent years is thought unlikely to continue in future, future assumptions are basically estimated in accordance with a logistic curve based on past trends. Moreover, this assumption applies equally to the progressive labor participation and gradual labor participation cases.

#### B. Assumptions of the with-spouse fertility rate

The birth of a child is seen as a factor that reduces the labor force participation rate until the start of compulsory education, in that it increases women's burden of childcare. Sources for the with-spouse fertility rate (fertility rate of same cohort 5 years previously/ with-spouse ratio of same cohort 5 years previously = number of births/ population of females with spouse for same cohort 5 years previously) are the MHLW "Vital Statistics" and the MIC "Labour Force Survey". The with-spouse fertility rate in 2012 was 237.1 in ages 25-29 and 159.3 in ages 30-34.

The fertility rate, as a numerator of the future with-spouse fertility rate, is based on estimates in the IPSS "Population Projection for Japan" (January 2012 Medium Fertility and Mortality Projections). However, since the fertility rate is published every 5 years, interpolation estimates are made linearly for the intermediate years. Meanwhile, a value calculated from the IPSS "Household Projections for Japan (Whole Country Estimates, January 2013 Estimates)" is used for the denominator, i.e. the with-spouse female ratio. This assumption also applies equally to the progressive labor participation and gradual labor participation cases.

#### C. Assumptions of the ratio of housework sharing by men

An increase in housework hours by men is seen as

a factor that raises the labor force participation rate, in that it reduces women's burden of housework and increases the female labor force. The source for the ratio of housework sharing by men (total average weekly hours spent on housework, caring and nursing, childcare and shopping by husbands as a whole, divided by the total average weekly hours spent on housework, caring and nursing, childcare and shopping by husbands as a whole and wives as a whole) is the MIC "Survey on Time Use and Leisure Activities", with the intermediate years between surveys estimated by linear interpolation. The ratio of housework sharing by men in 2011 was 13.2%.

In the progressive labor participation case, the ratio of housework sharing by men is assumed to rise as a result of reduced working hours, wives' conversion to regular employment, changes in husbands' awareness, etc. The assumed value for the ratio of housework sharing by men in 2030 is taken as 37.2%. This assumption is at the same level as Sweden (37.7%), as found by an international comparison of the ratio of housework sharing by men in "International Comparison of the Social Environment regarding Declining Birthrates and Gender Equality" by the Special Committee on the Declining Birthrate and Gender Equality of the Council for Gender Equality (2005). This figure for the ratio of housework sharing by men in Sweden (calculated from housework and childcare hours by wives in full-time employment and total housework and childcare hours by husbands in couples with children under the age of 5) is from 1991.<sup>10</sup>

#### D. Assumptions of the nursery and kindergarten enrollment rate

If the ratio of children enrolled in nurseries and kindergartens increases, it leads to a reduced burden of childcare for women, and is therefore seen as a factor that raises the labor force ratio. Sources for the nursery and kindergarten enrollment rate (nursery and kindergarten enrollees/ population aged 0-6) are, for

10 A direct comparison is not possible as the figures and subjects are different. However, according to the "Swedish Time Use Survey 2010/2011" by Statistics Sweden, among married males and females aged 20-64 with children aged less than 7, the husband's share of housework was 38.8% in 1990/91 but had risen to 44.7% in 2010/11 (whole week, participant average, from September to the following May).

nursery enrollees, the MHLW “Report on Social Welfare Administration and Services”, and for kindergarten enrollees, the MEXT “School Basic Survey”. The population aged 0-6 is from the MIC “Population Estimates”. The nursery and kindergarten enrollment rate in 2012 was 53.1%.

The nursery and kindergarten enrollment rate in the progressive labor participation case is estimated on the basis of past trends, etc., on the assumption that nurseries and kindergartens will be developed. However, in the “Japan Revitalization Strategy”, the stated target (KPI) is to provide additional childcare arrangements for about 200,000 children in FY2013 and FY2014, and for about 400,000 more in FY2013-2017. As such, until 2017 the numerator of the nursery and kindergarten enrollment rate is increased to the extent that waiting lists are reduced. Taking the reduction in waiting lists into account, the level of a simple trend extension estimate will be surpassed as of 2030. As a result, the nursery and kindergarten enrollment rate for 2030 in the progressive labor participation case is 65.6%. In the gradual labor participation case, the rate of rise in the fixed rate estimate is assumed to be half that in the progressive labor participation case.

#### E. Assumptions of the ratio of companies offering all employees employment to age 65

An increase in companies guaranteeing employment until age 65 leads to factors that expand the labor force, and is therefore seen as a factor that will raise the labor force participation rate. The ratio of companies offering all employees employment to age 65 is in fact the total of three ratios: (1) the ratio of companies with no specified retirement age system, (2) the ratio of companies specifying a fixed retirement age of 65 and above, and (3) of companies specifying a fixed retirement age of less than 65, the ratio of those that have an employment extension system or re-employment system for those aged 65 and over or with no specified age, and which in principle offer these systems to all employees. Data are sourced from ratios of companies with a scale of

31 (or 30) or more employees in the MHLW “Status of Employment of Elderly Persons”, “Survey on Employment Management” and “General Survey on Working Conditions”. For years with no published data, however, the estimates in this study are used. In 2012, the ratio of companies offering all employees employment to age 65 was 48.8%.

The 2000 Amendment to the Employees Pension Insurance Act provides that, over the space of 12 years from FY2013 (i.e. by FY2025), the starting age for receiving old-age employees’ pension (earnings-related component) is to be raised from 60 to 65, with an increase of one year every three years.<sup>11</sup> In 2004, the Act on Stabilization of Employment of Elderly Persons was amended in response to this, and the age for obligatory measures to guarantee employment for the elderly [raising the fixed retirement age, introducing systems of continuous employment (although, when standards have been specified by labor-management agreements, this need not be offered to all employees), and abolishing stipulations of a fixed retirement age] was to be raised to 65 from FY2013. Further, in the 2012 Amendment of the same Act, the arrangement allowing elderly persons subject to continuous employment systems to be limited based on standards specified by labor-management agreements was abolished. However, the transitional period in which standards may continue to be applied to those who have already reached the starting age for receiving old-age employees’ pension (earnings-related component) is set at 12 years (until April 1st, 2025). Based on these trends in legal amendments, the ratio of companies offering all employees employment to age 65 is assumed to reach 100% in 2025. For intermediate years, the rate is estimated to grow at a fixed rate from the actual figure in 2012 until it reaches 100%. This assumption also applies equally to the progressive labor participation and gradual labor participation cases.

#### F. Assumptions of the rate of reduction in age group wage disparity

A relative rise in wages for males in a given age group compared to wages for males in age group total could be expected to cause an increase in the labor

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11 This timing will be used to raise the payment age for men; for women, the change will be delayed by five years.

force. As such, this is seen as a factor that increases the labor force participation rate in young male age groups. The source for data on age group wage disparity (wages for males in a given age group/ wages for males in age group total) is the MHLW “Basic Survey on Wage Structure”. Here, contractual cash earnings of full-time workers by age group in male and industry totals are used. Meanwhile, the wages and working hours in the “Basic Survey on Wage Structure” used for the labor supply block are figures referring to private businesses with 10 or more workers.

The wage disparity for age group totals in younger age groups is assumed to shrink in future. The rate of reduction in ages 20-34 in the gradual labor participation case is assumed to be half that of the progressive labor participation case.

#### G. Assumptions of householders’ future expected wage ratio

The expectation by a core earner in a household that wages will rise in future is seen as a factor that reduces the labor force participation rate among non-core earners. Normally, this explanation is made for the labor force participation rate of non-core earners already sharing the same household, but here, the expectation that wages will rise by males who will become core earners in future is seen as reducing the labor force participation rate among unmarried females who will become non-core earners in future. The source for this householders’ future expected wage ratio (male age 45-49 wage/ male age 20-24 wage) is the MHLW “Basic Survey on Wage Structure”, using contractual cash earnings of full-time workers by age group in male and industry totals. The wage ratio in 2012 was 1.925.

No clear trend can be seen in the householders’ future expected wage ratio in recent years, and the closest actual figure (in this study, 2012) is assumed to remain constant in future. This assumption also

applies equally to the progressive labor participation and gradual labor participation cases.

#### H. Assumptions of the part-time worker ratio

An increase in part-time workers leads to an expansion of employment opportunities, and is therefore seen as a factor that increases the labor force participation rate. The source for the part-time worker ratio [employed persons working less than 35 hours a week (industry total) / total employed persons (industry total)] is the MIC “Labour Force Survey”.<sup>12</sup> In 2012, the part-time worker ratio was 26.4%.

In the progressive labor participation case, the part-time worker ratio is assumed to rise in future as channels for employment diversify. However, since the ratio is thought unlikely to grow linearly in future, figures obtained in accordance with a logistic curve based on past trends are taken as future values. As a result, the 2030 value in the progressive labor participation case is 34.7%, while for intermediate years, it is estimated by linear interpolation from the actual figure for 2012. Meanwhile, the part-time worker ratio in the gradual labor participation and unchanged labor participation case is fixed at the actual figure for 2012.

#### I. Assumptions of working hours

The future values for working hours listed in Table II-3 are used as explanatory variables of the labor demand function. When estimating the labor demand function, the working hours of full-time workers by industry (monthly) are used. However, future values of working hours in each industry are estimated as extensions, based on the rate of change in weighted averages for full-time workers and part-time workers as industry totals.<sup>13</sup>

In the gradual labor participation and unchanged labor participation cases, working hours are assumed to remain constant from the situation in 2012. On the

12 The figure for 2011 is estimated by interpolation as the average of 2010 and 2012.

13 The reason why the working hours of full-time workers are estimated as extensions based on the rate of change in weighted averages for full-time workers and part-time workers is that ways of working by full-time workers (of whom the majority are regular employees) are expected to change in future. In future, it is assumed that some part-time workers will work like part-time regular employees and that these will increase to a degree.

other hand, the assumption of working hours in the progressive labor participation case takes account of policy targets deliberated by working groups and subcommittees of the Labour Policy Council, and is assumed to change as follows in future.

Future assumptions of monthly working hours by full-time workers (progressive labor participation case) take into account, firstly, the reduction in working hours due to the increase in the ratio of annual paid leave taken. In the policy targets deliberated by working groups and subcommittees of the Labour Policy Council, the aim is to raise the ratio of annual paid leave taken to 70% by 2020. Thus, the assumption here is that the ratio will rise to 70% in 2020 and to 100% in 2030, as an independent assumption by this study. This includes linear interpolation for intermediate years. The reduction in working hours due to the increased ratio of annual paid leave taken is calculated using the number of scheduled working hours per day (industry total, company scale total, workers average) and the number of days of annual paid leave taken (industry total, company scale total) in the MHLW “General Survey on Working Conditions (2012)”. As a result, monthly working hours are assumed to decrease by 2.5 hours in 2020 and 6.0 hours in 2030.

Although monthly working hours by part-time workers have been tending to decrease in recent years, workers who engage in diverse employment formats (i.e. ways of working that are mid-way towards full-time employment) are assumed to increase. In the process, 25% of the difference between working hours of full-time workers and part-time workers in 2012 will be eliminated, monthly working hours of the latter increasing to 111.7 hours by 2030 (progressive labor participation case).

If the working hours of full-time workers and part-time workers obtained in the assumptions outlined above<sup>14</sup> are converted to a weighted average based on the part-time worker ratio (as data on working hours are obtained from the MHLW “Basic Survey on Wage

Structure” (industry total, male-female total), the part-time worker ratio in that survey is used, and is calculated to change at the same rate as the part-time worker ratio in H. above), the average monthly working hours will decrease from 157.2 hours in 2012 to 155.3 hours in 2020 and 153.4 hours in 2030 (progressive labor participation case).

Another policy target on working hours deliberated by working groups and subcommittees of the Labour Policy Council is that the ratio of employees working 60 hours or more each week should be reduced to half the 2008 figure (about 10%) by 2020. In response to this, the reduction in working hours assumed from the MIC “Labour Force Survey” is calculated on the assumption that average working hours will only decrease to reflect the 50% reduction in the ratio of employees working 60 or more hours per week. As a result, monthly working hours will decrease by 1.2 hours in 2020, and this is subtracted from the weighted averages of working hours by full-time workers and part-time workers. The decrease in intermediate years from 2012-2020 is obtained by linear interpolation, and remains fixed from 2020 onwards.

By carrying out this series of operations, ultimately, the average monthly working hours of workers as a whole are assumed to decrease from 157.2 hours in 2012 to 154.1 hours in 2020 and 152.2 hours in 2030 in the progressive labor participation case.

#### J. Assumptions of direct policy effects

For the progressive labor participation case in Table II-3, no parameters have been estimated as explanatory variables of the labor force participation rate function. Instead, some of the shift factors are seen as direct policy effects that increase the constant terms of said function.

One of these is the effect of improving the labor force participation rate among young people through measures for freeters and NEETs. Others are the effect of raising the continuous employment rate for

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14 Total actual working hours of full-time workers are used for the working hours of full-time workers. For part-time workers, on the other hand, working hours are calculated by multiplying the scheduled working hours of part-time workers by the number of days actually worked. It should be noted, therefore, that the working hours of part-time workers do not include unscheduled working hours.



females by developing the WLB environment, and improving the continuous employment rate for the elderly by promoting the use of part-time working systems, etc. Freeter measures are designed to convert freeters to regular employment, but they also have the effect of improving the labor force participation rate.

In addition to these, the effect of improving the employment rate by promoting employment in younger age groups through improvement of matching efficiency (direct policy effects that reduce the constant terms of the unemployment rate function) are also taken into account.

a) Freeter measures

The “Japan Revitalization Strategy” sets the target (KPI) of reducing the number of young freeters to 1.24 million by 2020.<sup>15</sup> According to the MIC “Labour Force Survey”, the number of freeters peaked at 2.17 million in 2003, but was down to 1.80 million in 2012.

In future, the number of freeters is expected to decrease to a certain extent under the impact of population shrinkage, but is also estimated to fall further due to policy effects, as follows. Firstly, a ratio is calculated by dividing the number of freeters by gender and age group in 2012 by the population by gender and age group. Next, this ratio is multiplied by the population by gender and age group in 2020 [“Population Projections for Japan (January 2012 Medium Fertility and Mortality Projections)”, “Household Projections for Japan (Whole Country Estimates, January 2013 Estimates)”]. This is taken as the number of freeters by gender and age group in 2020 if there are no policy effects. As a result, there will be 1.63 million freeters in 2020 if there are no policy effects; the difference of 0.39 million compared to the attainment target (KPI) of 1.24 million would be the number of freeters additionally reduced as a result of policy effects.

Further, the decrease in freeters by employment status, gender and age group due to policy effects is taken as the difference between the number of freeters by gender and age group in 2020 if there are no policy effects, as calculated above, and the attainment target (KPI) of 1.24 million allocated according to the component ratio of freeters by gender and age group in 2012. The decrease in freeters by employment status, gender and age group, divided by the population by gender and age group in 2012, is taken as a policy effect of improving the labor force participation rate in 2020.

However, as freeters in employment are already counted in the labor force participation rate, they are not included in the improvement of the labor force participation rate due to policy effects. The conversion of employed freeters to regular employment is seen as helping to reduce age group wage disparity. Similarly, the reduction in unemployed freeters is thought to be included in the effect of raising the labor force participation rate through the labor force participation rate function, due to the improvement in the unemployment rate (one term previously) as an explanatory variable. As such, this reduction is not included in the improvement of the labor force participation rate due to policy effects. Therefore, only the improvement of the labor force participation rate among freeters as a non-labor force element is taken as an additional policy effect.

Policy effects in the intermediate years until 2020 are estimated by linear interpolation. And from 2021 onwards, the same level of policy effects as in 2020 is envisaged, so the values for 2020 will remain constant.

b) NEETs measures

One of the policy targets deliberated by working groups and subcommittees of the Labour Policy Council is to help a total of 100,000 NEETs to take up employment or otherwise decide their career paths

15 The definition of “freeters” is based on the MHLW “Analysis of the Labor Economy in 2003”, where the term “freeter” refers to a graduate in the 15-34 age group who (1) is currently employed and whose employment format is called “part-time work” or “arbeit” (temporary work) in the place of work, or (2) is currently looking for work (completely unemployed) and wishes to work in a part-time job or “arbeit”, or (3) is not currently looking for work and is neither engaged in housework nor attending school, but who wishes to find employment and would prefer to work in a part-time job or “arbeit”. For females, freeters are limited to unmarried persons, in addition to conditions (1)-(3) above.

through Local Youth-support Stations in FY2011-2020. According to the MHLW Human Resources Development Bureau, meanwhile, actual figures for 2012 showed 14,713 career path deciders, of whom about 80% had found employment. In this study, it is assumed that the level of those finding employment in FY2012 can be maintained to a degree until 2020, and it is assumed that 12,000 NEETs will find employment every year.

According to the MIC “Labour Force Survey”, the total number of NEETs (young people not in employment) in 2012 was 630,000.<sup>16</sup> This number has remained level in the 600,000 range since 2002, and no major variation is seen in the age composition of NEETs, either.

The composition of NEETs by gender and age group in 2012 is kept constant, and the number of employment finders assumed above for 2020 is divided by gender and age group. The number of employment finders by gender and age group is then divided by the 2012 population by gender and age group, and the result is taken as the policy effect of improving the labor force participation rate in 2020.

For intermediate years until 2020, as it is expected that 12,000 NEETs will find employment every year, the trend will be at the same level as the policy effects in 2020. For policy effects from 2021 onwards, similarly, it is assumed that 12,000 NEETs will find employment every year, and thus it is assumed that the policy effects in 2020 will be maintained at the same level.

c) Improving the continuous employment rate by developing the WLB environment

For females (with spouse) aged 30-34, the labor force participation rate is assumed to increase as a result of the rise in the continuous employment rate, because job leaving for reasons of childbirth and childcare will be reduced by the development of the

WLB environment.

In the MIC “Employment Status Survey (2012)”, childbirth and childcare account for 47.9% of all reasons for leaving jobs among females aged 30-34 (i.e. those who were previously in employment but now are not in employment).<sup>17</sup> The ratio of previously employed females among females aged 30-34 not in employment is 57.1%. These ratios are assumed to remain fixed in future.

Meanwhile, according to the IPSS “14th Basic Survey of Birth Trends”, the ratio of continuous employment among females before and after the birth of their 1st, 2nd and 3rd child in the years 2005-2009 was, respectively, 38.0%, 72.8% and 82.9%. From this, the average ratio of continuous employment before and after childbirth, not taking account of the number of children, is calculated as 52.6%. Therefore, although an exact correspondence cannot be made owing to differences of definition and years between surveys, as well as the existence of 4th or more children, generally, when the ratio of continuous employment before and after childbirth is 52.6% (and the ratio of job leaving before and after childbirth is 47.4%), the ratio of those leaving jobs for reasons of childbirth and childcare compared to all job leavers would be 47.9% (ibid., “Employment Status Survey (2012)”).

The “Japan Revitalization Strategy” sets the target (KPI) of raising the ratio of continuous employment of females before and after the birth of the 1st child to 55% by 2020, and this ratio is assumed to be maintained after 2020. If the ratio of continuous employment before and after the birth of the 2nd and 3rd child changes as a fixed rate based on actual figures in 2005-2009, an average ratio before and after childbirth among females after 2020 would be 63.0% (job leaving ratio before and after childbirth 37.0%).<sup>18</sup> As such, the ratio of job leaving before and after childbirth is assumed to decrease from 47.4% to

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16 Based on the Ministry of Health, Labour and Welfare, NEETs are defined as persons in the 15-34 age group in the MIC “Labour Force Survey” who are not in the labor force and are neither engaged in housework nor attending school.

17 Females previously in employment who quit their jobs in or after October 2007.

18 Here, it is assumed that the ratio of births of 1st, 2nd and 3rd children will not change in future, but in fact, the ratio of births of 1st children is predicted to rise compared to those of 2nd and 3rd children. To be more exact, therefore, the average ratio of continuous employment before and after childbirth is expected to be slightly higher than 63.0%.



37.0% in 2020, and to trend at a fixed rate from 2020 onwards.<sup>19</sup>

As a result, in the economic revival/ progressive labor participation scenario, this will have the effect of increasing the labor force participation rate by 2.0 percentage points in 2020 and 1.5 percentage points in 2030.<sup>20</sup>

- d) Improving the continuous employment ratio by promoting the use of part-time working systems, among others

For males and females (with spouse) aged 65-69, the labor force participation rate is assumed to increase due to the rise in the continuous employment rate when job leaving caused by underdevelopment of systems will be eliminated by promoting the use of part-time working systems, etc. Part-time working systems are not the only means of developing employment environments for the 65-69 age group, but owing to constraints of data, this study only takes account of the increase in the labor force participation rate due to promoting the use of part-time working systems by those previously employed as regular staff or employees.

In the JILPT “Follow-up Survey on the Baby-boomer Generation’s Work and Life Vision” (conducted in 2008), the ratio of respondents who replied that they would make it possible to work part-time as a necessary measure for continued employment at age 60 and over (regular employees employed by companies with a fixed retirement age of 60 at the time of the survey in 2006) was 11.0% for males and 14.1% for females. These are therefore taken as the ratios expected to leave their jobs if the use of part-time working systems or others is not promoted.<sup>21</sup> Meanwhile, of the total number of males and females aged 65-69 not in

employment in the MIC “Employment Status Survey (2012)”, the ratio of those previously employed as regular staff or employees was 21.4% for males and 4.1% for females. It is assumed that these ratios will remain fixed in future.

On the assumption that job leaving in the 65-69 age group due to underdevelopment of part-time working systems will no longer exist in 2030, the increase in the labor force participation rate in 2030 will be 0.8 percentage points for males and 0.4 percentage points for females in the economic revival / progressive labor participation scenario.

- e) Promoting employment in younger age groups by improving the efficiency of matching (increase in senior high school and university graduate employment rates)

It is assumed that senior high school and university graduate employment rates will be increased by improving the efficiency of matching, and that with this, employment rates in younger age groups (ages 15-19 and 20-24) will rise. This effect will be treated as one that does not convert to the labor force participation rate, but reduces the unemployment rate among young people. In other words, rather than reducing the constant terms of the labor force participation rate function, it is seen as a direct policy effect reducing the constant terms of the unemployment rate function in the labor supply and demand adjustment block.

It is assumed that the senior high school and university graduate rates and the ratio of population subject to advancement (the ratio of junior and senior high school graduates to the general population) will remain fixed in future. That is, if the product of these

19 The ratio of continuous employment before and after childbirth does not only concern females aged 25-29. Therefore, the reduction in the ratio of job leaving before and after childbirth is an average value including age groups other than 25-29.

20 Since the ratio of continuous employment among females before and after the birth of the 1st child is assumed to trend at a fixed rate after 2020, the upward effect on the labor force participation rate due to development of the WLB environment will not grow so greatly in 2030, when the labor force participation rate will be larger if the upward effect of WLB environment development compared to 2020 is not taken into account.

21 Calculated by dividing the number of respondents who replied that they would make it possible to work part-time as a necessary measure for continued employment at age 60 and over, by the total number of respondents citing necessary measures for continued employment at age 60 and over. Because this was a multiple response question, the total number of respondents citing necessary measures for continued employment at age 60 and over exceeds the number of actual respondents.

is made a constant, the number of future senior high school and university graduate employment rates in employment will be determined by the product of the senior high school and university graduate employment rates, the senior high school and university advancement rates, the population aged 10-14 and 15-19, and the constant.

Although the senior high school and university advancement rates are also used as explanatory variables of the labor force participation rate function, the latter is the currently active university and junior college advancement rate. As such, the future values cannot be applied as they are. Therefore, the university advancement rate (including senior high school graduates and others in past fiscal years) is assumed to be the scalar multiple (ratio of both in 2012) of the currently active university and junior college advancement rate. Figures from “Population Projections for Japan (January 2012 Medium Fertility and Mortality Projections)” are used for the population aged 10-14 and 15-19.

The employment rate of FY2011 senior high school and university graduates as of April 1st, 2012 was 20.3% and 13.6% for male and female senior high school graduates, respectively, and 62.3% and 73.4% for male and female university graduates, respectively (MEXT “School Basic Survey”, preliminary figures). Meanwhile, as of April 1st, 2008, when the senior high school and university graduate employment rates were at their highest in recent years, they were 21.8% and 16.1% for male and female senior high school graduates, respectively, and 66.4% and 74.6% for male and female university graduates, respectively. Here, if policies to improve the matching efficiency of labor supply and demand were implemented, the degree of difference between the two points in time is assumed to have the potential to raise employment rates. Therefore, the improvement due to policy implementation would be 1.5 percentage points and 2.5 percentage points for males and females, respectively, in the senior high school graduate employment rate, and 4.1 percentage points and 1.2 percentage points, respectively, in the university graduate employment rate (with linear interpolation for intermediate years until 2020; from 2021 onwards, fixed at 2020 values).

As the whole increase in the number of senior high

school and university graduates entering employment consists of persons in employment, the related increase in the employment rate is calculated by dividing this increase by the populations aged 15-19 and 20-24, respectively. As a result, the employment rate in ages 15-19 will be increased by 0.27 percentage points for males and 0.47 percentage points for females in 2020, and by 0.28 percentage points for males and 0.47 percentage points for females in 2030, respectively. Similarly, the employment rate in ages 20-24 will be increased by 0.41 percentage points for males and 0.11 percentage points for females in 2020 and by 0.43 percentage points for males and 0.12 percentage points for females in 2030, respectively. The operation in the Labor Supply and Demand Model is to divide the increase in the employment rate by the labor force participation rate determined endogenously for ages 15-19 and 20-24, and subtract the results from the unemployment rates for ages 15-19 and 20-24.

#### 4. Assumptions in the Labor Supply and Demand Adjustment Block

##### 1) Labor supply & demand ratio, active job openings-to-applicants ratio and unemployment rate

The MIC “Labour Force Survey” provides the source for the labor demand (where actual figures relate to employed persons) and labor force used to calculate the labor supply and demand ratio, and unemployment rates. The active job openings-to-applicants ratio is based on data by age group, using the full-time employment opportunity accumulation method (including part-time) in the MHLW “Employment Referrals for General Workers (Employment Security Statistics)”. Relational expressions between these variables are estimated from past performance values, but in future they will all be resolved endogenously in the Labor Supply and Demand Model.

##### 2) Rate of rise in wages

The Labor Supply and Demand Model is structured such that the rate of rise in wages adjusts supply and demand in the labor force. To ascertain the relationship between the rate of rise in wages and labor supply and demand, a rate of rise in wages function is estimated by applying the rationale of the Phillips curve. The rate

of rise in wages (industry total) is taken as the explained variable, and the active job openings-to-applicants ratio (age group total), the rate of change in the consumer price index, and terms of trade (export price index/ import price index) as explanatory variables. Data sources are contractual cash earnings (industry total, full-time workers, private businesses with 10 or more workers) in the MHLW “Basic Survey on Wage Structure” for the rate of rise in wages; the MHLW “Employment Referrals for General Workers (Employment Security Statistics)” for the active job openings-to-applicants ratio; the General Index in the MIC “Consumer Price Index” for the rate of change in the consumer price index; and the Bank of Japan “Corporate Goods Price Index” for yen-denominated export and import price indices.

The future consumer price index is shown in Table II-2. Future terms of trade are extended from the actual figure for 2012, based on the Japan Center for Economic Research “39th Medium-Term Economic Forecast”. Other variables are resolved endogenously in the Labor Supply and Demand Model.

## Section 4 Simulation Results

### 1. Labor Force

With zero growth and unchanged participation, the labor force is estimated to decrease from 65.55 million persons in 2012 to 61.90 million in 2020, and to 56.83 million in 2030 (Table II-4, II-5). Conversely, if economic and employment policies are implemented and both economic growth and participation in the labor market progress, the respective figures could be 63.31 million in 2020 and 59.54 million in 2030, in the reference/ gradual participation scenario, and 64.95 million in 2020 and 62.85 million, in 2030 in the economic revival/ participation progression scenario. In both cases, the scale of decrease is smaller than in the zero growth/ unchanged participation scenario. In the economic revival/ participation progression scenario, in particular, the female labor force is forecast to increase from 27.66 million in 2012 to 27.71 million in 2030.

### 2. Labor Force Participation Rate

In the zero growth/ unchanged participation

scenario, the labor force participation rate is estimated to decrease from 59.1% in 2012 to 56.5% in 2020 and 54.3% in 2030 (Table II-6). In the reference/ gradual participation scenario, it is estimated to decrease to 57.8% in 2020 and 56.9% in 2030. In the economic revival/ participation progression scenario, it would rise to 59.3% in 2020 and 60.1% in 2030, thus exceeding the 2012 level. Viewing trends in the female labor force participation rate by age, in the economic revival/ participation progression scenario, the dip in the M-shaped curve would be shallower, while the labor force participation rate is estimated to improve generally in all age groups (Figure II-7).

### 3. Employed Persons

In the zero growth/ unchanged participation scenario, employed persons are estimated to decrease from 62.70 million in 2012 to 59.47 million in 2020 and 54.49 million in 2030 (Table II-8). In the reference/ gradual participation scenario, they are estimated to decrease to 60.88 million in 2020 and 57.25 million in 2030. In the economic revival/ participation progression scenario, they are estimated to decrease to 62.91 million in 2020 and 61.03 million in 2030, the scale of decrease thus being smaller than in the other scenarios. In the zero growth/ unchanged participation scenario, the composition of employed persons by gender in 2030 is more or less the same as in 2012 (males 57.7%, females 42.3%), but in the economic revival/ participation progression and reference/ gradual participation scenarios, in which female M-shaped curve measures and WLB related measures are enhanced or partially implemented, the component ratio of females rises by 1.9 and 0.8 points, respectively (Table II-9). In the economic revival/ participation progression scenario, in particular, employed females are estimated to increase from 26.54 million in 2012 to 26.97 million in 2030 (Table II-8). As the composition by age in 2030, reflecting the aging of the population, the ratio of persons aged 60 and over is estimated to rise from 19.0% in 2012 to 19.8% in the zero growth/ unchanged participation scenario and 21.7% in the reference/ gradual participation and economic revival/ participation progression scenarios (Table II-9).

#### 4. Employment Rate

In the zero growth/ unchanged participation scenario, the employment rate is estimated to decrease from 56.5% in 2012 to 54.3% in 2020 and 52.1% in 2030 (Table II-10). In the reference/ gradual participation scenario, it is estimated to decrease more gently to 55.6% in 2020 and 54.7% in 2030. In the economic revival/ participation progression scenario, conversely, it is expected to rise to 57.4% in 2020 and 58.4% in 2030.

#### 5. Comparison with Employment Rate Targets (KPIs) in the “Japan Revitalization Strategy”

Viewing employment rates for which specific attainment targets (KPIs) have been stated in the government’s growth strategy (Table II-11), in the “Japan Revitalization Strategy”, an employment rate of 80% in ages 20-64, 78% in ages 20-34, 65% in ages 60-64, and 73% for females aged 25-44 are set as targets for 2020. In the economic revival/ participation progression scenario, the situation is estimated to be consistent with the employment rate targets stated in the “Japan Revitalization Strategy”.

#### 6. Number of Employees by Industry

In the economic revival/ participation progression scenario, the number of employees by industry in 2020, compared to 2012, is estimated to increase in growth sectors in the “Japan Revitalization Strategy”, namely general and precision machinery (100,000 increase), electrical machinery (110,000 increase), other manufacturing (120,000 increase), information and communications (190,000 increase), and miscellaneous services (280,000 increase), as well as in miscellaneous business services (50,000 increase), and in medical, health care and welfare (1.44 million increase), where demand is expanding with population aging (Table II-12, II-13). In the economic revival/ participation progression scenario, the number of employees by industry in 2030, compared to 2012, is estimated to increase in general and precision machinery (60,000 increase), electrical machinery (10,000 increase), information and communications (330,000 increase), medical, health care and welfare (2.56 million increase),

miscellaneous business services (150,000 increase) and miscellaneous services (550,000 increase).

In medical, health care and welfare, numbers are estimated to increase in all scenarios compared to 7.06 million in 2012. Namely, in the zero growth/ unchanged participation scenario, it will rise to 8 million in 2020 (940,000 increase) and 9.08 million in 2030 (2.02 million increase); in the reference/ gradual participation scenario, to 8.34 million in 2020 (1.28 million increase) and 9.44 million in 2030 (2.38 million increase); and in the economic revival/ participation progression scenario, to 8.50 million in 2020 (1.44 million increase) and 9.62 million in 2030 (2.56 million increase). Similarly, in miscellaneous services, compared to 2012, the number is estimated to increase by 180,000 in 2020 and 190,000 in 2030 in the zero growth/ unchanged participation scenario, by 210,000 in 2020 and 260,000 in 2030 in the reference/ gradual participation scenario, and by 280,000 in 2020 and 550,000 in 2030 in the economic revival/ participation progression scenario, respectively.

In manufacturing industries as a whole, the number is estimated to fall from 10.32 million in 2012, by 810,000 to 9.51 million in 2020 and by 1.62 million to 8.70 million in 2030 in the zero growth/ unchanged participation scenario. In the reference/ gradual participation scenario, however, the number is estimated to decrease by 460,000 to 9.86 million in 2020 and 1.06 million to 9.26 million in 2030, and in the economic revival/ participation progression scenario by 160,000 to 10.48 million in 2020 and 380,000 to 9.94 million in 2030. Here, therefore, the scale of decrease is expected to be smaller. In the wholesale and retail trade, compared to 2012, the number is estimated to decrease by 1.14 million in the zero growth/ unchanged participation scenario, 1.03 million in the reference/ gradual participation scenario, and 510,000 in the economic revival/ participation progression scenario in 2020; and by 2.87 million in the zero growth/ unchanged participation scenario, 2.26 million in the reference/ gradual participation scenario, and 1.52 million in the economic revival/ participation progression scenario in 2030. Thus, the number is estimated to decrease vastly in all scenarios.

## 7. Labor Productivity

The annual average rate of change in labor productivity (man-hours) in 2012-2020 is estimated to be 1.3% in the zero growth/ unchanged participation scenario, 1.7% in the reference/ gradual participation scenario, and 2.3% in the economic

revival/ participation progression scenario (Figure II-14). The annual average rate of change in labor productivity (man-hours) in 2020-2030 is estimated to be 0.9% in the zero growth/ unchanged participation scenario, 1.7% in the reference/ gradual participation scenario, and 2.4% in the economic revival/ participation progression scenario.

**Table II-4 Outline of the Labor Force by Gender and Age Group (Unit: 10,000 Persons)**

			2012	2020	Difference compared to 2012	Difference compared to zero growth scenario	2030	Difference compared to 2012	Difference compared to zero growth scenario
Scenario with zero growth and no progress in labor market participation (zero growth / unchanged labor participation scenario)	Male-female totals	Total (age 15 and over)	6555	6190	-365		5683	-872	
		Ages 15-29	1125	1024	-101		930	-195	
		Ages 30-59	4195	4042	-153		3636	-559	
		Age 60 and over	1235	1124	-111		1118	-117	
	Males	Total (age 15 and over)	3789	3564	-225		3281	-508	
		Ages 15-29	601	548	-53		496	-105	
		Ages 30-59	2430	2325	-105		2097	-333	
		Age 60 and over	757	692	-65		688	-69	
	Females	Total (age 15 and over)	2766	2626	-140		2402	-364	
		Ages 15-29	524	477	-47		434	-90	
		Ages 30-59	1766	1718	-48		1539	-227	
		Age 60 and over	476	432	-44		430	-46	
Scenario with economic growth and some progress in labor market participation (reference / gradual labor participation scenario)	Male-female totals	Total (age 15 and over)	6555	6331	-224	141	5954	-601	271
		Ages 15-29	1125	1030	-95	6	951	-174	21
		Ages 30-59	4195	4096	-99	54	3720	-475	84
		Age 60 and over	1235	1205	-30	81	1283	48	165
	Males	Total (age 15 and over)	3789	3618	-171	54	3399	-390	118
		Ages 15-29	601	545	-56	-3	503	-98	7
		Ages 30-59	2430	2329	-101	4	2102	-328	5
		Age 60 and over	757	744	-13	52	794	37	106
	Females	Total (age 15 and over)	2766	2713	-53	87	2555	-211	153
		Ages 15-29	524	486	-38	9	448	-76	14
		Ages 30-59	1766	1767	1	49	1619	-147	80
		Age 60 and over	476	461	-15	29	488	12	58
Scenario with economic growth and progress in labor market participation (economic revival / progressive labor participation scenario)	Male-female totals	Total (age 15 and over)	6555	6495	-60	305	6285	-270	602
		Ages 15-29	1125	1058	-67	34	1012	-113	82
		Ages 30-59	4195	4203	8	161	3914	-281	278
		Age 60 and over	1235	1235	0	111	1359	124	241
	Males	Total (age 15 and over)	3789	3672	-117	108	3514	-275	233
		Ages 15-29	601	559	-42	11	538	-63	42
		Ages 30-59	2430	2342	-88	17	2126	-304	29
		Age 60 and over	757	771	14	79	851	94	163
	Females	Total (age 15 and over)	2766	2823	57	197	2771	5	369
		Ages 15-29	524	499	-25	22	474	-50	40
		Ages 30-59	1766	1860	94	142	1789	23	250
		Age 60 and over	476	464	-12	32	508	32	78

Notes: 1) Actual figures for 2012 are from the Statistics Bureau, MIC "Labour Force Survey". Figures for 2020 and 2030 are estimates.

2) Economic revival / progressive labor participation: Scenario in which economic growth and labor market participation by young people, women, the elderly and others progress

Reference / gradual labor participation: Scenario in which economic growth and labor market participation by young people, women, the elderly and others progress to a degree

Zero growth / unchanged labor participation: Scenario assuming almost zero growth, with labor force participation rates by gender and age group trending at 2012 levels

3) As figures in the Table have been rounded up or down to the nearest notational unit, the grand totals and breakdown totals may not agree. Differences are calculated from the rounded-off figures.



**Table II-5 Outline of the Labor Force by Gender and Age Group  
(Component Ratio, Unit: %)**

			2012			2020			2030		
			Male-female total	Males	Females	Male-female total	Males	Females	Male-female total	Males	Females
Scenario with zero growth and no progress in labor market participation (zero growth / unchanged labor participation scenario)	Male-female ratios	Total (age 15 and over)	100.0	57.8	42.2	100.0	57.6	42.4	100.0	57.7	42.3
		Ages 15-29	100.0	53.4	46.6	100.0	53.5	46.5	100.0	53.4	46.6
		Ages 30-59	100.0	57.9	42.1	100.0	57.5	42.5	100.0	57.7	42.3
		Age 60 and over	100.0	61.4	38.6	100.0	61.6	38.4	100.0	61.5	38.5
	Ages ratios	Total (age 15 and over)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
		Ages 15-29	17.2	15.9	18.9	16.5	15.4	18.2	16.4	15.1	18.1
		Ages 30-59	64.0	64.1	63.8	65.3	65.2	65.4	64.0	63.9	64.1
		Age 60 and over	18.8	20.0	17.2	18.2	19.4	16.4	19.7	21.0	17.9
Scenario with economic growth and some progress in labor market participation (reference / gradual labor participation scenario)	Male-female ratios	Total (age 15 and over)	100.0	57.8	42.2	100.0	57.1	42.9	100.0	57.1	42.9
		Ages 15-29	100.0	53.4	46.6	100.0	52.9	47.1	100.0	52.9	47.1
		Ages 30-59	100.0	57.9	42.1	100.0	56.9	43.1	100.0	56.5	43.5
		Age 60 and over	100.0	61.4	38.6	100.0	61.8	38.2	100.0	61.9	38.1
	Ages ratios	Total (age 15 and over)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
		Ages 15-29	17.2	15.9	18.9	16.3	15.1	17.9	16.0	14.8	17.5
		Ages 30-59	64.0	64.1	63.8	64.7	64.4	65.1	62.5	61.8	63.4
		Age 60 and over	18.8	20.0	17.2	19.0	20.6	17.0	21.5	23.4	19.1
Scenario with economic growth and progress in labor market participation (economic revival / progressive labor participation scenario)	Male-female ratios	Total (age 15 and over)	100.0	57.8	42.2	100.0	56.5	43.5	100.0	55.9	44.1
		Ages 15-29	100.0	53.4	46.6	100.0	52.8	47.2	100.0	53.1	46.9
		Ages 30-59	100.0	57.9	42.1	100.0	55.7	44.3	100.0	54.3	45.7
		Age 60 and over	100.0	61.4	38.6	100.0	62.4	37.6	100.0	62.6	37.4
	Ages ratios	Total (age 15 and over)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
		Ages 15-29	17.2	15.9	18.9	16.3	15.2	17.7	16.1	15.3	17.1
		Ages 30-59	64.0	64.1	63.8	64.7	63.8	65.9	62.3	60.5	64.5
		Age 60 and over	18.8	20.0	17.2	19.0	21.0	16.4	21.6	24.2	18.3

Notes: 1) Actual figures for 2012 are from the Statistics Bureau, MIC "Labour Force Survey". Figures for 2020 and 2030 are estimates.

2) Economic revival / progressive labor participation: Scenario in which economic growth and labor market participation by young people, women, the elderly and others progress

Reference / gradual labor participation: Scenario in which economic growth and labor market participation by young people, women, the elderly and others progress to a degree

Zero growth / unchanged labor participation: Scenario assuming almost zero growth, with labor force participation rates by gender and age group trending at 2012 levels

3) As figures in the Table have been rounded up or down to the nearest notational unit, the grand totals and breakdown totals may not agree.

**Table II-6 Outline of the Labor Force Participation Rate by Gender and Age Group (Unit: %)**

			2012	2020	Difference compared to 2012	Difference compared to zero growth scenario	2030	Difference compared to 2012	Difference compared to zero growth scenario
Scenario with zero growth and no progress in labor market participation (zero growth / unchanged labor participation scenario)	Male-female totals	Total (age 15 and over)	59.1	56.5	-2.6		54.3	-4.8	
		Ages 15-29	57.9	57.6	-0.3		58.0	0.1	
		Ages 30-59	82.9	83.7	0.8		83.7	0.8	
		Age 60 and over	30.2	25.9	-4.3		24.8	-5.4	
	Males	Total (age 15 and over)	70.8	67.6	-3.2		65.5	-5.3	
		Ages 15-29	60.5	60.1	-0.4		60.5	0.0	
		Ages 30-59	95.4	95.4	0.0		95.1	-0.3	
		Age 60 and over	41.7	36.0	-5.7		34.7	-7.0	
	Females	Total (age 15 and over)	48.2	46.2	-2.0		44.1	-4.1	
		Ages 15-29	55.2	54.9	-0.3		55.4	0.2	
		Ages 30-59	70.2	71.9	1.7		71.8	1.6	
		Age 60 and over	20.9	17.8	-3.1		17.0	-3.9	
Scenario with economic growth and some progress in labor market participation (reference / gradual labor participation scenario)	Male-female totals	Total (age 15 and over)	59.1	57.8	-1.3	1.3	56.9	-2.2	2.6
		Ages 15-29	57.9	57.9	0.0	0.3	59.3	1.4	1.3
		Ages 30-59	82.9	84.8	1.9	1.1	85.6	2.7	1.9
		Age 60 and over	30.2	27.7	-2.5	1.8	28.5	-1.7	3.7
	Males	Total (age 15 and over)	70.8	68.7	-2.1	1.1	67.9	-2.9	2.4
		Ages 15-29	60.5	59.8	-0.7	-0.3	61.4	0.9	0.9
		Ages 30-59	95.4	95.5	0.1	0.1	95.3	-0.1	0.2
		Age 60 and over	41.7	38.8	-2.9	2.8	40.0	-1.7	5.3
	Females	Total (age 15 and over)	48.2	47.7	-0.5	1.5	46.9	-1.3	2.8
		Ages 15-29	55.2	55.9	0.7	1.0	57.1	1.9	1.7
		Ages 30-59	70.2	73.9	3.7	2.0	75.6	5.4	3.8
		Age 60 and over	20.9	19.0	-1.9	1.2	19.3	-1.6	2.3
Scenario with economic growth and progress in labor market participation (economic revival / progressive labor participation scenario)	Male-female totals	Total (age 15 and over)	59.1	59.3	0.2	2.8	60.1	1.0	5.8
		Ages 15-29	57.9	59.4	1.5	1.8	63.1	5.2	5.1
		Ages 30-59	82.9	87.0	4.1	3.3	90.1	7.2	6.4
		Age 60 and over	30.2	28.4	-1.8	2.5	30.1	-0.1	5.3
	Males	Total (age 15 and over)	70.8	69.7	-1.1	2.1	70.2	-0.6	4.7
		Ages 15-29	60.5	61.3	0.8	1.2	65.6	5.1	5.1
		Ages 30-59	95.4	96.1	0.7	0.7	96.4	1.0	1.3
		Age 60 and over	41.7	40.2	-1.5	4.2	42.9	1.2	8.2
	Females	Total (age 15 and over)	48.2	49.7	1.5	3.5	50.8	2.6	6.7
		Ages 15-29	55.2	57.5	2.3	2.6	60.5	5.3	5.1
		Ages 30-59	70.2	77.8	7.6	5.9	83.5	13.3	11.7
		Age 60 and over	20.9	19.1	-1.8	1.3	20.1	-0.8	3.1

Notes: 1) Actual figures for 2012 are from the Statistics Bureau, MIC "Labour Force Survey". Figures for 2020 and 2030 are estimates.

2) Economic revival / progressive labor participation: Scenario in which economic growth and labor market participation by young people, women, the elderly and others progress

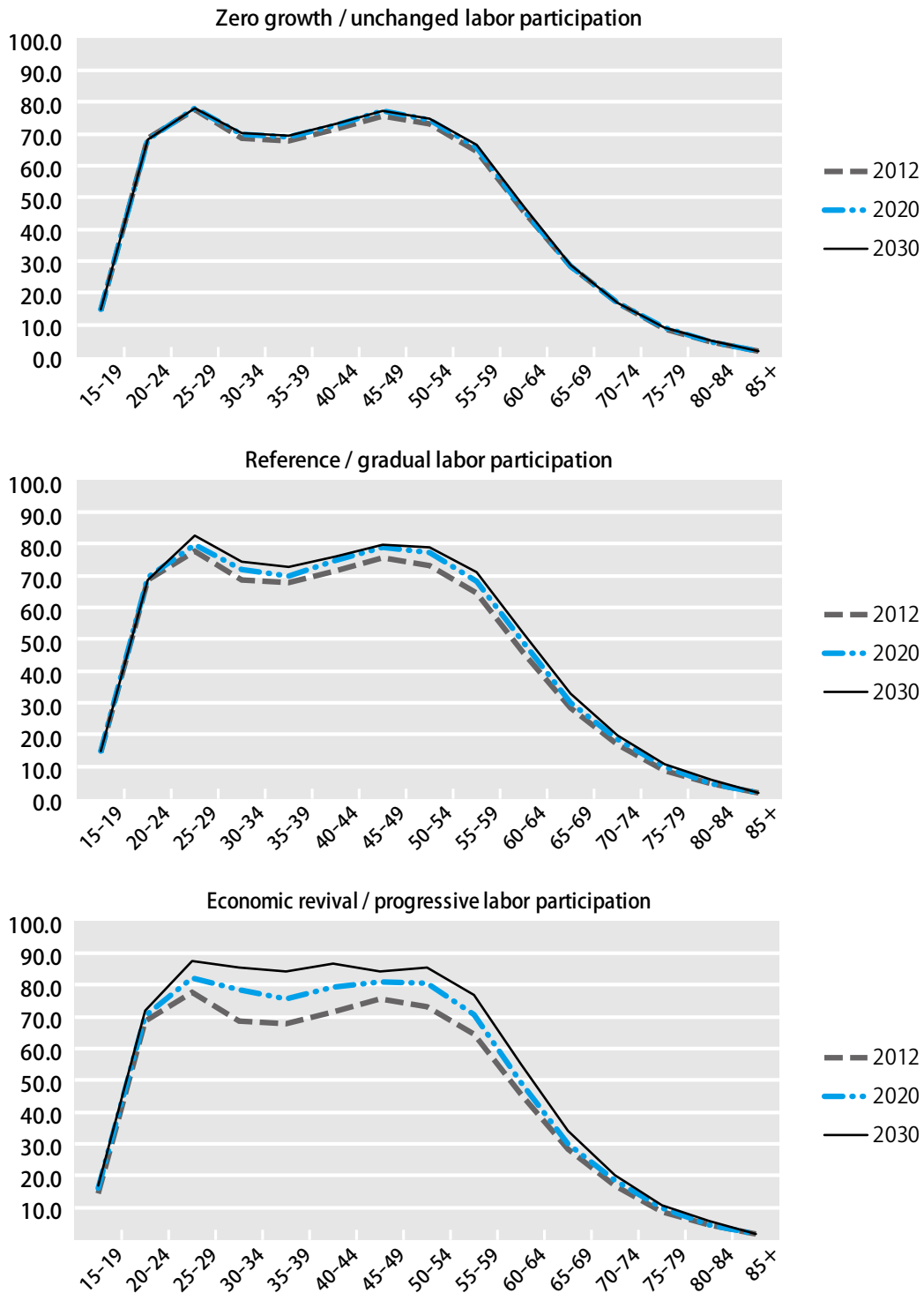
Reference / gradual labor participation: Scenario in which economic growth and labor market participation by young people, women, the elderly and others progress to a degree

Zero growth / unchanged labor participation: Scenario assuming almost zero growth, with labor force participation rates by gender and age group trending at 2012 levels

3) As figures in the Table have been rounded up or down to the nearest notational unit, the grand totals and breakdown totals may not agree. Differences are calculated from the rounded-off figures.



**Figure II-7 Trends in the Female Labor Force Participation Rate (Unit: %)**



Notes: 1) Actual figures for 2012 are from the Statistics Bureau, MIC "Labour Force Survey". Figures for 2020 and 2030 are estimates.

- 2) Economic revival / progressive labor participation: Scenario in which economic growth and labor market participation by young people, women, the elderly and others progress  
 Reference / gradual labor participation: Scenario in which economic growth and labor market participation by young people, women, the elderly and others progress to a degree  
 Zero growth / unchanged labor participation: Scenario assuming almost zero growth, with labor force participation rates by gender and age group trending at 2012 levels

**Table II-8 Outline of the Number of Employees by Gender and Age Group (Unit: 10,000 Persons)**

			2012	2020	Difference compared to 2012	Difference compared to zero growth scenario	2030	Difference compared to 2012	Difference compared to zero growth scenario
Scenario with zero growth and no progress in labor market participation (zero growth / unchanged labor participation scenario)	Male-female totals	Total (age 15 and over)	6270	5947	-323		5449	-821	
		Ages 15-29	1044	966	-78		876	-168	
		Ages 30-59	4034	3896	-138		3497	-537	
		Age 60 and over	1193	1086	-107		1077	-116	
	Males	Total (age 15 and over)	3616	3416	-200		3136	-480	
		Ages 15-29	554	515	-39		466	-88	
		Ages 30-59	2335	2238	-97		2013	-322	
		Age 60 and over	726	663	-63		657	-69	
	Females	Total (age 15 and over)	2654	2531	-123		2313	-341	
		Ages 15-29	490	451	-39		410	-80	
		Ages 30-59	1698	1658	-40		1483	-215	
		Age 60 and over	466	423	-43		420	-46	
Scenario with economic growth and some progress in labor market participation (reference / gradual labor participation scenario)	Male-female totals	Total (age 15 and over)	6270	6088	-182	141	5725	-545	276
		Ages 15-29	1044	972	-72	6	898	-146	22
		Ages 30-59	4034	3951	-83	55	3588	-446	91
		Age 60 and over	1193	1166	-27	80	1240	47	163
	Males	Total (age 15 and over)	3616	3470	-146	54	3259	-357	123
		Ages 15-29	554	513	-41	-2	474	-80	8
		Ages 30-59	2335	2244	-91	6	2024	-311	11
		Age 60 and over	726	714	-12	51	761	35	104
	Females	Total (age 15 and over)	2654	2618	-36	87	2466	-188	153
		Ages 15-29	490	459	-31	8	424	-66	14
		Ages 30-59	1698	1707	9	49	1564	-134	81
		Age 60 and over	466	452	-14	29	478	12	58
Scenario with economic growth and progress in labor market participation (economic revival / progressive labor participation scenario)	Male-female totals	Total (age 15 and over)	6270	6291	21	344	6103	-167	654
		Ages 15-29	1044	1005	-39	39	964	-80	88
		Ages 30-59	4034	4083	49	187	3812	-222	315
		Age 60 and over	1193	1203	10	117	1327	134	250
	Males	Total (age 15 and over)	3616	3550	-66	134	3405	-211	269
		Ages 15-29	554	530	-24	15	512	-42	46
		Ages 30-59	2335	2274	-61	36	2068	-267	55
		Age 60 and over	726	746	20	83	826	100	169
	Females	Total (age 15 and over)	2654	2741	87	210	2697	43	384
		Ages 15-29	490	474	-16	23	452	-38	42
		Ages 30-59	1698	1809	111	151	1744	46	261
		Age 60 and over	466	457	-9	34	501	35	81

Notes: 1) Actual figures for 2012 are from the Statistics Bureau, MIC "Labour Force Survey". Figures for 2020 and 2030 are estimates.

2) Economic revival / progressive labor participation: Scenario in which economic growth and labor market participation by young people, women, the elderly and others progress

Reference / gradual labor participation: Scenario in which economic growth and labor market participation by young people, women, the elderly and others progress to a degree

Zero growth / unchanged labor participation: Scenario assuming almost zero growth, with labor force participation rates by gender and age group trending at 2012 levels

3) As figures in the Table have been rounded up or down to the nearest notational unit, the grand totals and breakdown totals may not agree. Differences are calculated from the rounded-off figures.

**Table II-9 Outline of the Number of Employees by Gender and Age Group  
(Component Ratio, Unit: %)**

			2012			2020			2030		
			Male-female total	Males	Females	Male-female total	Males	Females	Male-female total	Males	Females
Scenario with zero growth and no progress in labor market participation (zero growth / unchanged labor participation scenario)	Male-female ratios	Total (age 15 and over)	100.0	57.7	42.3	100.0	57.4	42.6	100.0	57.6	42.4
		Ages 15-29	100.0	53.1	46.9	100.0	53.3	46.7	100.0	53.2	46.8
		Ages 30-59	100.0	57.9	42.1	100.0	57.4	42.6	100.0	57.6	42.4
		Age 60 and over	100.0	60.9	39.1	100.0	61.1	38.9	100.0	61.0	39.0
	Ages ratios	Total (age 15 and over)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
		Ages 15-29	16.6	15.3	18.5	16.2	15.1	17.8	16.1	14.9	17.7
		Ages 30-59	64.3	64.6	64.0	65.5	65.5	65.5	64.2	64.2	64.1
		Age 60 and over	19.0	20.1	17.6	18.3	19.4	16.7	19.8	20.9	18.1
Scenario with economic growth and some progress in labor market participation (reference / gradual labor participation scenario)	Male-female ratios	Total (age 15 and over)	100.0	57.7	42.3	100.0	57.0	43.0	100.0	56.9	43.1
		Ages 15-29	100.0	53.1	46.9	100.0	52.8	47.2	100.0	52.8	47.2
		Ages 30-59	100.0	57.9	42.1	100.0	56.8	43.2	100.0	56.4	43.6
		Age 60 and over	100.0	60.9	39.1	100.0	61.3	38.7	100.0	61.4	38.6
	Ages ratios	Total (age 15 and over)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
		Ages 15-29	16.6	15.3	18.5	16.0	14.8	17.5	15.7	14.5	17.2
		Ages 30-59	64.3	64.6	64.0	64.9	64.7	65.2	62.7	62.1	63.4
		Age 60 and over	19.0	20.1	17.6	19.1	20.6	17.2	21.7	23.4	19.4
Scenario with economic growth and progress in labor market participation (economic revival / progressive labor participation scenario)	Male-female ratios	Total (age 15 and over)	100.0	57.7	42.3	100.0	56.4	43.6	100.0	55.8	44.2
		Ages 15-29	100.0	53.1	46.9	100.0	52.8	47.2	100.0	53.1	46.9
		Ages 30-59	100.0	57.9	42.1	100.0	55.7	44.3	100.0	54.3	45.7
		Age 60 and over	100.0	60.9	39.1	100.0	62.0	38.0	100.0	62.2	37.8
	Ages ratios	Total (age 15 and over)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
		Ages 15-29	16.6	15.3	18.5	16.0	14.9	17.3	15.8	15.0	16.8
		Ages 30-59	64.3	64.6	64.0	64.9	64.0	66.0	62.5	60.7	64.6
		Age 60 and over	19.0	20.1	17.6	19.1	21.0	16.7	21.7	24.2	18.6

Notes: 1) Actual figures for 2012 are from the Statistics Bureau, MIC "Labour Force Survey". Figures for 2020 and 2030 are estimates.

2) Economic revival / progressive labor participation: Scenario in which economic growth and labor market participation by young people, women, the elderly and others progress

Reference / gradual labor participation: Scenario in which economic growth and labor market participation by young people, women, the elderly and others progress to a degree

Zero growth / unchanged labor participation: Scenario assuming almost zero growth, with labor force participation rates by gender and age group trending at 2012 levels

3) As figures in the Table have been rounded up or down to the nearest notational unit, the grand totals and breakdown totals may not agree.

**Table II-10 Outline of the Employment Rate by Gender and Age Group (Unit: %)**

			2012	2020	Difference compared to 2012	Difference compared to zero growth scenario	2030	Difference compared to 2012	Difference compared to zero growth scenario
Scenario with zero growth and no progress in labor market participation (zero growth / unchanged labor participation scenario)	Male-female totals	Total (age 15 and over)	56.5	54.3	-2.2		52.1	-4.4	
		Ages 15-29	53.7	54.3	0.6		54.6	0.9	
		Ages 30-59	79.7	80.7	1.0		80.4	0.7	
		Age 60 and over	29.2	25.0	-4.2		23.9	-5.3	
	Males	Total (age 15 and over)	67.5	64.8	-2.7		62.6	-4.9	
		Ages 15-29	55.7	56.5	0.8		56.8	1.1	
		Ages 30-59	91.7	91.8	0.1		91.3	-0.4	
		Age 60 and over	40.0	34.6	-5.4		33.1	-6.9	
	Females	Total (age 15 and over)	46.2	44.5	-1.7		42.4	-3.8	
		Ages 15-29	51.6	51.9	0.3		52.3	0.7	
		Ages 30-59	67.5	69.4	1.9		69.2	1.7	
		Age 60 and over	20.5	17.4	-3.1		16.6	-3.9	
Scenario with economic growth and some progress in labor market participation (reference / gradual labor participation scenario)	Male-female totals	Total (age 15 and over)	56.5	55.6	-0.9	1.3	54.7	-1.8	2.6
		Ages 15-29	53.7	54.6	0.9	0.3	56.0	2.3	1.4
		Ages 30-59	79.7	81.8	2.1	1.1	82.6	2.9	2.2
		Age 60 and over	29.2	26.8	-2.4	1.8	27.5	-1.7	3.6
	Males	Total (age 15 and over)	67.5	65.9	-1.6	1.1	65.1	-2.4	2.5
		Ages 15-29	55.7	56.3	0.6	-0.2	57.8	2.1	1.0
		Ages 30-59	91.7	92.0	0.3	0.2	91.8	0.1	0.5
		Age 60 and over	40.0	37.2	-2.8	2.6	38.4	-1.6	5.3
	Females	Total (age 15 and over)	46.2	46.0	-0.2	1.5	45.3	-0.9	2.9
		Ages 15-29	51.6	52.9	1.3	1.0	54.1	2.5	1.8
		Ages 30-59	67.5	71.4	3.9	2.0	73.0	5.5	3.8
		Age 60 and over	20.5	18.6	-1.9	1.2	18.9	-1.6	2.3
Scenario with economic growth and progress in labor market participation (economic revival / progressive labor participation scenario)	Male-female totals	Total (age 15 and over)	56.5	57.4	0.9	3.1	58.4	1.9	6.3
		Ages 15-29	53.7	56.5	2.8	2.2	60.1	6.4	5.5
		Ages 30-59	79.7	84.6	4.9	3.9	87.7	8.0	7.3
		Age 60 and over	29.2	27.7	-1.5	2.7	29.4	0.2	5.5
	Males	Total (age 15 and over)	67.5	67.4	-0.1	2.6	68.0	0.5	5.4
		Ages 15-29	55.7	58.2	2.5	1.7	62.4	6.7	5.6
		Ages 30-59	91.7	93.3	1.6	1.5	93.8	2.1	2.5
		Age 60 and over	40.0	38.9	-1.1	4.3	41.6	1.6	8.5
	Females	Total (age 15 and over)	46.2	48.2	2.0	3.7	49.5	3.3	7.1
		Ages 15-29	51.6	54.7	3.1	2.8	57.7	6.1	5.4
		Ages 30-59	67.5	75.7	8.2	6.3	81.4	13.9	12.2
		Age 60 and over	20.5	18.8	-1.7	1.4	19.9	-0.6	3.3

Notes: 1) Actual figures for 2012 are from the Statistics Bureau, MIC "Labour Force Survey". Figures for 2020 and 2030 are estimates.

- 2) Economic revival / progressive labor participation: Scenario in which economic growth and labor market participation by young people, women, the elderly and others progress  
 Reference / gradual labor participation: Scenario in which economic growth and labor market participation by young people, women, the elderly and others progress to a degree  
 Zero growth / unchanged labor participation: Scenario assuming almost zero growth, with labor force participation rates by gender and age group trending at 2012 levels
- 3) As figures in the Table have been rounded up or down to the nearest notational unit, the grand totals and breakdown totals may not agree. Differences are calculated from the rounded-off figures.

**Table II-11 Comparison with Employment Rate Targets (KPIs) in the “Japan Revitalization Strategy” (Unit: %)**

Gender / Age	Year	Actual				Target(KPI)	Estimate					
		1990	2000	2010	2012	2020	2020			2030		
						Japan Revitalization Strategy	Zero growth / unchanged participation scenario	Reference / gradual participation scenario	Economic revival / participation progression scenario	Zero growth / unchanged participation scenario	Reference / gradual participation scenario	Economic revival / participation progression scenario
Male-female total	20-34	74	73	74	74	78	75	76	78	75	77	82
	20-64	75	74	75	75	80	77	78	81	76	79	84
	60-64	53	51	57	58	65	58	63	65	58	66	70
Females	25-44	61	61	66	68	73	69	71	76	69	73	83

Notes: 1) Actual figures up to 2012 are from the Statistics Bureau, MIC “Labour Force Survey”. Figures for 2020 and 2030 are estimates.

- 2) Economic revival / progressive labor participation: Scenario in which economic growth and labor market participation by young people, women, the elderly and others progress  
Reference / gradual labor participation: Scenario in which economic growth and labor market participation by young people, women, the elderly and others progress to a degree  
Zero growth / unchanged labor participation: Scenario assuming almost zero growth, with labor force participation rates by gender and age group trending at 2012 levels

**Table II-12 Outline of the Number of Employees by Industry (Unit: 10,000 Persons)**

	Actual figures for 2012	2020			2030			
		Zero growth / unchanged participation scenario	Reference / gradual participation scenario	Economic revival / participation progression scenario	Zero growth / unchanged participation scenario	Reference / gradual participation scenario	Economic revival / participation progression scenario	
Number of employees by industry (10,000 persons)	Agriculture, forestry and fisheries	240	215	233	248	173	201	220
	Mining and construction	506	459	464	470	409	413	416
	Manufacturing	1032	951	986	1048	870	926	994
	Food, beverages and tobacco	145	126	131	138	98	111	118
	General and precision machinery	133	128	136	143	113	129	139
	Electrical machinery	157	146	156	168	132	147	158
	Transportation equipment	115	94	97	105	93	98	103
	Other manufacturing	482	457	465	494	434	441	476
	Electricity, gas, water and heat supply	31	29	30	31	24	25	27
	Information and communications	209	219	223	228	216	223	242
	Transport	319	302	309	313	275	279	297
	Wholesale and retail trade	1093	979	990	1042	806	867	941
	Finance, insurance and real estate	248	210	212	220	175	176	205
	Eating and drinking places, accommodations	325	302	308	316	249	269	299
	Medical, health care and welfare	706	800	834	850	908	944	962
	Education, learning support	295	265	265	266	220	220	223
	Living-related and personal services	163	144	151	163	114	147	160
	Miscellaneous business services	319	314	319	324	292	309	334
	Miscellaneous services	449	467	470	477	468	475	504
	Government, compound services, industries unable to classify	335	291	293	293	248	251	279
Industry total	6270	5947	6088	6291	5449	5725	6103	
Difference compared to 2012	Agriculture, forestry and fisheries		-25	-7	8	-67	-39	-20
	Mining and construction		-47	-42	-36	-97	-93	-90
	Manufacturing		-81	-46	16	-162	-106	-38
	Food, beverages and tobacco		-19	-14	-7	-47	-34	-27
	General and precision machinery		-5	3	10	-20	-4	6
	Electrical machinery		-11	-1	11	-25	-10	1
	Transportation equipment		-21	-18	-10	-22	-17	-12
	Other manufacturing		-25	-17	12	-48	-41	-6
	Electricity, gas, water and heat supply		-2	-1	0	-7	-6	-4
	Information and communications		10	14	19	7	14	33
	Transport		-17	-10	-6	-44	-40	-22
	Wholesale and retail trade		-114	-103	-51	-287	-226	-152
	Finance, insurance and real estate		-38	-36	-28	-73	-72	-43
	Eating and drinking places, accommodations		-23	-17	-9	-76	-56	-26
	Medical, health care and welfare		94	128	144	202	238	256
	Education, learning support		-30	-30	-29	-75	-75	-72
	Living-related and personal services		-19	-12	0	-49	-16	-3
	Miscellaneous business services		-5	0	5	-27	-10	15
	Miscellaneous services		18	21	28	19	26	55
	Government, compound services, industries unable to classify		-44	-42	-42	-87	-84	-56
Industry total		-323	-182	21	-821	-545	-167	

Notes: 1) Actual figures for 2012 are from the Statistics Bureau, MIC "Labour Force Survey" (recombined in line with industrial category notation in the Labor Supply and Demand Estimates). Figures for 2020 and 2030 are estimates.

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3) "Other manufacturing" refers to forms of manufacturing other than those mentioned here. Besides other manufacturing specified in the Japan Standard Industry Classification, these also include ceramic, stone and clay products, iron and steel, metal products and other raw material industries.

4) Please note that, in the Labor Supply and Demand Estimates, dispatched workers from temporary labor agencies are classified under "Miscellaneous business services", i.e. the industry of the dispatch source, and that these dispatched workers are not included in other industries. In the "Labour Force Survey", meanwhile, dispatched workers from temporary labor agencies were classified not in the industry of the dispatch host but in that of the dispatch source until 2012. However, from 2013 they are to be classified in the industry of the dispatch host.

5) As figures in the Table have been rounded up or down to the nearest notational unit, the manufacturing and industry totals may not agree with the breakdown totals. Differences are calculated from the rounded-off figures.

**Table II-13 Outline of the Number of Employees by Industry (Component Ratio, Unit: %)**

	Actual figures for 2012	2020			2030			
		Zero growth / unchanged participation scenario	Reference / gradual participation scenario	Economic revival / participation progression scenario	Zero growth / unchanged participation scenario	Reference / gradual participation scenario	Economic revival / participation progression scenario	
Number of employees by industry (component ratio, %)	Agriculture, forestry and fisheries	3.8	3.6	3.8	3.9	3.2	3.5	3.6
	Mining and construction	8.1	7.7	7.6	7.5	7.5	7.2	6.8
	Manufacturing	16.5	16.0	16.2	16.7	16.0	16.2	16.3
	Food, beverages and tobacco	2.3	2.1	2.2	2.2	1.8	1.9	1.9
	General and precision machinery	2.1	2.2	2.2	2.3	2.1	2.3	2.3
	Electrical machinery	2.5	2.5	2.6	2.7	2.4	2.6	2.6
	Transportation equipment	1.8	1.6	1.6	1.7	1.7	1.7	1.7
	Other manufacturing	7.7	7.7	7.6	7.9	8.0	7.7	7.8
	Electricity, gas, water and heat supply	0.5	0.5	0.5	0.5	0.4	0.4	0.4
	Information and communications	3.3	3.7	3.7	3.6	4.0	3.9	4.0
	Transport	5.1	5.1	5.1	5.0	5.1	4.9	4.9
	Wholesale and retail trade	17.4	16.5	16.3	16.6	14.8	15.1	15.4
	Finance, insurance and real estate	4.0	3.5	3.5	3.5	3.2	3.1	3.4
	Eating and drinking places, accommodations	5.2	5.1	5.1	5.0	4.6	4.7	4.9
	Medical, health care and welfare	11.3	13.5	13.7	13.5	16.7	16.5	15.8
	Education, learning support	4.7	4.4	4.3	4.2	4.0	3.8	3.7
	Living-related and personal services	2.6	2.4	2.5	2.6	2.1	2.6	2.6
	Miscellaneous business services	5.1	5.3	5.2	5.2	5.4	5.4	5.5
	Miscellaneous services	7.2	7.9	7.7	7.6	8.6	8.3	8.3
	Government, compound services, industries unable to classify	5.3	4.9	4.8	4.7	4.5	4.4	4.6
Industry total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Difference compared to 2012	Agriculture, forestry and fisheries		-0.2	0.0	0.1	-0.6	-0.3	-0.2
	Mining and construction		-0.4	-0.5	-0.6	-0.6	-0.9	-1.3
	Manufacturing		-0.5	-0.3	0.2	-0.5	-0.3	-0.2
	Food, beverages and tobacco		-0.2	-0.1	-0.1	-0.5	-0.4	-0.4
	General and precision machinery		0.1	0.1	0.2	0.0	0.2	0.2
	Electrical machinery		0.0	0.1	0.2	-0.1	0.1	0.1
	Transportation equipment		-0.2	-0.2	-0.1	-0.1	-0.1	-0.1
	Other manufacturing		0.0	-0.1	0.2	0.3	0.0	0.1
	Electricity, gas, water and heat supply		0.0	0.0	0.0	-0.1	-0.1	-0.1
	Information and communications		0.4	0.4	0.3	0.7	0.6	0.7
	Transport		0.0	0.0	-0.1	0.0	-0.2	-0.2
	Wholesale and retail trade		-0.9	-1.1	-0.8	-2.6	-2.3	-2.0
	Finance, insurance and real estate		-0.5	-0.5	-0.5	-0.8	-0.9	-0.6
	Eating and drinking places, accommodations		-0.1	-0.1	-0.2	-0.6	-0.5	-0.3
	Medical, health care and welfare		2.2	2.4	2.2	5.4	5.2	4.5
	Education, learning support		-0.3	-0.4	-0.5	-0.7	-0.9	-1.0
	Living-related and personal services		-0.2	-0.1	0.0	-0.5	0.0	0.0
	Miscellaneous business services		0.2	0.1	0.1	0.3	0.3	0.4
	Miscellaneous services		0.7	0.5	0.4	1.4	1.1	1.1
	Government, compound services, industries unable to classify		-0.4	-0.5	-0.6	-0.8	-0.9	-0.7

Notes: 1) Actual figures for 2012 are from the Statistics Bureau, MIC "Labour Force Survey" (recombined in line with industrial category notation in the Labor Supply and Demand Estimates). Figures for 2020 and 2030 are estimates.

2) Economic revival / progressive labor participation: Scenario in which economic growth and labor market participation by young people, women, the elderly and others progress

Reference / gradual labor participation: Scenario in which economic growth and labor market participation by young people, women, the elderly and others progress to a degree

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3) "Other manufacturing" refers to forms of manufacturing other than those mentioned here. Besides other manufacturing specified in the Japan Standard Industry Classification, these also include ceramic, stone and clay products, iron and steel, metal products and other raw material industries.

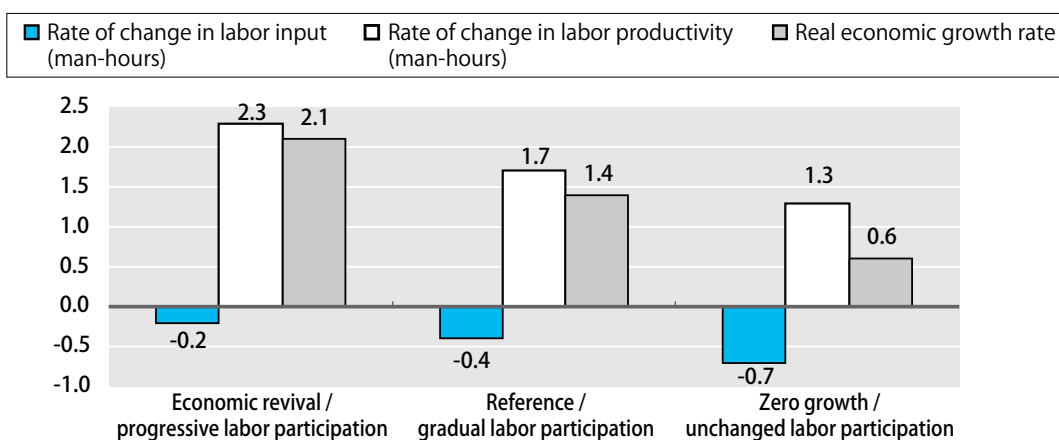
4) Please note that, in the Labor Supply and Demand Estimates, dispatched workers from temporary labor agencies are classified under "Miscellaneous business services", i.e. the industry of the dispatch source, and that these dispatched workers are not included in other industries. In the "Labour Force Survey", meanwhile, dispatched workers from temporary labor agencies were classified not in the industry of the dispatch host but in that of the dispatch source until 2012. However, from 2013 they are to be classified in the industry of the dispatch host.

5) As figures in the Table have been rounded up or down to the nearest notational unit, the manufacturing and industry totals may not agree with the breakdown totals. Differences are calculated from the rounded-off figures.

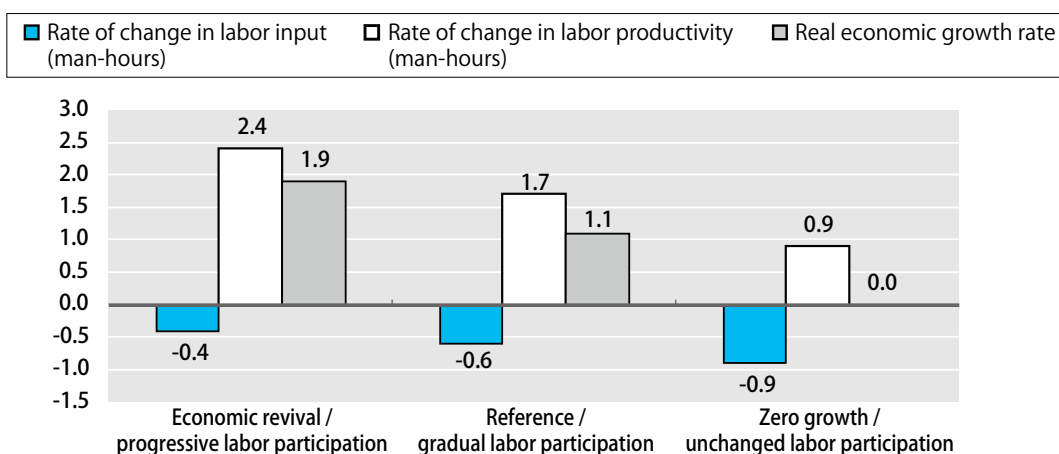


**Figure II-14 Trends in Labor Productivity (Man-hours, Unit: %)**

2012-2020 (annual average)



2020-2030 (annual average)



(Reference) 2012-2022 (annual average)

Rate of change in labor productivity (man-hours)

"Japan Revitalization Strategy" attainment target	2 or more
Zero growth / unchanged labor participation	1.2
Reference / gradual labor participation	1.7
Economic revival / progressive labor participation	2.3

Notes: 1) The rates of change in labor input (man-hours) and labor productivity (man-hours) are estimates. For working hours, the weighted averages for full-time and part-time workers are used. The real economic growth rates in the economic revival / progressive labor participation and reference / gradual labor participation scenarios in 2012-2023 are based on the Cabinet Office "Calculations concerning Medium- to Long-term Economic and Fiscal Administration" (submitted by the Council on Economic and Fiscal Policy, January 20, 2014), while the real economic growth rate from 2024 onwards and in the zero growth / unchanged labor participation scenario are assumed in this study.

2) Economic revival / progressive labor participation: Scenario in which economic growth and labor market participation by young people, women, the elderly and others progress

Reference / gradual labor participation: Scenario in which economic growth and labor market participation by young people, women, the elderly and others progress to a degree

Zero growth / unchanged labor participation: Scenario assuming almost zero growth, with labor force participation rates by gender and age group trending at 2012 levels

3) The "Reference" data have been calculated by assuming the period for the rate of change in labor productivity targeted by the "Japan Revitalization Strategy" (decided by the Cabinet on June 14, 2013) as 2012-2022, since the Cabinet Office "Calculations concerning Medium- to Long-term Economic and Fiscal Administration" calculate an average real growth rate of around 2% in the economic revival case over the next 10 years (FY2013-2022).

## Section 5 Conclusion

In this study, simulations have been conducted, using the Labor Supply and Demand Model, to estimate the labor force and number of employed persons by gender and age group, and employed persons by industry, by the year 2030, based on targets (KPIs) in the “Japan Revitalization Strategy”.

Given the economic and employment climate in recent years, a number of issues need to be considered in addition to the estimates handled in this study. That is, how to estimate by employment format and by region, how to ascertain the structural unemployment rate by estimating a mismatch index, how to ascertain the relationship between human resource development and improving productivity, and how to incorporate these in the Labor Supply and Demand Model.

In future, as well as attempting to refine the Labor Supply and Demand Model and improve the data used in it, I would like to consider how these issues should be addressed.

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## I General Considerations

### Part 1 Issues Addressed in This Study

#### 1. Background and Perception of Issues

As the population of Japan ages, demand for long-term care services is expected to continue growing with an increasing number of elderly people requiring long-term care for longer periods. In particular, from 2025 onward as the postwar baby boom generation exceeds 75 years of age and becomes part of what is known in Japan as the “latter-stage elderly” demographic, demand for long-term care services is likely to hit a peak, as people in their late 70s are more likely to require long-term care than those in their late 60s or early 70s. This will drive up demand for long-term care workforce, and the required number will hit an estimated 2.37 to 2.49 million people, up from an estimated 1.49 in fiscal 2012 (see Figure III-2).

The postwar baby boom generation turning into the 75-plus demographic means that the “junior baby boom” generation, the children of the baby boomers, will be faced with the challenge of caring for their parents. To ensure they can continue working until at least the age of 65 even if parents require long-term care will require not only the support of their employers but also broader social support for people simultaneously working and providing care.

Provision of long-term care services through the long-term care insurance system is a crucial element of social support. Insufficient quantity and quality of long-term care services available, due to an insufficient number of care workers, can exacerbate the mental and physical strain on those caring for parents, interfere with their work performance, and make it difficult for them to continue working (Sato,

Takeishi, ed. 2014, Ikeda 2013). This will exert a negative impact on attempts to meet targets for boosting elderly employment, set under current labor policy. The administration of a sustainable long-term care insurance system, establishment of an effective framework for providing services, and securing long-term care workforce, are all matters of the utmost urgency.

In this context, much attention has been paid to the leveling-off of the increase in number of professional long-term care providers, especially over the period from fiscal 2006 through 2011; a rise in the ratio of job offers to seekers; and the turnover rate among care workers, and a wide range of policy initiatives has been implemented, beginning with a fundamental overhaul of the Basic Policy on Measures to Secure Workforce Engaged in Social Welfare (2007).<sup>1</sup>

Recently, the Social Security Council Working Group on Long-term Care Insurance released an Opinion on Revision of the Long-term Care Insurance System (December 20, 2013) calling for:

- 1) Initiatives to improve public perceptions of nursing care including boosting the image of the long-term care industry, addressing long-term care in an academic context from childhood onward, and raising public awareness of care workers’ degree of professionalism, as well as efforts to encourage participation in the industry by broadening the workforce recruitment demographic and diversifying the long-term care workforce
- 2) Establishment of career paths that encourage career advancement, such as support for people receiving training and promotion of human resources exchange that transcends corporate

1 Refer to Kitaura (2013), Hotta (2010), et al. for the current status of the elderly long-term care labor market and an overview of recent policy developments. A full outline of the most recent related policies can be seen in the proceedings of the 47th Social Security Council Long-term Care Insurance Subcommittee (September 4, 2013).

structures

- 3) Organization and improvement of work environments through promotion of development of long-term care robots that lighten the workload of care workers, utilization of care equipment, promotion of tech-based information sharing, and boosting efficiency, etc.
- 4) Improvement of treatment of care workers

The statement calls for the central government and prefectural and municipal governments to partner with long-term care providers, etc., and for all parties to take proactive steps to address these four areas.<sup>2</sup> Within the Ministry of Health, Labour, and Welfare (MHLW), the Council for Promotion of Measures to Secure and Cultivate Human Resources in Understaffed Sectors was established in February 2014, aimed at promoting close cooperation among relevant agencies and comprehensive efforts to address understaffed sectors of the economy (construction, long-term care, childcare, nursing, etc.).

## 2. Objectives of This Study

With securing long-term care workforce shaping up to be a crucial policy challenge, it is necessary to set forth the relevant issues in an organized fashion, so as to discuss measures that will be effective not only in the short term but also in the mid- to long-term.

This is a preliminary study for an empirical examination of what measures should be taken to secure long-term workforce for the future, incorporating estimates of the number of long-term care workforce that will be required (based on demand for insured long-term care services) in 2025, in other words the quantity of demand, versus the current (fiscal 2012) quantity of supply.

In fact, estimates of demand for insured long-term

care services, and estimates of workforce demand based on these, are greatly affected by various factors. For example, if there is progress with initiatives that seek to maintain good health, boost participation in family and local community activities, and offer various opportunities so as to create a more livable society,<sup>3</sup> it may help to curb demand for long-term care services and workforce. Also, reforms aimed at realizing an effective and efficient framework for delivery of services, such as those proposed by the National Social Security Council and the National Council on Social Security System Reform (2013)<sup>4</sup> could have an impact on the quality and quantity of workforce required.

This report does not directly address the factors that may impact long-term care workforce demand. Rather, it aims to clarify issues to be examined in preparation for securing long-term workforce, based on estimates that a certain numbers of such workforce will be required (in this case, the numbers in Figure III-2).

## 3. Classification of Measures to Secure Long-term Care Workforce, and Issues Addressed in This Report

Measures to secure long-term care workforce can be divided into two main categories (Figure III-1). The first consists of steps aimed at increasing the number of new care workers, and the second of steps aimed at keeping existing care workers at their current jobs or encouraging them to stay in the long-term care field even if they change employers.

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2 The Japan Research Institute, Limited (2014) has issued a proposal that sets forth various perspectives required for future reinforcement of measures, and calls for specific steps to be taken by the various parties (2014).

3 See the WHO definition of Active Aging (WHO, 2002) advocated as part of the United Nations International Year of Older Persons (2002), etc.

4 A discussion of frameworks for delivery of efficient, high-quality care can be found in "Regional Comprehensive Care in the Netherlands: Reinforcing Care Provision and Securing Care Providers" (JILPT Research Report No. 167, May 2014).

### Figure III-1 Classifications of Measures to Secure Long-term Care Workforce

1. Increase the number of newly recruited care workers
  - a) Expand the number of workforce entering the field immediately after graduation
    - a-1) Increase the number of students seeking to enroll at educational institutions dedicated to cultivating long-term care workforce
    - a-2) Of graduates of the above institutions, increase the number seeking to enter the long-term care profession
    - a-3) Increase the number of students at educational institutions not dedicated to cultivating long-term care workforce who decide to enter the long-term care profession
  - b) Expand the number of workforce entering the field from other fields or from a state of unemployment
2. Efforts to keep existing long-term care workforce working in the long-term care field
  - c) Encourage workforce to stay at their current jobs
  - d) Encourage workforce to continue working in the long-term care field even if they leave their current employers

Source: Prepared by the author.

The first set of measures seeks to expand the number of (a) workforce entering the field immediately after graduation and (b) workforce entering the field from other fields or from a state of unemployment.

There are three key initiatives in (a) “expanding the number of workforce entering the field immediately after graduation”. Educational institutions (high schools, vocational or technical colleges, junior colleges, universities) that seek to cultivate long-term care workforce are seeking to (a-1) boost the number of students enrolling at the schools, (a-2) raise the percentage of graduates who go on to work as care workers, and (a-3) encourage more students at educational institutions not dedicated to cultivating care workers to decide on careers in long-term care. In (a-2), an essential factor is a curriculum that fosters and helps to sustain students’ ambition to become care workers. Meanwhile, (b) “Expanding the number of workforce entering the field from other fields or from a state of unemployment” means initiatives to encourage people in other fields or who are unemployed to select the long-term care profession.

The second set of measures consists of (c) efforts to keep existing care workers at their current jobs, and (d) efforts to encourage them to continue working in the long-term care field even if they leave their current employers. In specific terms, (c) means increasing the attractiveness of long-term care as an employment opportunity. Doing so not only raises the retention rate of care workers and encourages them to

continue working at their current jobs, but also encourages those who change employers to find other jobs as care workers, and thus contributes to the (d) efforts as well. To increase the attractiveness of long-term care as an employment opportunity requires not only efforts by long-term care service providers, but also comprehensive society-wide efforts to focus attention on the social role and admirability of care workers. Meanwhile, for (d), initiatives aimed at heightening care workers’ sense of professionalism so as to strengthen their commitment to the profession are thought to be effective.

This report does not cover all the issues discussed above. The contents of each section will be outlined later, but on the whole this report covers the following topics:

First, there is an analysis of the long-term care workforce supply-demand structure. The scale of demand for long-term care services is largely defined by the percentage of the population that is elderly, but as this percentage varies from prefecture to prefecture, long-term care workforce demand must be analyzed on a prefecture-by-prefecture basis. If this is the case, then long-term care workforce supply must also be analyzed prefecture by prefecture. Based on these concerns, Chapters 1 and 2 examine long-term care workforce demand and supply on a prefecture-by-prefecture basis.

Chapters 3 and 4 focus on training programs for the unemployed, which relate to the first set of measures categorized as (b) and encourage people even without long-term care experience to go to work

as care workers, and analyze their role and effectiveness.

It is noted above that among the second set of measures categorized as (d), those that heighten care workers' sense of professionalism can encourage those that quit their jobs to decide to find new jobs as care workers. Chapter 5 contains an empirical analysis of this process.

Chapters 6 and 7 relate to the second set of measures classified as (c) and (d), and examine efforts by providers, such as employment management aimed at raising the retention rate of care workers, or encouraging people to continue working in long-term care even if they change employers.

Efforts classified as (c) efforts to keep existing care workers at their current jobs include realization of pleasant working environments, which also contributes to the first set of measures aimed at boosting the number of new care workers entering the workforce. Chapter 8 examines the nature of providers that focus on hiring (which has thus far

received insufficient attention in discussions on securing human resources) as an approach to securing human resources.

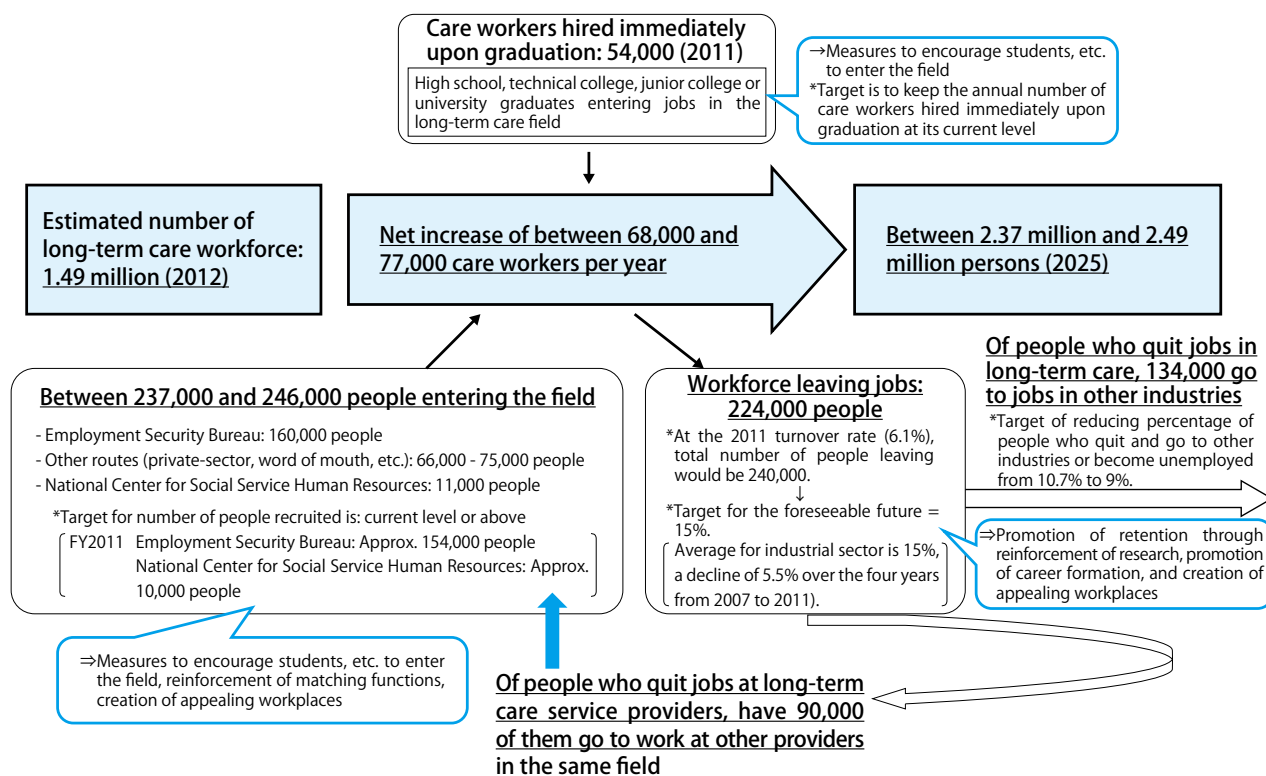
## Part 2 Long-term Care Workforce Supply Flow Chart Concepts, and Implications Derived from Preliminary Study

### 1. Long-term Care Workforce Supply Flow Chart and Its Concepts

Figure III-2 shows strategies for securing sufficient long-term care workforce to meet demand for long-term care services in 2025, based on the MHLW's existing-data-based modeling of the supply structure of care workers engaged at businesses related to insured long-term care. The content of this flow chart, which serves as a point of departure for this report, is as follows.

Based on projected demand for long-term care services in 2025, when the baby-boom generation starts joining the over-75 demographic, the projected number of care workers that will be required that year

**Figure III-2 Outlook for Securing Long-term Care Workforce**



Source: Social Security Council Working Group on Long-term Care Insurance materials (No. 45, June 2013)



is between 2.37 million and 2.49 million. The estimated number of care workers in 2012 was 1.49 million, meaning that a net increase of between 68,000 and 77,000 care workers per year through 2025 will be required to meet demand in 2025.

Proposed measures to secure this net increase are: (1) keep the annual number of care workers hired immediately upon graduation at its current level, 54,000 people, (2) boost the number of care workers transferring from other jobs or from a state of unemployment to between 237,000 and 246,000, (3) among this number, have 90,000 of them be people who quit jobs at long-term care service providers and go to work at other providers in the same field, and assuming that these care workers can be secured, reduce the number of percentage of people who go to work in other fields or become unemployed (rather than changing employers within the long-term care field) from 10.9% to 9%, and (4) reduce the turnover rate from 16.1% to 15% so as to raise the retention rate at providers and boost the number of people who continue working as care workers.

## **2. Implications Derived from the Preliminary Study**

There are several issues with the method of estimation shown above, but first of all a closer examination of the figures on which the estimate is based is required. To start with, it is possible that the figure of 54,000 employees hired immediately after graduation is exaggerated. This is because 54,000 is the number of employees of “social welfare, social insurance, and long-term care service providers,” and is not limited to providers related to insured long-term care. With regard to occupation, as well, this number includes clerical workers, etc. and is not limited to actual care workers. Second, of the numbers of care workers hired other than immediately following graduation, the approximately 154,000 via the Employment Security Bureau and the approximately 10,000 people via the National Center for Social Service Human Resources are likely to be exaggerated as well. The reason for this is similar, namely that the figures on which the estimate is founded are not limited either to employees of providers related to insured long-term care, or to

those actually working as care workers. In addition, the figures may also be padded with people counted multiple times because they change jobs repeatedly within a single year. For valid implementation of strategies for securing long-term care workforce, it is crucial to gain an accurate picture of the supply flow, primarily by thoroughly investigating the figures for hiring of new-graduate and mid-career care workers.

In light of the possibly exaggerated hiring figures, there is an even greater need for measures of the kind described below, so as to achieve an annual net increase of 68,000 to 77,000 care workers per year until 2025:

First, with regard to care workers hired immediately after graduation, considering the declining youth population, efforts must be made to boost the number of students seeking to enter educational institutions that can prepare them for careers in long-term care, and to provide education that strengthens their commitment to the field so they remain determined to become care workers throughout their student years. The outcomes of an analysis of the effects of training for the unemployed, outlined below, should serve as a reference on this point.

Second, with regard to people changing jobs to become care workers and hiring of unemployed people as care workers, there is a particular need to reinforce efforts to boost the number of people electing to take new jobs as care workers again after quitting earlier jobs in the same field. Doing so will require public relations efforts on a society-wide basis to highlight the appeal of long-term care as an employment opportunity and the crucial importance of care workers to society. One initiative that could potentially contribute to an increase in care workers hired mid-career is training for the unemployed aimed at fostering long-term care workforce. The role and effects of these training programs are discussed in Chapters 3 and 4.

Chapter 3 discusses transfer of workforce from other fields and hiring of new workforce without work experience, seen as a critical source of long-term care workforce, and focuses on training programs for the unemployed as an opportunity for care workers to receive training before going to work,



clarifying the current status and challenges of these programs. The trainees in the two-year program vary widely in terms of attributes and work experience, including for example middle-aged and elderly men, a high percentage of trainees go to work as care workers after completing it, and the work continuation rate thereafter is high as well. Factors contributing to this are a high degree of satisfaction with the training contents and a positive attitude toward the work of long-term care. Based on the analysis contained in Chapters 3 and 4, the key is to raise the level of satisfaction with training, especially on-the-job training; eradicate the negative image (nerve-wracking, etc.) that some have of long-term care work; and convey the rewarding nature of the work to trainees during training. With regard to the appropriate scale of training, there is room for further examination.

In terms of initiatives to increase the number of people who work again as care workers after leaving jobs in the field, it has been noted that boosting care workers' sense of being specialized professionals, and strengthening their commitment to long-term care, may be an effective approach. This point is analyzed in Section 5. According to classifications of care workers' professional careers with a focus on the process of acquiring specialization and analysis of the resulting differences in attitude toward work continuation, there is relatively little relationship between experience with undergoing specialized training at school, or experience in other occupations, and the strength of will to continue working in the long-term care field. At this stage, receiving specialized education, accruing experience in the workplace, and studying in order to earn qualifications appear to have the effect of exacerbating dissatisfaction with actual workplace conditions, and it seems possible that promoting practical, hands-on acquisition of specialized skills is the more effective strategy.

Third, to heighten the appeal of long-term care as an employment opportunity, it is essential to implement initiatives that strengthen the ability of providers to secure human resources and raise the retention rate of those resources. This entails not only improving working conditions such as wages, but

also ensuring that the providers' business philosophy and policies are clear and shared with all employees, opportunities for improvement of abilities, including career formation opportunities, are offered, and channels for smooth communication with co-workers and supervisors are open. Chapters 6 through 8 deal with the nature of employment management at providers and its relation to providers' securing and retention of human resources.

Chapter 6 presents an analysis of employees' career and job development at the corporations that currently employ them, and its impact on their perceptions of their working status. This analysis examines the formation of careers within a single enterprise, or at major corporations, encompassing multiple branches, and focuses on the relationship between career development initiatives and care workers' work attitudes. However, it was unable to verify any significant correlation between career initiatives offering the opportunity to work at various branches within a single corporate entity, and care workers' levels of job satisfaction or will to continue working. On the other hand, positive assessments of the quality of long-term care services provided by current employer was correlated with higher levels of satisfaction, will to continue working for the same employer or in the same field. It is evident that rather than making the development of a career path the objective, it is important to elevate the quality of services and heighten care workers' subjective perceptions of this quality.

Chapter 7 focuses on care workers with less than one year of experience, who make up approximately 40% of workers who quit, and analyzes the route by which they entered the profession, reasons for choosing it, and attitudes toward continuing work at the same employer or in the same profession, etc. With regard to regular employees, factors positively affecting willingness to continue working at the same job include choosing to be a care worker for reason related to the job itself, having a supervisor providing guidance in the workplace, having a healthy work-life balance, deriving a sense of fulfillment from the job, and having a firm sense of commitment to the organization. Among these, choosing to be a care worker for reason related to the job itself, having a

healthy work-life balance, and deriving a sense of fulfilment from the job positively impacted willingness to continue with the current job, regardless of the specific employer. Employment management characterized by individualized human-resources handling of each worker had a positive influence across the board. It is clear that the attributes of workers in their first year on the job differ greatly depending on the category of service they are engaged in, and it is important to implement hiring and matching that takes diverse attributes and attitudes into account, and improve perceptions of the long-term care profession prior to hiring, as well as designating a supervisor in charge after hiring and handling human resources individually so as to strengthen commitment to job and workplace in a sustained manner.

A look at the turnover rate by provider (branch) reveals that approximately 50 to 70 percent have a turnover rate of 10% or less for home care workers and care workers employed at facilities. In other words, not all providers have high rates of turnover, and in fact a large number of them have a relatively low rate of turnover. This suggests that broadening the hiring and treatment practices of these providers to other providers could be an effective measure to decrease the rate of turnover. Also, when understaffed providers were asked the reason for this situation, only around 20% cited a high rate of turnover, while approximately 70% cited difficulty in recruiting sufficient workforce. In other words, while initiatives to boost retention rates are important, measures to secure workforce are extremely important as well.

Chapter 8 examines initiatives aimed at securing workforce on a provider level, with a focus on hiring. Efforts that entail employee participation and encourage stable interpersonal relationships and improvements to work procedures and working environment in the workplace, as well as boosting team and workplace solidarity and seeking to alleviate feelings of anxiety and isolation among home care workers by encouraging them to stop by their employers' offices, are effective not only as a means of preventing unnecessary hiring by encouraging current home care workers to stay at their jobs, but also as a means of recruiting, as home care workers

who find their jobs rewarding will spread the word to others. The most important route to hiring of workforce at providers dispatching home care workers is "introduction by friends and acquaintances". Creating appealing workplaces is an effective means of boosting recruitment ability.

For long-term care service providers to contribute their human resources and know-how to the community, and conduct their services in a manner that is open to the community, is an effective means of promoting community understanding of the long-term care services and the role of long-term care providers. In particular, "mutual support among community residents and support for formation of organizations", which has been shown to exert a positive impact on securing human resources in terms of both quality and quantity, is also widely seen by long-term care providers as a contributor to the building of a community-based integrated care system over time (Study Group on Community-based Integrated Care, 2014).

Also, the flow chart in Figure III-2 covers the entirety of Japan, but in the future there is a need to draw up similar, more detailed flow charts broken down to at least the prefectural level. The analysis of long-term care workforce supply and demand by prefecture in Chapter 1 makes it clear that there are drastic differences among prefectures not only in terms of demand for long-term care services, correlated with demographic trends such as the percentage of the population aged 75 and over, but also in the long-term care service supply framework. In other words, prefectural discrepancies in the long-term care service supply-demand structure mean that there will also be different sets of priorities for each prefecture in terms of initiatives aimed at filling the supply-demand gap.

Chapter 2 provides a region-by-region analysis of the status of educational resources, which are a source of long-term care human resources. A comparison of the ratios of population to capacity of long-term care workforce education programs in each prefecture shows that capacity is insufficient in many areas including urban areas where growth in the 75-and-over population is expected to lead to higher demand for long-term care services. There is a need for

prefectures to periodically assess the state of educational resources and take measures to promote the planned development of these resources as part of efforts to secure sufficient human resources based on supply-demand estimates.

### Part 3 Policy Implications and Future Challenges

Based on the preliminary study conducted for this report, the policy implications for strategies for securing workforce and the challenges facing the mid- to long-term task of securing this workforce are as follows:

1. Currently, the MHLW provides a projection of the outlook for securing long-term care workforce for the foreseeable future, but there is a need for more detailed examination of models of the long-term care workforce supply structure. This is particularly true with regard to the basis of figures for care workers hired immediately after graduation, and for those taking jobs as care workers after doing other jobs or being unemployed. This is also an important prerequisite when setting priorities in strategies for securing long-term care workforce.
2. There is a need for prefecture-by-prefecture estimates of long-term care workforce supply and demand, assessment of the supply structure and the status of educational resources, and quantitative evaluation of the supply-demand gap and examination of appropriate strategies. Municipalities should also be strongly concerned with long-term care workforce supply and demand and strategies for securing care workers.
3. There is a particularly strong need for prefectural governments to take the lead with initiatives. Prefectures' examination and implementations of strategies for securing workforce, monitoring of their progress, and re-examination based on the findings is thought to be an effective management process.
4. With regard to care workers hired immediately after graduation, in light of the declining youth population, there is a need for educational institutions training care workers to make efforts to attract more students to these courses, as well as for curricula that heighten students' commitment to the job to ensure they will sustain their will to work as care workers, and examination of the size (capacity) of courses, etc. with the goal of maximizing the effectiveness of education.
5. It is important to clarify what manner of employment management contributes to the securing and retention of workforce at long-term providers, and to examine the factors that heighten a sense of professional identity that encourages care workers who change jobs to find new jobs in the same field. Not only the process of acquiring professional specialization, but also by the management of providers and workplaces are likely to be decisive factors in this regard.
6. Examination of the above issues requires not only surveys at a fixed point in time, but also panel surveys that follows individuals over time. These ought to consist of (1) with regard to students at educational institutions that cultivate long-term workforce, surveys that track students' reason for enrolling, career decisions, and contents of curricula, and then follow their careers after they have begun working, and (2) similar surveys not only for care workers hired immediately after graduation but also those hired mid-career. Surveys of type (1) can clarify the correlations between reasons for enrolling in long-term care programs and the contents of schools' curricula, and their selection of first job and career path after being hired, while surveys of type (2) can be used to analyze correlations between care workers' route to employment, motivation for becoming a care worker, and long-term care providers' employment and workplace management, and care workers' decisions to stay at or leave their jobs, as well as tracking the paths of people who change jobs, thereby clarifying important factors contributing to the decision to work again as a care worker after changing jobs.
7. Efforts are underway to promote career development in the long-term care field. Under the current circumstances, however, specialized education, acquisition of qualifications, and career development in the workplace do not necessarily lead to increased job satisfaction. It is important to

utilize career grade systems, etc. for long-term care professionals and coordinate these with efforts to boost the quality of long-term care services on an enterprise-wide basis, while at the same time examining the state of career development based on dialogues with individual care workers.

8. There is room for further advancement of initiatives aimed at getting people, not only new graduates but also people changing jobs or currently unemployed, to consider long-term care as a career option. Care workers vary widely in terms of age of first hiring and professional experience, as well as in terms of professional attitudes and perceptions, and there is a need for dissemination of more detailed information on the contents and significance of jobs in long-term care.
9. There are expectations that long-term care providers will play a role in promoting mutual support among community residents and organizational support in the effort to build community-based integrated care programs. In this regard, effective approaches include sharing the insight that business administration that is open to the local community can help to secure workforce, as well as accumulation of case studies and further examination.

## II: Particular Considerations: Insufficient Numbers of Long-term Care Workforce

This part contains a summary of the contents of Section 8.

### Part 1 Introduction

#### 1. Background and Objectives

According to the fiscal 2012 long-term care labor force survey (Care Work Foundation 2013a), of almost 60% of providers related to insured long-term care feel they are understaffed (the total for providers responding that they were “very understaffed”, “understaffed”, or “somewhat understaffed”). By occupation, home care workers (as opposed to care workers employed at facilities) were in particularly short supply, with 67.9% of providers considering themselves understaffed.

What is the background behind this shortage of long-term workforce? Overall, when asked for the reasons for understaffing (multiple answers possible), the most common answer was difficulty in recruiting workforce, given by over 70% of respondents. This was followed by “Want to expand business, but cannot secure workforce” (27.9%) and “High turnover rate” (21.8%).

Promotion of workforce retention is viewed as a central challenge in securing a stable long-term care labor force. In the Long-term Care Employment Management Improvement Plan (fiscal 2009, MHLW Announcement No. 400), the turnover rate is one employment management indicator for which targets are set. There is also research in progress on the turnover rate as an objective indicator for analysis of organizations in their entirety, and on retention factors, analyzing on a person-by-person basis using intention to continue working or desire to quit as subjective indicators for analysis.

Efforts to promote workforce retention are of unquestionable importance and are highly significant to organizations as a means of avoiding costs related to hiring of new workforce, redeployment, training, and declining productivity, and to workers as a means of advancing their careers and stabilizing their livelihoods through training within organizations (Yamamoto 2009), as well as in terms of heightening quality and ensuring the continuation of long-term care services.

However, the survey at the beginning of this report found that promotion of workforce retention was only directly effective as a means of alleviating perceived workforce shortages at about 20% of providers related to insured long-term care. Obviously, preventing workforce from quitting reduces the need for new hiring, and promoting retention helps providers meet their staffing needs. At the same time, there seems to be significant value in focusing instead on hiring, which has received little attention in discussions of how to overcome workforce shortages.

In this context, this section will focus on “difficulty in recruiting workforce”, which approximately 70% of providers perceiving themselves as understaffed cited as a reason for

understaffing. There has thus far been little or no empirical research on hiring capabilities in the long-term care field. Many providers are facing urgent shortages against a backdrop of chronic difficulty in hiring enough workforce, and in this context it seems appropriate to examine the characteristics of the providers that do manage to hire sufficient workforce in terms of both quality and quantity. The objective of this section is to obtain, through analysis of individual data with a focus on hiring, a basic data set pointing to the sorts of enterprise-level efforts required to secure workforce.

Specifically, the section organizes data on home care workers' and care workers' quitting of jobs and overstaffing or understaffing as seen in turnover rate by occupation and employment format, by individual enterprise unit, and providers' perceptions of reasons for workforce shortages (Part 2). Then, focusing on home care workers, which are in particularly short supply, the characteristics of providers that have been able to secure sufficient workforce in terms of both quantity and quality are examined from several vantage points (Part 3). In Part 4, there is a multivariate analysis of factors determining whether or not an adequate quantity and quality of home care workers can be secured. Part 5 outlines indications derived from this analysis.

In analyses of the hiring and employment of home care workers from Part 3 onward, a primary focus is whether workplace and employment management is carried out in a manner that currently employed home care workers find their jobs rewarding. The most common route to employment at providers employing these workers is "introduced by friend or acquaintance", in other words word of mouth. When home care workers are able to feel rewarded by work, it contributes to workforce retention and thereby to prevention of unnecessary hiring.

Another key area of focus is whether or not providers are managed in a manner that is open to the local community. Prior case studies of workforce hiring and retention management (Care Work Foundation 2014) indicate the importance of

participation in local communities and partnerships such as cooperation with other providers. Moving toward the building of community-based integrated care programs that enable people to live fulfilling lives in the areas they are used to as Japanese society becomes increasingly super-aged, there are expectations that long-term care providers will not only implement cooperation among people of different occupations but also more extensive engagement with regional society based on the ideals of autonomy and dignity, including by acting as bases for sharing of human resources and expertise with the community (Community-Based Integrated Care Study Group 2014, Minkaikyo 2014). If it can be empirically clarified that a diverse range of community-engaged initiatives enables providers to secure workforce, it will also contribute to the promotion of community-based integrated care.

## 2. Data Used

The data employed in this section is individual data from the Fiscal 2011 Care Work Foundation Long-term Care Labor Force Survey (Provider Survey : hereinafter, "the Provider Survey").<sup>5</sup>

The Provider Survey covered 17,151 providers throughout Japan that provide insured long-term care services, extracted randomly from a list of all designated providers of long-term care services. The survey was conducted in November 2011 (responses are as of October 1, 2011), and there were valid responses from 7,070 providers (valid response rate of 41.2%).

The Provider Survey data set is large and highly representative, being randomly extracted and covering the entire country, and while it does not focus on employment management specifically, it contains an abundance of information about companies' and providers' general status, hiring and termination of employees, overstaffing or understaffing, employment management initiatives and so forth.

The reason for using the survey data from fiscal 2011 (rather than the most recent data available when

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5 For the survey form, details of survey implementation, and survey results, refer to the Care Work Foundation (2012).



this section was being written) is that in addition to the nationwide survey items included every year, there are also questions on the survey about regional initiatives, making these results optimally suited to examination of cooperative efforts with the community, one of this section's areas of focus.

**Part 2 Providers' Turnover Rate, Overstaffing and Understaffing, and Reasons for Workforce Shortages<sup>6</sup>**

This section examines the current status of employee resignation or termination, overstaffing and understaffing, etc. from various perspectives, using data on the turnover rate for different occupations and employment formats, by enterprise unit.

The turnover rate by enterprise unit is broken down into four categories: (1) home care workers who are regular employees, (2) home care workers who are non-regular employees (with both full-time and shortened-hours schedules), (3) care workers (in this case meaning those employed at facilities rather than visiting care recipients' homes) who are regular employees, and (4) care workers who are non-regular employees (with both full-time and shortened-hours schedules). The survey covered only providers that

gave complete responses about their number of employees as of October 1, 2011 and the number of employees hired and terminated or resigned over the October 1, 2010 to September 30, 2011 period. Calculations were performed as follows: Number of people terminated or resigned over the October 1, 2010 to September 30, 2011 period/ (number of employees as of October 1, 2011– number of employees hired over the October 1, 2010 to September 30, 2011 period + number of people terminated or resigned over the October 1, 2010 to September 30, 2011 period).

**1. Annual Turnover Rate for Each Occupation and Employment Format, by Enterprise Unit**

Examination of the annual turnover rate for each occupation and employment format, by enterprise unit (Table III-3), reveals that for all four categories a considerable percentage of providers had a 0% turnover rate, and between 50% to 70% or so of them had either 0% or below 10% turnover. On the other hand, around 20% to 30% of them had a turnover rate of 30% or more. In other words, there is a stark dichotomy between high and low rates of turnover.

**Table III-3 Annual Turnover Rate for Each Occupation and Employment Format, by Enterprise Unit**

	Number of providers	Annual turnover rate by enterprise unit					
		Average turnover rate (%)	Turnover rate distribution (%)				
			0%	Above 0% - under 10%	10% - under 20%	20% - under 30%	30% or above
Home care workers (regular employees)	1,440	18.7	70.8	0.8	3.3	4.5	20.6
Home care workers (non-regular employees)	1,532	18.7	42.6	12.4	18.0	10.7	16.4
Care workers (regular employees)	3,734	17.5	49.0	9.5	13.4	9.2	18.8
Care workers (non-regular employees)	3,295	24.4	46.1	3.8	11.5	10.7	27.8

Source: Prepared by the author on the basis of individual data from the Care Work Foundation "Long-term Care Labor Force Survey (Provider Survey)".

6 This section consists of material from Hotta (2012) with additions, deletions and revisions.



With regard to home care workers who are regular employees, over 70% of providers had a turnover rate of 0%. At the same time, 20.6% of providers had a turnover rate 30% or more. As for home care workers who are non-regular employees, 42.6% of providers had a turnover rate of 0%, and the next most common response was “between 10% and 20%” with 18.0%, and 30% or more with 16.4%. For care workers who are regular employees, approximately half of providers had a turnover rate of 0%, and around 20% had a rate of 30% or higher. For care workers who are non-regular employees, the most common turnover rate was 0% at 46.1% of providers, but on the other hand nearly 30% of them had a turnover rate of 30% or more.

## 2. Perceptions of Employee Retention and Turnover Rate by Enterprise Unit

In the Provider survey, respondents were given three choices with regard to their perceptions of the employee retention rate at the time of the survey: “Low retention rate is a source of problems”, “Retention rate is low, but does not cause problems”,

and “Retention rate is not low”. In response, 70% of providers said that the “retention rate is not low”, a result that is consistent with the findings of 1. above that a majority of providers had a turnover rate of less than 10%. Only 14.5% felt that a low retention rate was a source of problems. Meanwhile, 9.1% of providers perceived the retention rate as low but did not view it as causing problems.

Examination of the correlations between perceptions of employee retention and turnover rate by enterprise unit (Table III-4) reveals that for all categories (home care workers who are regular employees, home care workers who are non-regular employees, care workers who are regular employees, and care workers who are non-regular employees), providers responding that “Low retention rate is a source of problems” were more likely to have a turnover rate of 30% or higher than providers giving other responses, and conversely, those responding that the “retention rate is not low” were more likely than other providers to have a turnover rate of 0%.

At the same time, it must be noted that among providers responding that “low retention rate is a

**Table III-4 Perceived Understaffing at Providers as a Whole, and Turnover Rate for Each Occupation/ Employment Format, by Enterprise Unit**

<All enterprises>	Turnover rate by enterprise unit (home care workers / regular employees)					Turnover rate by enterprise unit (home care workers / non-regular employees)				
	No. of enterprises	Turnover rate distribution (%)				No. of enterprises	Turnover rate distribution (%)			
		0%	Above 0% - under 10%	10% - under 30%	30% or above		0%	Above 0% - under 10%	10% - under 30%	30% or above
Low retention rate is a source of problems	243	55.1	0.4	9.1	35.4	252	31.0	6.7	32.9	29.4
Retention rate is low, but does not cause problems	118	59.3	0.0	9.3	31.4	103	42.7	9.7	21.4	26.2
Retention rate is not low	1,012	76.8	1	6.5	15.7	1,133	44.4	14.1	28.7	12.8

<All enterprises>	Turnover rate by enterprise unit (caregivers / regular employees)					Turnover rate by enterprise unit (caregivers / non-regular employees)				
	No. of enterprises	Turnover rate distribution (%)				No. of enterprises	Turnover rate distribution (%)			
		0%	Above 0% - under 10%	10% - under 30%	30% or above		0%	Above 0% - under 10%	10% - under 30%	30% or above
Low retention rate is a source of problems	581	32.7	4.8	26.2	36.3	528	28.6	2.8	20.5	48.1
Retention rate is low, but does not cause problems	391	35.3	6.6	29.7	28.4	329	35.3	1.8	21.9	41.0
Retention rate is not low	2,586	54.4	10.8	21.3	13.5	2,285	51.3	4.2	23.1	21.4

Source: Prepared by the author on the basis of individual data from the Care Work Foundation “Long-term Care Labor Force Survey (Provider Survey)”.

source of problems”, approximately 30- 50% had a home care worker and care worker turnover rate of 0%, while on the other hand among providers stating that the retention rate is not low, 10- 20% had a home care worker and care worker turnover rate of 30% or higher. It is evident that providers’ perceptions of retention were shaped not only by the turnover rate for employees in the four occupation/ employment format categories listed above, but also by a variety of other factors including employee retention throughout the entire enterprise and human resource strategies (perceived optimum retention rate, etc.) .

### 3. Overstaffing, Understaffing, and Turnover Rate by Enterprise Unit

On the subject of perceived overstaffing and understaffing, the Provider survey asks respondents to select from five options regarding individual

occupations and overall: “Overstaffed”, “Appropriate level”, “Somewhat understaffed”, “Understaffed”, and “Severely understaffed”.<sup>7</sup> For overall staffing levels, 46.1% of providers perceived an “Appropriate level”, and 53.2% perceived themselves as understaffed (total of “Severely understaffed” + “Understaffed” + “Somewhat understaffed”). As in the survey results for fiscal 2012 outlined above, when viewed by occupation, the most severe perceived understaffing was for home care workers, with only about 30% perceiving an “Appropriate level” and over 70% considering themselves “Understaffed”. For care workers, the corresponding percentages were 52.5% and 44.9%.

Let us examine the correlations between perceived understaffing by occupation and turnover rate for each occupation/employment format, by enterprise unit (Table III-5).

**Table III-5 Perceived Understaffing by Occupation and Turnover Rate for Each Occupation/ Employment Format, by Enterprise Unit**

<Overstaffing or understaffing of home care workers>	Turnover rate by enterprise unit (home care workers / regular employees)					Turnover rate by enterprise unit (home care workers / non-regular employees)				
	No. of enterprises	Turnover rate distribution (%)				No. of enterprises	Turnover rate distribution (%)			
		0%	Above 0% - under 10%	10% - under 30%	30% or above		0%	Above 0% - under 10%	10% - under 30%	30% or above
Severely understaffed	156	59.0	6.0	9.0	31.4	143	37.8	13.3	28.7	20.3
Understaffed	356	68.8	0.6	7.6	23.0	405	36.3	13.3	36.5	13.8
Somewhat understaffed	448	74.8	0.9	7.1	17.2	511	40.5	14.1	31.5	13.9
Appropriate level	403	75.4	1.2	8.4	14.9	398	54.0	9.5	20.1	16.3
Overstaffed	11	—	—	—	—	12	—	—	—	—

<Overstaffing or understaffing of caregivers>	Turnover rate by enterprise unit (caregivers / regular employees)					Turnover rate by enterprise unit (caregivers / non-regular employees)				
	No. of enterprises	Turnover rate distribution (%)				No. of enterprises	Turnover rate distribution (%)			
		0%	Above 0% - under 10%	10% - under 30%	30% or above		0%	Above 0% - under 10%	10% - under 30%	30% or above
Severely understaffed	100	41.0	20.0	31.0	26.0	91	34.1	4.4	26.4	35.2
Understaffed	460	38.5	10.2	27.0	24.3	406	35.0	4.9	25.1	35.0
Somewhat understaffed	1,010	44.5	10.1	24.8	20.7	938	40.2	4.5	24.2	31.1
Appropriate level	1,790	53.1	10.0	20.7	16.2	1,565	50.6	3.3	21.5	24.6
Overstaffed	90	45.6	11.1	27.8	15.6	79	50.6	3.8	24.1	21.5

Source: Prepared by the author on the basis of individual data from the Care Work Foundation “Long-term Care Labor Force Survey (Provider Survey)”.  
 Note: The percentage of providers responding that they were “overstaffed” with home care workers was negligible, and is not listed but written as “—”.

7 The survey contains a note to the effect that for this question, the response “Understaffed” indicates that there is a need to recruit workforce.

First of all, it is notable that providers with insufficient numbers of home care workers have a lower percentage of 0% home care worker turnover rate, for both regular and non-regular employees, than other providers, and a higher percentage of 30% or higher turnover rate.

With regard to care workers, providers with significant understaffing of care workers were more likely than other providers to have a turnover rate of 30% or higher for regular-employee care workers. A relatively low percentage of these providers had a turnover rate of 0% for non-regular-employee care workers, and a relatively high percentage of them had a turnover rate of 30% or higher.

Even among providers stating that they were “understaffed” in terms of both home care workers and care workers, there were a considerable number of providers with a turnover rate of 0%. Notably, even among providers that reported being “severely understaffed” with home care workers, approximately 60% had a turnover rate of 0% for home care workers who are regular employees, indicating that there are significant reasons for employee shortages other than the turnover rate. As outlined in the next section, there appear to be other factors impacting perceptions of understaffing, such as difficulty in filling positions, even though the turnover rate (employee resignation or termination) is not high, due to workforce reaching retirement age, etc., and inability to expand the scale of providers or the range of services because sufficient workforce cannot be secured.

#### 4. Understaffing Status by Occupation and Reasons for Being Understaffed

Let us examine some of the reasons for understaffing. In the Provider survey, the 2,486 providers responding that they were “Severely understaffed”, “Understaffed”, or “Somewhat understaffed” were asked for their reasons, with multiple responses possible. The results were consistent with those of the fiscal 2012 survey outlined earlier, with the most common response being “Difficulty in recruiting workforce”, given by nearly 70% of respondents (66.0%). This was followed by “Want to expand business, but cannot secure workforce” (26.2%) and “High turnover rate

(low retention rate)” (19.8%).

To get a clearer picture of understaffing by occupation, let us examine the status of home care worker and care worker understaffing, and their correlations with reasons for understaffing given by providers that were understaffed (severely understaffed, understaffed, or somewhat understaffed) in terms of home care workers and care workers, as well as being understaffed across the enterprise as a whole.

Overall, among reasons given for understaffing at providers with shortages of home care workers, “Difficulty in recruiting workforce” was the most common, followed by “Want to expand business, but cannot secure workforce” and “High turnover rate”. This last reason was given by only between 10% and 20% of providers. As a rule, the percentages of providers giving these reasons rise when the providers strongly perceive themselves as understaffed, with 67.9% of “severely understaffed” providers citing “Difficulty in recruiting workforce”, and approximately half citing difficulty in securing workforce to expand their businesses.

Among reasons given for understaffing at providers with shortages of care workers, the most common reason, once again, was “Difficulty in recruiting workforce”. Unlike with home care workers, however, the second most common reason was “High turnover rate”. Here, again, both of these reasons were given by a relatively high percentage of “severely understaffed” providers. Of these, 81.8% cited “Difficulty in hiring workforce”, and 46.5% cited “High turnover rate”.

### Part 3 Characteristics of Providers That Have Secured Sufficient Home Care Workers, in Terms of Both Number of Workers and Quality of Care

By occupation, home care workers are in the shortest supply, with approximately 70% of providers in both the fiscal 2011 and 2012 surveys perceiving themselves as understaffed. In this section, we will analyze the particularly severe shortage of home care workers.

As described in the preceding section, difficulty in recruiting workforce is consistently cited as the

primary reason for shortages of home care workers. By contrast, turnover rate was low (below 10%) at many providers, and providers viewing the turnover rate as a problem were in the minority.

The Provider survey asked for the respectively number of home care workers and care workers hired over the preceding year (October 1, 2010- September 30, 2011) and the quality of these human resources, and regarding home care workers, obtained responses from 2,172 providers. Of these, fewer than two in ten (18.6%) stated that they were meeting their needs in terms of both number and quality of workers, while over half were only satisfied with either number or quality but not both, with 26.4% saying they “Have a sufficient number of workers, but are not satisfied with their quality”, while 27.7% “Are satisfied with quality of workers, but have been unable to secure sufficient numbers”. Nearly three in ten (27.3%) were “Have been unable to secure either sufficient number or quality of workers”.

In the context of widespread inability to hire workforce, what are the characteristics of the minority of providers that are able to secure sufficient numbers of workforce of sufficient quality? This section examines this question, taking company or enterprise attributes into account (Part I. 1.). Employment management initiatives and efforts in cooperation with local communities will also be examined.

The following is an overview of areas of significant discrepancy marking the characteristics of providers that have secured home care workers of sufficient number and quality, which emerged in a cross tabulation.

## 1. Company or Enterprise Attributes

With regard to company or enterprise attributes, the following factors will be taken into account: Managing body, date of establishment or start of long-term care service, company or provider size and structure (number of employees, number of business units, business areas other than insured long-term

care, etc.), and location.

In terms of managing bodies, private-sector companies were relatively few (48.1% of providers that have secured sufficient numbers and quality of workers, compared to 58.5% of all providers), and social welfare providers other than social welfare councils were relatively high in number (21.7%, as opposed to 14.8% overall). The establishment of providers or launch of long-term care business was on average one year earlier than for all providers.

There was no significant discrepancy with regard to number of employees. In terms of business structure, as well, there was no significant discrepancy regarding number of business units or existence of business areas other than insured long-term care.

With regard to regional classification<sup>8</sup> for purposes of long-term care benefit calculation, there were somewhat fewer special wards (3.7%, as opposed to 6.9% overall) and specially designated cities (14.1%, as opposed to 18.5% overall), and somewhat more of the “other” classifications (55.1% as opposed to 46.9%).

## 2. Employment Management

On the topic of employment management, the survey asked about approaches used to prevent early employee resignation and promote retention, and obtained wide-ranging information on implementation of these approaches. Let us first of all examine responses to questions relating to the overall status of employment management initiatives. We will also examine the topic of human resources cultivation, which is the subject of several independent questions in addition to being given as an option on the question about employment management. In addition, the presence or absence of periodic hiring, and management of operations, will be considered.

A survey of the status of implementation of 18 employment management initiatives targeted at home

8 On the FY2011 Enterprise Survey, there are five regional classifications (Tokubetsuku, Tokko-chi, Ko-chi, Otsu-chi, other). This system was put in place based around compensatory payments to national public employees when the long-term care insurance system was first established, taking into account regional disparities in workforce costs for directly handled employees.

care workers (improvement of labor conditions, evaluations of competence and job performance and reflections of these evaluations in job assignments and treatment, clarification of workers' job duties and required abilities, implementation of wage structure concomitant with career, opportunities for non-regular employees to transition to regular, designation of workforce to provide guidance to new employees, enrichment of competence development resources and opportunities, enrichment of training to enable administrators to cultivate subordinates, surveying workers about desired work hours, surveying workers about job duties, designation of an office where workers can consult about worries or complaints, health promotion measures and health management initiatives to smooth out on-the-job communication, opportunities for management and employees to share information on administrative policies, enrichment of employee benefits, well-organized work environments, and support for workers raising children), of which 10 showed significant discrepancies. The initiatives that were implemented by a higher percentage, even if slightly (3% or a little more), of providers that succeeded in securing sufficient numbers and quality of workforce, were as follows: "Improvement of labor conditions such as wages and working hours (including making it easier for employees to take vacations", implemented by 64.9% of such providers compared to 61.8% overall; "Providing opportunities for management or administrators and employees to share information on administrative and care policies" (39.5%, compared to 36.4% overall); and "Well-organized work environments (providing employees with break rooms, discussion rooms, assigned seats when they arrive at work, etc.) (33.6%, compared to 28.8% overall).

On the subject of human resources cultivation, regular and non-regular employees were asked separately to evaluate their employers in comparison to other providers in the same industry. At providers that succeeded in securing sufficient numbers and quality of workforce, compared to providers in general, a large percentage of both regular and non-regular employees stated that their employers' human resources cultivation programs were ample ("ample" + "somewhat ample").

What sorts of initiatives were actually implemented? Regular and non-regular employees were asked separately about the implementation status of eight different human resources cultivation initiatives, and the results for both regular and non-regular employees of "successful" providers showed a significantly higher rate of implementation of "Cultivation of employees implemented throughout the enterprise (including affiliated companies)", while those for regular employees showed similar higher rates for "Formulation of training plans", "Designation of person in charge of training (including jointly responsible persons) or company division in charge", and "Ample training at time of hiring", while relatively high percentages of non-regular employees cited "Provision of opportunities to provide guidance to junior employees." As for periodic hiring of home care workers, it was implemented by a lower percentage of "successful" providers than by providers overall (13.6%, compared to 24.2%).

Finally, a marked correlation was noted with regard to methods of managing working hours and service delivery status, an area specific to home care workers. Approximately half of "successful" providers "Make sure to have home care workers report to the office at least once every working day", compared to only 32.9% of providers overall, a 15-percentage-point difference. The corresponding percentage was 27.7% for providers unable to secure either sufficient numbers or quality of workers, while a relatively high percentage of these "Make sure to have home care workers report over the phone at least once per working day".

### 3. Community Cooperation

In addition to questions about insured long-term care services, the Provider survey inquires about other efforts providers are carrying out in cooperation with the local community, perhaps with the goal of providing higher-quality services, asking respondents for the implementation status of 11 different items. The responses showed that a significantly higher percentage of "successful" providers, compared to all providers, were implementing the nine items shown in Table III-6.



**Table III-6 Evaluation of Home Care Worker Recruiting and “Enterprise Management That Is Open to the Local Community” (Unit: %)**

	Able to secure workforce of sufficient quality and number	Overall
Acceptance of others to observe or experience the workplace or undergo on-the-job training	53.3	47.7
Acceptance of volunteers	41.0	35.7
Participation by enterprise in local events such as festivals	29.6	24.8
Participation in community networks that watch over and ensure the safety of care recipients, along with local welfare commissioners and related organizations, etc.	26.2	21.3
Convening or playing a cooperative role in seminars or classes related to subjects such as long-term care and health, dispatching of care workers to participate	20.7	15.9
Making enterprise facilities, buildings, etc. available to the local public	18.5	14.7
Development of manuals and procedures for “clinical pathway” (support for care recipients provided in partnership with other providers)	18.3	14.5
Convening and providing support for gatherings of care workers	15.8	11.2
Cultivating and organizing volunteers who provide day-to-day assistance and ensure the safety of care recipients	7.2	5.2

Source: Prepared by the author on the basis of individual data from the Care Work Foundation “Long-term Care Labor Force Survey (Provider Survey)”.

Note: Items listed in order of the percentage of “successful” providers significantly engaged in the initiatives in question.

#### Part 4 Decisive Factors Affecting Whether or Not Providers Secure Home Care Workers of Sufficient Number and Quality

What are the employment management and community cooperation initiatives that impact the ability to secure home care workers of sufficient number and quality, even when other factors are controlled for? As the cross tabulation in Section 3 does not enable assessment of the isolated influence of each individual factor, this section comprehensively examines the decisive factors affecting whether or not providers were able to secure home care workers of sufficient number and quality over the past year through a multivariate analysis (binomial logistical analysis).

##### 1. Variables

###### 1) Employment management

Extensive employment management, including elements like organizational consolidation and compliance (Hotta 2010), individualized treatment of human resources (Section 7 of this article), and individual consultations and guidance (Hotta 2010), is known to help alleviate care workers’ stress and boost motivation. It is also thought to contribute to

avoidance of unnecessary recruitment by promoting retention of existing home care workers, and to assist with recruitment by generating positive word-of-mouth among home care workers who feel rewarded at work.

As seen in Part 3. 2., Provider survey questions about measures aimed at preventing early employee resignation and promoting retention inquire broadly about the implementation status of employment management initiatives (Tables III-7 through III-9). The findings showed high rates of implementation, above 40%, for initiatives to smooth out on-the-job communication (63.3%), surveying workers about desired work hours (62.0%), improvement of labor conditions such as wages and work hours (56.8%), opportunities for non-regular employees to transition to regular (48.2%) enrichment of competence development resources and opportunities (44.6%), evaluations of competence and job performance and reflections of these evaluations in job assignments and treatment (40.6%), and improvement and streamlining of work tasks, etc. for more worker-friendly work environments (40.2%).

For this study, an exploratory factor analysis was conducted, with the goal of identifying and consolidating potential shared factors from the 18



**Table III-7 Factor Scores for Employment Management Initiatives (Measures to Prevent Early Resignation and Promote Retention of Home Care Workers)**

	Percentage of enterprises taking measure	Factor 1 Solidarity and participation	Factor 2 Training-oriented workplaces	Factor 3 Career development	Factor 4 Listening to worker opinions
Emphasis on improvement and streamlining of work tasks, etc. for more worker-friendly work environments	40.2	<b>0.564</b>	0.124	-0.072	-0.041
Initiatives to smooth out on-the-job communication in the workplace (periodic meetings, discussions where opinions are exchanged, team care, etc.)	63.3	<b>0.557</b>	-0.015	-0.07	0.039
Opportunities for management or administrators and employees to share information on administrative and care policies	39.1	<b>0.530</b>	0.096	0.018	-0.030
Well-organized work environments (providing employees with break rooms, discussion rooms, assigned seats when they arrive at work, etc.)	27.3	<b>0.360</b>	0.065	-0.009	0.095
Enhancement of benefits and activities that strengthen interpersonal ties (including social events such as karaoke and bowling, etc.)	32.2	0.289	0.128	0.088	0.028
Health promotion measures and health management initiatives	31.8	0.280	0.208	-0.013	0.079
Improvement of labor conditions such as wages and working hours (including making it easier for employees to take vacations)	56.8	0.258	-0.208	0.242	0.117
Emphasis on administrators' and leaders' cultivation of subordinates and training aimed at boosting motivation and competence	20.3	0.069	<b>0.616</b>	-0.032	-0.036
Assignment of personnel to provide guidance and advice to new employees	23.3	0.092	<b>0.453</b>	0.003	-0.029
Clarification of the duties enterprises expect of employees and the competences employees need to acquire to complete them	15.7	-0.068	<b>0.370</b>	0.214	0.020
Establishment of an office for consultations on employees' troubles, anxiety, and dissatisfaction (mental health care)	29.3	0.005	0.233	0.081	0.228
Support for employees raising children (making childcare available, financial aid for childrearing, etc.)	7.6	0.015	0.175	0.004	0.027
Implementation of wage structure concomitant with career	32.5	-0.132	0.041	<b>0.573</b>	0.021
Evaluations of competence and job performance and reflections of these evaluations in job treatment	40.6	0.017	0.043	<b>0.528</b>	-0.004
Opportunities for non-regular employees to transition to regular	48.2	0.057	0.056	<b>0.432</b>	-0.041
Enrichment of competence development resources and opportunities (in-house training, enabling employees to take advantages of external educational resources and providing support, etc.)	44.6	0.209	0.230	0.241	-0.083
Surveying workers about desired job duties (change of post, etc.)	32.3	-0.084	0.172	-0.047	<b>0.604</b>
Surveying workers about desired work hours (time of day, total number of working hours)	62.0	0.194	-0.191	0.030	<b>0.425</b>
Eigenvalue		4.243	1.233	1.113	1.002
Correlations between factors	Factor 1				
	Factor 1	-	0.649	0.621	0.497
	Factor 2		-	0.649	0.340
	Factor 3			-	0.440
	Factor 4				-

Source: Prepared by the author on the basis of individual data from the Care Work Foundation "Long-term Care Labor Force Survey (Provider Survey)".  
 Note: Employs the major factor method and promax rotation. Factor loading quantities of 0.35 or higher are in bold type.

employment management initiatives aimed at prevention of early resignation and promotion of retention. The principal factor method was used for extraction of factors, with a promax rotation envisioning the correlations among factors. With a threshold eigenvalue of 1 or higher, four factors were identified.

When the constituent elements of each factor with a factor loading quantity of 0.35 or higher are examined, Factor 1 encompassed improvement and streamlining of work tasks, etc. for more worker-friendly work environments, opportunities for management or administrators and employees to share information on administrative and care policies,

initiatives to smooth out on-the-job communication, and well-organized work environments (providing employees with break rooms, discussion rooms, assigned seats when they arrive at work, etc.), all of which promote employee participation in the process of establishing stable interpersonal relations in the workplace and improvement of work environments, heightening employees' allegiance to the workplace and feelings of solidarity as members of a team. These factors are collectively referred to as "solidarity and participation." Factor 2 encompassed administrators' and leaders' training of subordinates so as to boost motivation and competence, assignment of workforce to provide guidance and advice to new employees, and clarification of the job duties and abilities the enterprise requires of workers, all of which are related to clarification of the duties providers expect of employees and the competences employees need to acquire to complete them, and to supporting workplace administrators by designating workforce in charge of training so that competence can be developed on the job, and are collectively referred to as "training-oriented workplaces". Factor 3 encompassed implementation of wage structure concomitant with career, evaluations of competence and job performance and reflections of these in treatment of employees, opportunities for non-regular employees to transition to regular, which relate to development of career path and treatment of employees that fosters competence development, and are collectively referred to as "career development". Factor 4 consisted of surveying workers about desired work hours and job duties, and is referred to as "listening to worker opinions". The four factor scores for employment management initiatives were introduced as explanatory variables.

The discussion in the preceding section notes that approaches to managing home care workers' work hours, status of service delivery, and so forth showed notable features pertaining to provider's evaluation on home care workers' recruitment. The most common cause of trouble, anxiety, and dissatisfaction among home care workers was "anxiety about whether I am providing recipients with effective care" (41.9%) (Care Work Foundation 2013b). When workers meet their colleagues in person every working day, this

anxiety is alleviated and they can receive appropriate advice, as well as perceiving themselves as members of a team and feeling more rewarded by their work. On this basis, "Making sure to have home care workers report to the office at least once every working day" is added as an explanatory variable for management of operations (selected = 1, not selected = 0).

## 2) Community cooperation

Enterprise management that is open to the local community heightens public understanding of the nature of home-based long-term care and the providers that provide it, and is envisioned as having a positive effect on employment as well. As noted in Part 1. 1., prior research has indicated the important role of partnerships in the community, as shown in case study surveys of hiring and retention. The preceding section, as well, noted the correlation between providers that carry out a wide range of activities in partnership with the community, and success in securing home care workers of sufficient number and quality (Table III-6). With this in mind, this study includes an exploratory factor analysis (major factor method / promax rotation) of community cooperation initiatives, with factor scores as explanatory variables.

With a threshold eigenvalue of 1 or higher, three factors were identified (Table III-8). When the constituent elements of each factor with a factor loading quantity of 0.35 or higher are examined, Factor 1 encompassed acceptance of volunteers and acceptance of others to observe or experience the workplace or undergo on-the-job training, and is referred to as "acceptance of trainees, etc.". Factor 2 encompassed convening and providing support for gatherings of care workers, cultivating and organizing volunteers who provide day-to-day assistance and ensure the safety of care recipients, convening or playing a cooperative role in seminars or classes related to subjects such as long-term care and health, and participation in community networks that watch over and ensure the safety of care recipients, all of which entail supporting and organizing mutual support among members of the community, and are referred to collectively as "supporting and organizing

**Table III-8 Factor Scores Related to Enterprise Management That Is Open to the Local Community**

	Factor 1 Acceptance of trainees, etc.	Factor 2 Supporting and organizing mutual aid	Factor 3 Membership in the community
Acceptance of volunteers	<b>0.826</b>	-0.131	0.017
Acceptance of visitors to observe or experience the workplace or undergo on-the-job training	<b>0.628</b>	0.045	-0.059
Convening and providing support for gatherings of caregivers	0.121	<b>0.482</b>	-0.064
Cultivating and organizing volunteers who provide day-to-day support to care recipients or watch over them to ensure their safety	0.003	<b>0.478</b>	-0.048
Convening or playing a cooperative role in seminars or classes related to subjects such as long-term care and health in the local community or at schools, etc., and dispatching of employees	0.127	<b>0.449</b>	0.003
Participation in community networks that watch over and ensure the safety of care recipients, along with local welfare commissioners and related organizations, etc.	-0.05	<b>0.379</b>	0.176
Provision of day-to-day living support services not covered by long-term care insurance	-0.217	0.347	-0.038
Development of manuals and procedures for partnering with other bodies to provide support to care recipients (linkage paths, etc.)	-0.08	0.284	0.012
Making enterprise facilities, buildings, etc. available to the local public	0.163	0.255	0.166
Efforts to build day-to-day relationships with the community through membership in neighborhood and residents' associations, etc.	-0.104	-0.03	<b>0.636</b>
Participation on an enterprise basis in local events such as festivals	0.13	-0.017	<b>0.528</b>
Eigenvalue	2.642	1.373	1.034
Correlations between factors	Factor 1	Factor 2	Factor 3
Factor 1	-	0.413	0.527
Factor 2		-	0.517
Factor 3			-

Source: Prepared by the author on the basis of individual data from the Care Work Foundation "Long-term Care Labor Force Survey (Provider Survey)".

Note: Employs the major factor method and promax rotation. Factor loading quantities of 0.35 or higher are in bold type.

mutual aid". Factor 3 consisted of efforts to build day-to-day relationships with the community through membership in neighborhood and residents' associations, as well as participation in local events such as festivals, all of which relate to providers' participation in the local community and are referred to as "membership in the community".

Here, "community cooperation" also encompasses cooperation with other providers and related organizations in the community. In addition to efforts such as development of manuals and procedures for "clinical pathway" and building of networks to watch over and ensure safety of care recipients, as outlined in Table III-8, it should also be considered to include cooperation in the area of human resource cultivation.

On this basis, focusing on the topic of cooperation with other providers in the community, "Making efforts to cooperate with other long-term care providers in the community, share expertise, and cultivate human resources" is added as an explanatory variable (selected = 1, not selected = 0).

### 3) Control variables

The control variables pertaining to company or enterprise attributes as discussed in part 1 of the preceding section are: managing body (five categories: private-sector corporation, social welfare association or local government, social welfare or medical enterprise other than a social welfare association, NPO, and incorporated association,

incorporated foundation, or cooperative association), number of months elapsed since the launch of long-term care (real number), size of providers (real number of employees engaged in work related to insured long-term care), number of providers under the control of a corporation, etc. (only one enterprise per corporation, etc. = 1, multiple providers per corporation, etc. = 2), and regional classification for purposes of benefit calculation (five categories: Tokubetsuku, Tokko-chi, Ko-chi, Otsu-chi, other).

Future business strategy is certain to influence both quality and numbers of workforce hired. With this in mind, a control variable focused on the business's future direction is added, with selection of "intend to expand enterprise in the future" assigned a value of 1 and non-selection a value of 0.

## 2. Results

A multivariate analysis (binomial logistical analysis) was performed (Table III-9) to examine decisive factors affecting whether or not providers were able to secure home care workers of sufficient number and quality. The explained variables were, in response to the question "What is your assessment of the number and quality of workers hired over the past year (October 1, 2010- September 30, 2011)?" with "We have been able to secure workers of sufficient number and quality" assigned a value of 1 and other responses assigned a value of 0. The explanatory variables introduced were the various variables related to employment management (listed in 1.(1)) and community cooperation (1.(2)), and the control variables (1.(3)).

In the area of employment management, the factor scores pertaining to employment management initiatives (measures to prevent early resignation and promote retention) show that "solidarity and participation" and "career development" had a significant impact on ability to secure home care workers of sufficient number and quality. "Solidarity and participation", with workplaces improved and sense of solidarity achieved with the participation of employees, contributed to ease of recruitment.

On the other hand, "career development" was observed to have a negative impact, and its influence was the greatest of all variables found to have a

significant impact. Appropriate evaluations of competence and concomitant workforce deployment have been found to boost individual sense of accomplishment in some analyses (Hotta 2009), but at the same time treatment of workers on the basis of competency evaluations has been found to elevate stress levels (Hotta 2010), and as noted in Section 6 of this study as well, development of career within a single company, etc. cannot be said to have a positive impact on job satisfaction or desire to continue working. It is not clear from the Provider survey alone what factors might contribute to career development's negative impact on ability to secure home care workers of sufficient number and quality, but possibilities include competence evaluations that do not gain the acceptance of home care workers and the fact that career development is not necessarily linked to improvement of the quality of long-term care services, which is an important element heightening care workers' sense of fulfillment on the job. Meanwhile, "training-oriented workplaces" and "listening to worker opinions" did not have a significant impact.

On the subject of management of home care workers' operations, "making sure to have home care workers report to the office at least once every working day" was found to have a positive impact on recruitment.

As for community cooperation, "supporting and organizing mutual aid" was found to have a positive impact. It appears that home-based long-term care providers' efforts to promote and organize networks of mutual support among community residents may contribute to ability to secure human resources.

"Acceptance of trainees, etc.", "membership in the community", and "cooperation on human resources cultivation with other long-term care providers in the community" were not found to have a significant impact.

Of the control variables, with regard to "managing body," an earlier start to provision of long-term care services, and a single company, etc. operating only a single enterprise, were found to have a more significant positive impact for "social welfare or medical providers other than social welfare associations" than for private-sector corporations. On

**Table III-9 Binomial Logistical Analysis of Decisive Factors Affecting Whether or Not Providers Are Able to Secure Home Care Workers of Sufficient Number and Quality**

		B	Standard deviation
Managing body <Private-sector corporation>	Social welfare association / Local government	-0.347	0.371
	Social welfare or medical enterprise other than a social welfare association	0.607	0.237 **
	NPO	0.229	0.339
	Incorporated association, incorporated foundation, or cooperative association	-0.740	0.646
Number of months elapsed since the launch of long-term care		0.002	0.001 *
Size of enterprise	Number of employees engaged in work related to insured long-term care	-0.009	0.004 **
Number of providers under the control of a corporation, etc. <multiple providers>	Only one enterprise per corporation	0.573	0.180 ***
Business's future direction	Intend to expand enterprise in the future	-0.417	0.178 **
Regional classification for purposes of benefit calculation <Other>	Special ward (23 wards of Tokyo)	-0.233	0.378
	Tokko-chi	-0.432	0.247 *
	Ko-chi	-0.041	0.316
	Otsu-chi	-0.141	0.226
Employment management initiatives <measures to prevent early resignation and promote retention>	Solidarity and participation	0.496	0.206 **
	Training-oriented workplaces	0.093	0.217
	Career development	-0.591	0.207 ***
	Listening to worker opinions	-0.165	0.157
Management of home care workers' operations	Home care workers report to the office at least once every working day	0.531	0.172 ***
Community cooperation	Acceptance of trainees, etc.	-0.035	0.158
	Supporting and organizing mutual aid	0.257	0.154 *
	Membership in the community	0.115	0.174
Cooperating and sharing know-how on human resources cultivation with other long-term care providers in the community		0.135	0.268
Constant		-1.704	0.251 ***
N		1,116	
-2 log-likelihood		993.252	
chi-square		86.057***	
Nagelkerke R2 square		0.120	

Notes :1) Reference group is enclosed in < >.

2) \*\*\* indicates significance at the 1% level, \*\* at the 5% level, and \* at the 10% level.

the other hand, large providersize, intent to expand the enterprise in the future, and being located in a Tokko-chi had a significant negative impact relative to other options.

## Part 5 Conclusion

This chapter has focused on “difficulty in recruiting workforce”, cited by approximately 70% of providers as a reason for being understaffed, and

aimed to elucidate the types of recruitment-related initiatives that can be implemented on an enterprise level to secure workforce. We begin with an overview of the distribution of turnover rate by enterprise unit and perceptions of workforce retention among home care workers and care workers, as well as the status of over- or understaffing and providers' perceived reasons for understaffing. This is followed by a discussion of home care workers, perceived as being



in the shortest supply among occupations, and the characteristics of providers that are able to secure home care workers of sufficient quality and number, focusing on employment management initiatives and enterprise management that is open to the local community.

To summarize the points that have been clarified in this chapter:

1. Distribution of turnover rate by enterprise unit: Examination of the annual turnover rate for four categories (home care workers who are regular employees, home care workers who are non-regular employees, care workers who are regular employees, and care workers who are non-regular employees) reveals that many providers have a turnover rate of 0%, and those with 0% or less than 10% make up approximately 50% to 70% of the total. At the same time, around 20% to 30% of providers have turnover rates of 30% or higher.
2. Providers' perceptions of workforce retention: The majority of providers had turnover rates of less than 10%, and this is consistent with the perception of 70% of providers, that "The retention rate is not low". Only 14.5% of providers responded that the "low retention rate is a source of problems". Meanwhile, around 10% of providers stated that the retention rate was low, but did not perceive this as a source of problems. These findings indicate that providers' perceptions of workforce retention are shaped not by the turnover rate alone, but also by other factors such as human resources strategy.
3. Overstaffing and understaffing: Overall, responses regarding staffing were divided roughly half and half between "Appropriate level" (46.1%) and "Understaffed" (53.2%), but with regard to home care workers in particular, over 70% considered themselves understaffed (total of "Severely understaffed", "Understaffed", and "Somewhat understaffed").
4. Reasons for workforce shortages at understaffed providers: The most common response was "Difficulty in recruiting workforce" cited by nearly seven in ten providers (66.0%). Only about two in ten respondents cited other reasons: "Want to expand business, but cannot secure workforce" (26.2%) and "High turnover rate" (19.8%).

5. Alleviation of perceived understaffing and promotion of retention: Efforts to promote workforce retention are consistently viewed as being of great importance, contributing to avoidance of unnecessary recruitment and playing a significant role for providers, their employees, and care recipients. However, it is only a minority of providers where measures to prevent employee resignation or termination are an effective means of alleviating perceived understaffing, as the majority of providers regard their turnover rates as low.

6. Characteristics of providers that are able to secure home care workers of sufficient quality and number: Many providers are understaffed due to difficulties in recruiting workforce, and the situation is particularly severe with regard to home care workers. With this in mind, this study focused on those providers that are successful in securing home care workers of sufficient quality and number. When these are compared with the whole through cross tabulation, in terms of company or enterprise attributes, there are relatively few private-sector corporations, relatively many social welfare providers, average length of time since the enterprise was launched is one year longer, and in terms of regional classification for purposes of long-term care benefit calculation, relatively many of the "other" classification.

Other characteristics of "successful" providers are as follows:

- 1) Employment management initiatives: with regard to both regular and non-regular employees, these providers tend to have extensive human resources cultivation initiatives (self-evaluated in comparison to competitors) compared to the entire survey sample. Specifically, a high percentage implemented company-wide partnerships aimed at cultivating workforce (both regular and non-regular), formulation of training plans, designation of workforce in charge of training, extensive training at time of hiring (the preceding three applying to regular employees), and providing employees with opportunities to cultivate junior workforce. There is also a



significant discrepancy in terms of management of operations, with approximately half of “successful” providers stating that they “Make sure to have home care workers report to the office at least once every working day”.

- 2) Community cooperation: There were a large number of community cooperation initiatives implemented by a significantly higher percentage of “successful” providers, including workplace visits, on-the-job training, acceptance of volunteers, providers’ participation in local events such as festivals, making providers’ facilities available to the community, development of manuals and procedures for partnering with other bodies to provide support to care recipients, participation in community networks that watch over and ensure the safety of care recipients, convening or playing a cooperative role in seminars or classes related to subjects such as long-term care and health, and cultivating and organizing volunteers who provide day-to-day support to care recipients or watch over them to ensure their safety.
7. Decisive factors affecting whether or not providers secure home care workers of sufficient number and quality: A logistical analysis was performed, with the explanatory variables being various variables related to employment management and community cooperation.
  - 1) Employment management: Initiatives related to solidarity and participation, such as improvement and streamlining of work tasks, etc. for more worker-friendly work environments, initiatives to smooth out on-the-job communication, providing opportunities for management or administrators and employees to share information on administrative and care policies, and organization of work environments, were found to have a positive impact on recruiting ability. Having workers stop by the office at least once per working day also contributes to ease of hiring. Meanwhile, career development initiatives including implementation of wage structure concomitant with career, evaluations of competence and job

performance and reflections of these evaluations in job treatment, and opportunities for non-regular employees to transition to regular, had a negative impact.

- 2) Community cooperation: Providing support for and organizing mutual aid among members of the community, through measures such as convening and providing support for gatherings of care workers, cultivating and organizing volunteers who provide day-to-day assistance and ensure the safety of care recipients, convening or playing a cooperative role in seminars or classes related to subjects such as long-term care and health, and participation in community networks that watch over and ensure the safety of care recipients, was found to have a positive impact.

Providers with an annual turnover rate of less than 10% make up approximately 50% to 70% of the total, while around 20% to 30% of providers have high turnover rates of 30% or above. For the majority of providers, the reason for understaffing is difficulty in recruiting workforce. The types of measures that providers need to implement, particularly pertaining to home care workers who are in particularly short supply, are as follows:

Efforts that entail employee participation and encourage stable interpersonal relationships and improvements to work procedures and working environment in the workplace, as well as boosting team and workplace solidarity and seeking to alleviate feelings of anxiety and isolation among home care workers by encouraging them to stop by their employers’ offices, are effective not only as a means of preventing unnecessary hiring by encouraging current home care workers to stay at their jobs, but also as a means of recruiting, as home care workers who find their jobs rewarding will spread the word to others. The most important route to hiring of workforce at providers dispatching home care workers is “introduction by friends and acquaintances”. Creating appealing workplaces is an effective means of boosting recruitment ability.

Efforts are underway to promote the development of career advancement mechanisms at long-term care

providers. There is no question that establishment of career paths is important both to providers and to workers. However, the analysis in this chapter found that career development initiatives had a negative impact on ability to secure home care workers of sufficient number and quality, and Chapter 6 notes that career development is not correlated with higher levels of job satisfaction. Treatment of workers on the basis of competency evaluations has been found to elevate stress levels in previous studies, and as noted in Section 6 of this study as well, development of career within a single company, etc. cannot be said to have a positive impact on job satisfaction or desire to continue working. This should especially be noted by providers aiming to expand career advancement mechanisms so as to meet the career path criteria of the Subsidy for Improvement of the Benefits of Care Staff. It is important for providers, while utilizing programs such as career rank programs for long-term care professionals, to examine the nature of career development at each enterprise based on dialogues with employees, in coordination with efforts to make competence evaluations more compatible with workers' expectations and boost the across-the-board quality of long-term care services.

For providers engaged in business related to insured long-term care to contribute human resources and know-how to the community, and conduct their business in a manner that is open to the community, is an effective means of promoting community understanding of the long-term care business and the role of long-term care providers. In particular, "mutual support among community residents and support for formation of organizations", which has been shown to exert a positive impact on securing human resources in terms of both quality and quantity, is also widely seen by long-term care providers as a contributor to the building of a community-based integrated care system over time.

Sharing the discovery that working together with the community may also have the effect of making workforce recruitment easier, and amassing case studies on diverse initiatives implemented in local communities by long-term care providers (a topic which has thus far received scant attention), can both contribute to the effort to secure long-term care

workforce.

## Acknowledgements

The author is grateful to the Care Work Foundation "Fiscal 2011 Long-Term Care Labor Force Study Review Committee" for providing the opportunity to prepare the studies employed in this chapter, and to the Social Science Japan Data Archive at the University of Tokyo Institute of Social Science, from which individual data was obtained for the analyses herein.

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# IV

## Diverse Needs for Mature Adult Career Guidance in Japan— Focus on the Three Topics of Segmentation, Delivery, and Cost

### 1. Awareness of the Issue

#### 1) Current status of research on career guidance for mature adults in Japan

In Japan, sufficient attention has not been paid to the issue of career guidance for people in their 30s and 40s. For the past approximately 20 years, since the late 1990s, attention has been directed toward the problem of insecure employment among young people, including those categorized as “freeters” (underemployed people working non-regular jobs) and NEETs (Not in Education, Employment or Training). For this reason, career guidance research in Japan has been focused on this younger group, and there is an extensive body of research on career guidance for younger people but a dearth of studies on career guidance for their mid-career counterparts. The latter have been more or less ignored as a result of concern for the younger generation.

This does not mean, however, that there is not a considerable need for career guidance for mid-career workers in Japan. This group is in the prime of their working years, while at home they are having and raising children and bearing a wide range of social responsibilities. Due to these responsibilities, people in this age group tend to be extremely busy and lack the time to step back and consider their occupations and career paths, as they are constantly striving just to maintain their day-to-day lifestyles. They have long been considered a group with relatively little need for career guidance, but today, people in their 30s and 40s do not necessarily fit the conventional picture of steadily employed workers with families at home.

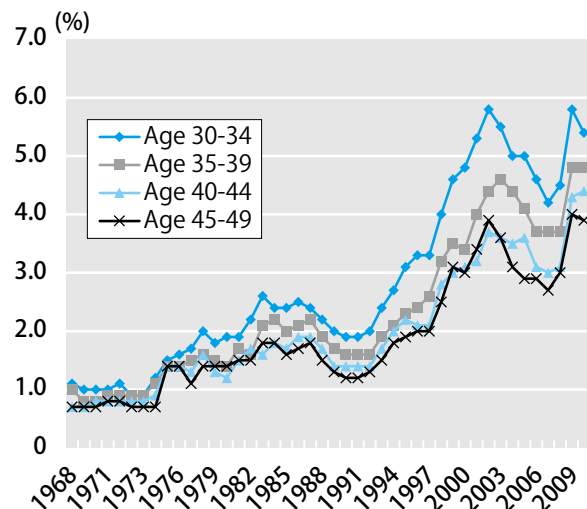
As Figures IV-1 to IV-3 illustrate, unemployment among this age group is on the rise. In fact, the labor force participation rate is falling among men, while among women it is increasing. In addition, the percentage of people aged 30-49 who are married and have children is gradually declining. These figures indicate that the employment and household paradigms for this age group are gradually shifting,

and it is no longer appropriate to view its members simply as snowed under with work and household duties. Rather, they should be viewed as a group with increasingly diverse and fluid career paths.

The following three key points are evident from Figures IV-1 to IV-3: (1) Among people in their 30s and 40s, the unemployment rate is rising, the percentage of people in this age group leaving jobs or changing jobs is growing, and there is a need for career guidance for people who are leaving or changing jobs and for currently employed people considering making these moves. (2) The labor force participation rate among men is dropping, meaning there is a growing need for career guidance for unemployed men (those without occupations or who have lost jobs). Meanwhile, the labor force participation rate is rising among women, and there is new demand for career guidance for working women

**Figure IV-1 Unemployment Rate among Employable People Aged 30-49**

Unemployment rate by age group (men and women combined)



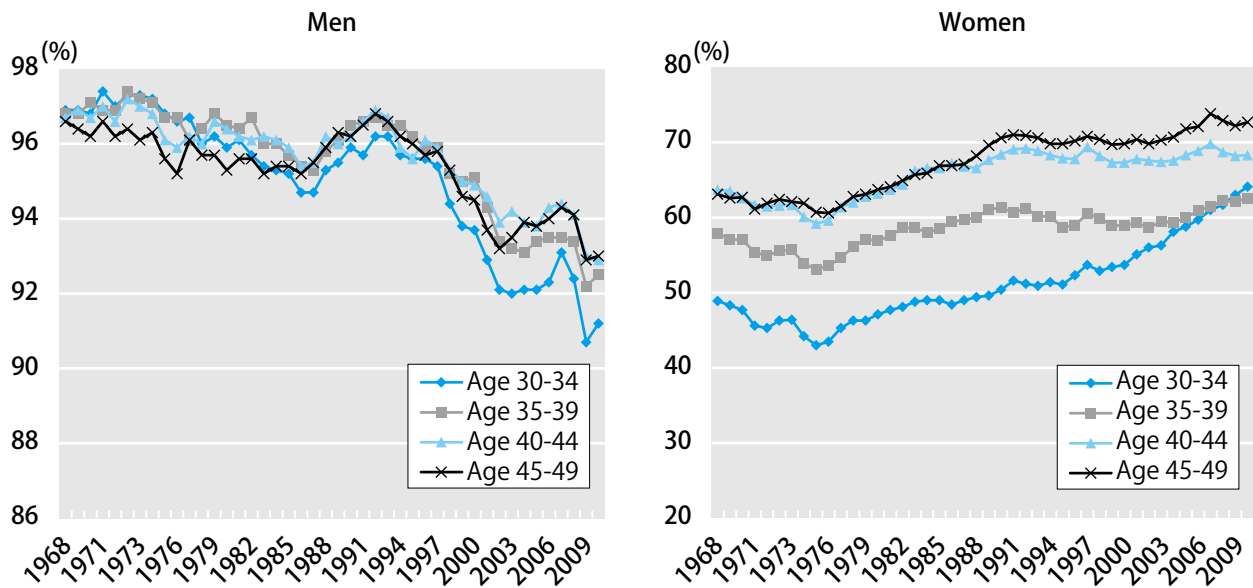
From the Ministry of Internal Affairs and Communications "Labour Force Survey"

(both regular and non-regular employees). (3) When considering career guidance for people in this age group, family-related factors such as marital status and family composition are of vital importance, but it can no longer be taken for granted that today's 30- to

49-year-olds are part of a family at all, and it is necessary to consider the career guidance needs of single, unconnected people in this age group.

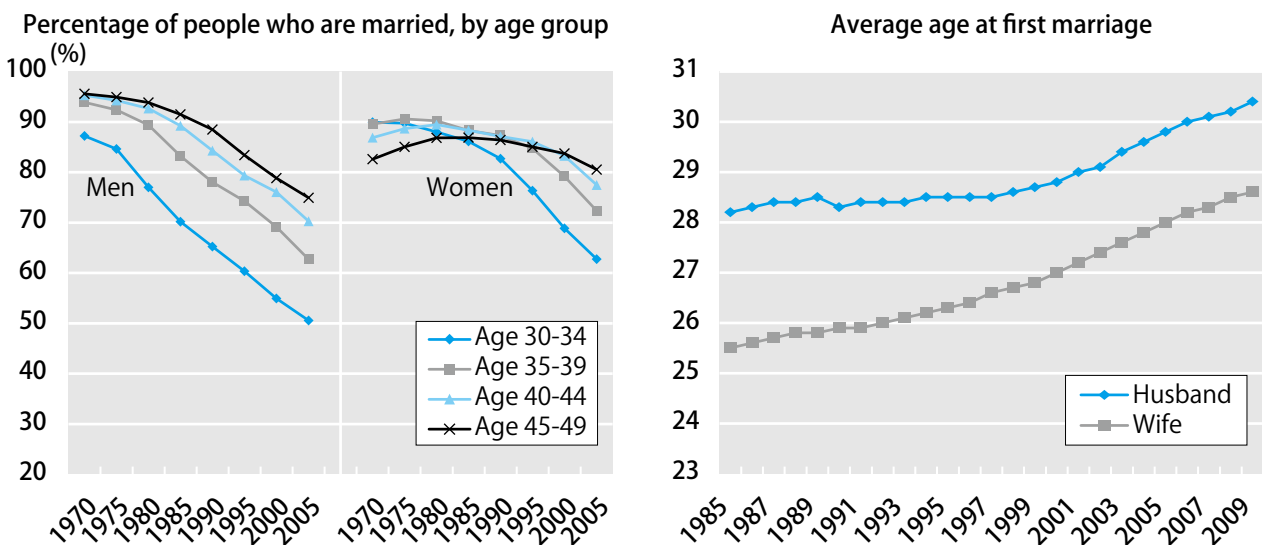
The changes in the work and household environments of people aged 30-49 over the past few

**Figure IV-2 Labor Force Participation Rate (Left: Men, Right: Women)**



From the Ministry of Internal Affairs and Communications "Labour Force Survey"

**Figure IV-3 Percentage of People Aged 30-49 Who Are Married (Left), Average Age of First Marriage among Men and Women (Right)**



From the Ministry of Internal Affairs and Communications "Population Census"

From the Ministry of Health, Labour and Welfare "Vital Statistics of Japan"

decades may have generated new, unrecognized career guidance needs. For this study, a survey focusing on this area was conducted. In particular, it addressed the possibility that career guidance needs for this age group have undergone a quiet shift that went unnoticed, because the issue has been overshadowed by employment issues facing younger people. Shedding light on and examining this issue is an important and meaningful task.

## 2) Comparison with career guidance for mid-career individuals in Europe, etc.

Career guidance for people in their 30s and 40s is an area of great concern outside Japan, as well, in developed nations and particularly in Europe. Since the 2000s, international organizations such as the OECD, the EU, the ILO, and the World Bank have released a large number of reports and other publications on career guidance. These often note that career guidance services in developed nations are essentially directed only at unemployed persons and offered through public employment agencies. As a result, there have been calls to expand career guidance services to meet the needs of employed people, and to offer them at mature adult education institutions and vocational training facilities (OECD, 2004).

In recent years, the OECD and EU have produced a notable amount of literature on the connections between lifelong learning/vocational training and career guidance. This literature has a common thread. First, it notes that developed nations are moving in the direction of a global knowledge-based society. This means that education in schools is insufficient, and learning needs to be a lifelong process. In a society built on lifelong learning, career guidance has a crucial role to play. This argument is set forth in much of the relevant literature.

For example, the OECD report *The Relationship of Career Guidance to VET* (OECD, 2009) focuses directly, as the title suggests, on the relationship of career guidance to vocational education and training (“VET”). The report states that for VET to be more effective, career guidance needs to be incorporated into VET programs. Another OECD report, *Learning for Jobs* (OECD, 2010), dedicates a chapter to career

guidance, which notes that “in the field of VET the expectation that initial vocational training would prepare students for one occupation for their entire working life has increasingly been replaced by a sequence of complex choices and changes over a lifetime of learning and work” (p.77). As a result, “career choices, and thus career guidance, are becoming both more important and more demanding” (p. 77).

Meanwhile, the CEDEFOP (European Centre for the Development of Vocational Training) report *Guidance Policies in the Knowledge Society* (2011) points out that career guidance is “one of the key components of national strategies of implementing lifelong learning policies” (p.13). An earlier CEDEFOP report, *Professionalising Career Guidance: Practitioner Competences and Qualification Routes in Europe* (CEDEFOP, 2009), also suggests that it is necessary to boost the professional qualifications of staff engaged in career guidance.

All of these publications discuss the relationships between lifelong learning and vocational training, and labor, jobs and occupations. It is evident that especially in Europe, career guidance research is broadening its scope to address lifelong learning, vocational training, and career guidance for mid-career people around 30-49 years of age.

This paper takes the above-described overseas research trends into account in considering mature adult career guidance issues in Japan. In particular, the trend toward examining lifelong learning and vocational training for people in their 30s and 40s from the vantage point of career guidance is an extremely significant and advantageous one.

## 3) Addressing new career guidance needs arising from changes in the environment of mid-career individuals in Japan

This paper focuses in particular on the three topics of segmentation, delivery, and cost, discussed in European career guidance research (OECD, 2004; CEDEFOP, 2011). Specifically, these topics raise the questions: How should career guidance recipients be segmented (i.e. classified)? How should career guidance be delivered? How much of the cost of



career guidance can be borne by the recipients? All of these questions go beyond the scope of the content of career guidance, and address logistical issues related to career guidance programs and their administration.

In the past, discussions on career guidance have generally focused on the content of career guidance itself: what manner of information should be delivered, what sort of testing should be administered, and what sort of counseling should be provided. However, simply discussing career guidance in general terms, without raising the question of who its recipients are, and how to deliver it, results in insufficiently effective guidance.

When delivering career guidance, it is necessary to recognize the characteristics of recipients that require particularly extensive services. It is also necessary to identify recipients that require only simple and speedy services such as provision of information. This is why segmentation (the question of “How should career guidance recipients be segmented (i.e. classified)?” is one of the areas of focus in this paper.

There has also been a tendency to neglect the question of how career guidance services should be delivered, due to an excessively blinkered focus on the content of guidance. As long as career guidance is a person-to-person service, the questions of where it is delivered, in what time frame, by whom, and in what manner, remain important ones. With this in mind, this paper focuses as well on delivery (“How should career guidance be delivered?”)

The fact that segmentation and delivery are critical issues when examining career guidance is related to the issue of cost. Currently, in all countries, career guidance is covered by public funds, largely coming out of national budgets. However, all countries are facing financial difficulties, and there are stark restrictions on the funding available for career guidance. Under these circumstances, attempting to envision the future of career guidance without taking cost into account is an empty exercise. When addressing this issue, we are faced with the question of what sort of “price tag” is affixed to career guidance. This paper approaches this question by surveying mature adults from the general public and asking how much they would be willing or able to

pay for career guidance. The paper focuses on the question “How much of the cost of career guidance can be borne by the recipients?” for the foregoing reasons.

As described above, this paper examines career guidance for mature adults in Japan with a focus on the three areas of segmentation, delivery, and cost, and seeks to offer insights into the future of career guidance for mature adults in Japan.

## 2. Survey

For this paper, a survey was conducted on the kinds of career guidance needs that regular employees, non-regular employees, unemployed individuals, job seekers, and full-time homemakers aged 30-49 have. By taking into account relationships between career guidance needs and current employment status, career thus far, and psychological traits, the survey aimed to amass materials that could point the way to the future path of career guidance for mature adults in Japan.

The survey was conducted in March 2011. A survey form was distributed by post to monitors through a research firm, with the survey target being 4,000 members of the general public in their 30s and 40s. These were divided into four cells (aged 30-39 and aged 40-49, male and female) with 1,000 respondents in each cell. The respondents in each cell were broken down as follows, based on percentages in official Japanese statistics.

- Men aged 30-39 1,000 people (90% regular employees, 10% non-regular employees, unemployed, job seekers, and others)
- Men aged 40-49 1,000 people (90% regular employees, 10% non-regular employees, unemployed, job seekers, and others)
- Women aged 30-39 1,000 people (40% regular employees, 20% non-regular employees, 30% full-time homemakers, 10% unemployed, job seekers, and others)
- Women aged 40-49 1,000 people (40% regular employees, 20% non-regular employees, 30% full-time homemakers, 10% unemployed, job seekers, and others)

In sampling, deviations from the above percentages were limited to a few percent, and care was taken to ensure that there was no drastic weighting toward certain educational backgrounds or occupations. The survey items were divided into five sections: “Basic attributes” “Occupation and background since graduating from school (career)” “Current occupation” “Current attitudes” and “Occupational and career-related support (career guidance needs)”. The main question items in each section were as follows:

- Basic attributes  
Gender, age, marital status, etc.
- Occupation and background since graduating from school (career)  
Educational background, academic performance, success or failure in job seeking, etc.  
Length of experience as a regular and/or non-regular employee, length of periods of unemployment, length of experience as full-time homemaker, experience with changing jobs, etc.
- Current occupation  
Annual income, current position or status,

industry and job category, number of employees in establishment of employment, etc.

- Current attitudes  
Crisis mentality with regard to working life (free answer), attribute scale, lifestyle goals, self-esteem scale, depression scale, etc.
- Occupational and career-related support (career guidance needs)  
When career support is wanted, how much support is needed  
Perception of type and severity of problems in occupation/career  
What sort of support or assistance is needed in occupation or career  
Money and time spent on career guidance  
What sort of career support is desired (environment, medium, staff, etc.)  
Needs for occupational or career information and medium of delivery

As shown in Table IV-4, in the 30-34 and 40-44 age brackets the percentage of women was higher, but overall the gender breakdown is close to 50-50.

**Table IV-4 Age Group and Gender Breakdown of Respondents to the Survey**

	Age 30-34	Age 35-39	Age 40-44	Age 45-49	Total
Men	332 43.9%	671 51.3%	479 45.7%	512 51.6%	1994 48.6%
Women	425 56.1%	636 48.7%	570 54.3%	481 48.4%	2112 51.4%
Total	757 100.0%	1307 100.0%	1049 100.0%	993 100.0%	4106 100.0%

### 3. Segmentation: How to Classify Recipients of Mature-adult-oriented Career Guidance in Japan

The segmentation of career guidance recipients is closely tied to cost issues. When formulating career guidance programs, the most effective approach to use is one-to-one, individualized support services such as counseling. This is because individualized support services can meet the specific and unique needs of recipients in a manner that uniform, by-the-book career guidance services cannot. However, individualized support services have a major problem, namely its “labor-intensive nature” (OECD, 2004), i.e. the need for a single supporter for every support recipient. This makes it an extremely costly approach.

For this reason it is crucial to identify on which recipients the most effective, but also the most costly, individualized counseling services should be concentrated. This leads into a discussion on how to

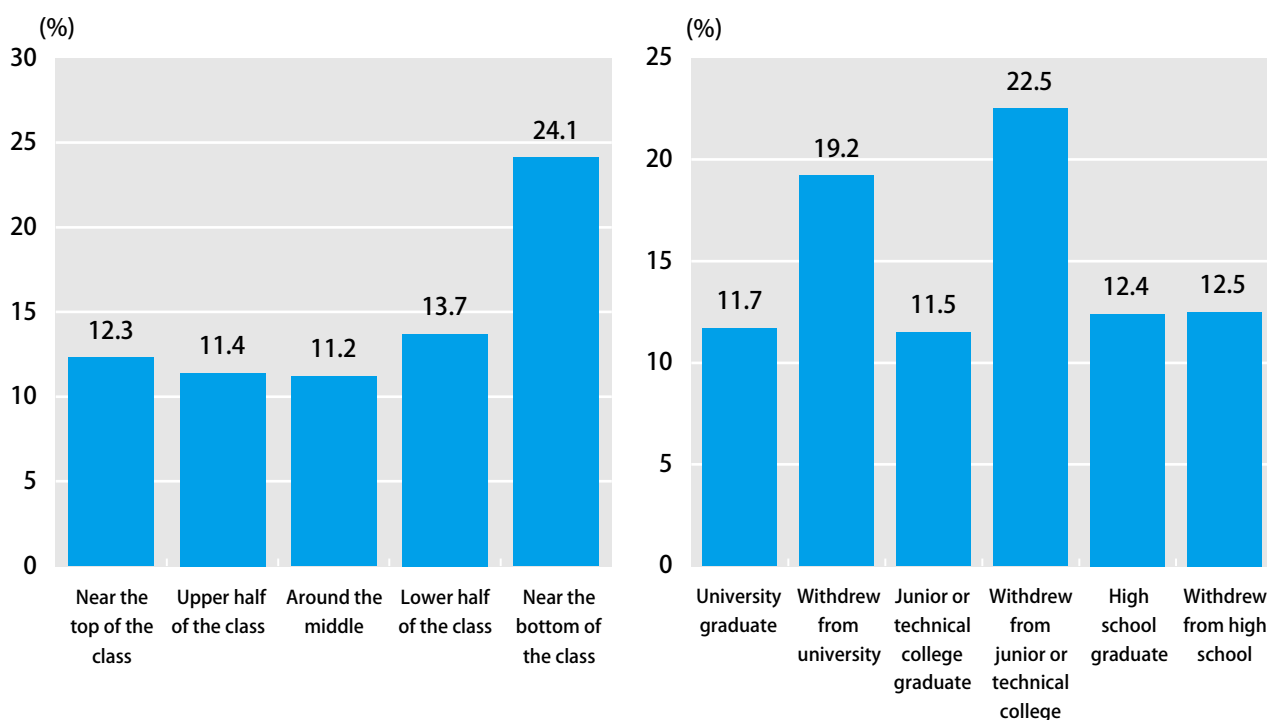
divide career guidance recipients into segments and deliver appropriate services to each.

Conventionally, recipients of career guidance for mature adults in Japan have been segmented by gender and age group: women, university graduates, young people, middle-aged and elderly people, etc. Today, however, there are career guidance recipients with all kinds of working styles. Moving forward, it will be essential to segment this diverse group of recipients appropriately in light of the degree of urgency of their need for career guidance. In particular, there is a need to clarify the career guidance needs of potential recipients who have not been given due attention thus far, including non-regular employees, homemakers, and unemployed individuals.

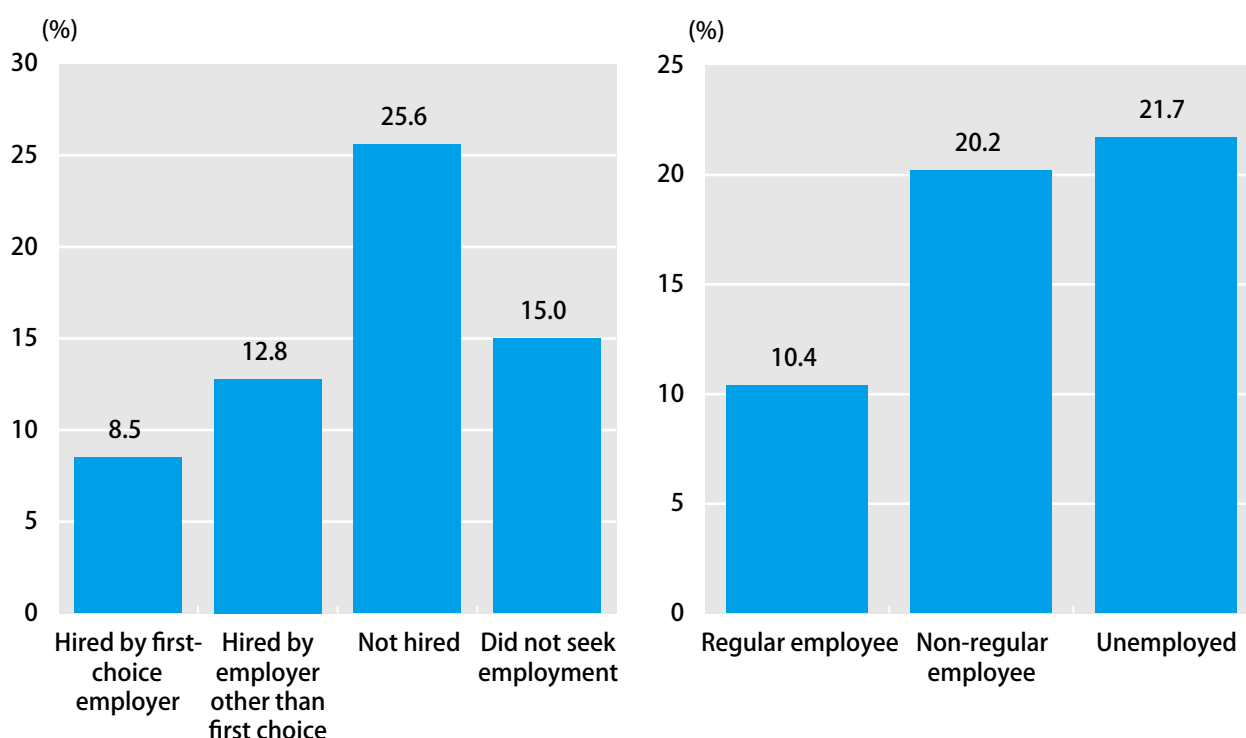
#### 1) Categories that perceive particularly severe occupational or career problems

What categories of potential guidance recipients

**Figure IV-5 Percentages of People Perceiving Occupational or Career Problems, by Junior High School Academic Performance (Left) and Educational Background (Right)**



**Figure IV-6 Percentages of People Perceiving Occupational or Career Problems, by Status/ Outcome of Job-Seeking Activities Accompanying Graduation (Left) and Status Immediately Following Graduation (Right)**



perceive particularly severe occupational or career problems? In response to the survey question “To what degree do you perceive problems with your occupation or career?”, the percentage of those who “perceive severe problems” was extraordinary high in certain categories, for example subjects responding that their junior high school academic performance was “near the bottom of the class” (24.1%), and people whose highest level of education was “junior college or technical college (withdrew)” (22.5%) (Figure IV-5).

Other categories perceiving “very severe problems” were people whose job-seeking activities accompanying graduation ended in “not being hired” (25.6%), while 20.2% and 21.7% respectively of those who were “non-regular employees” or “unemployed” immediately following graduation “perceive severe problems” (Figure IV-6). Many years later, the careers of people in their 30s and 40s were impacted by factors in the transition from school

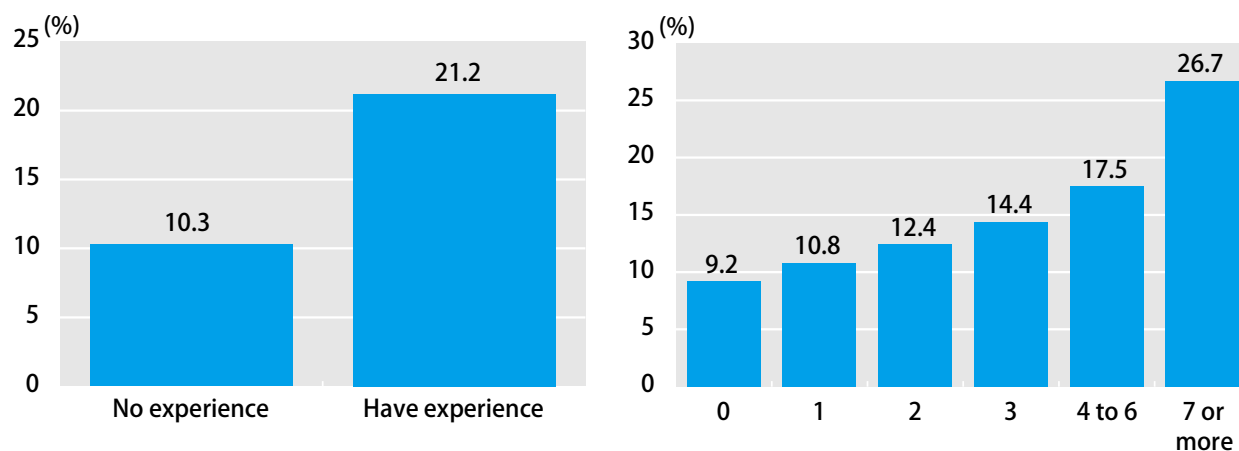
to work such as their academic performance in junior high school, their educational background, their job-seeking activities accompanying graduation, and their status immediately after graduation.

With regard to post-graduation career, as well, there are categories of respondents that stood out as perceiving “very severe problems” with their occupations or careers. As shown in Figure IV-7, people who have experienced periods of unemployment or have changed jobs a large number of times perceived problems with their careers at rates of 21.2% and 26.7% respectively.

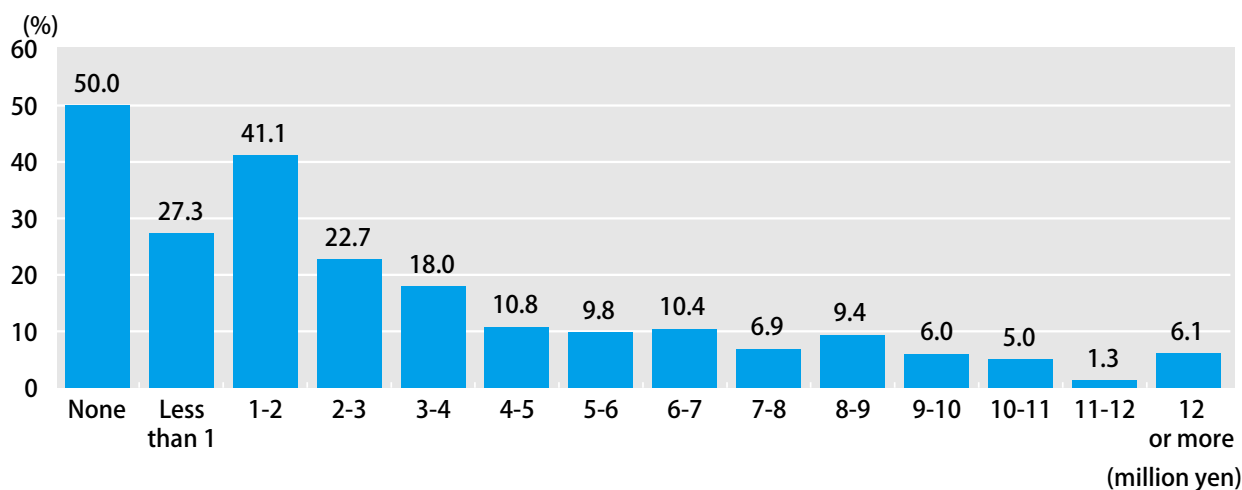
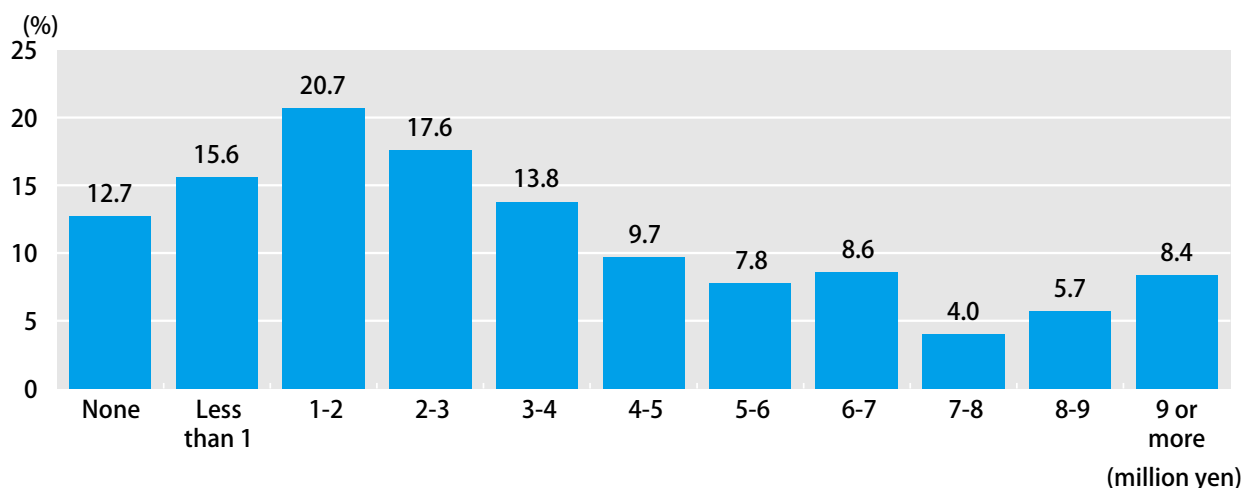
When broken down by income, as shown in Figure IV-8, high percentages of people whose annual individual income was “between 1 million and 2 million yen”, or whose annual household income was “zero”, “between zero and 1 million yen”, or “between 1 million and 2 million yen” responded that they “perceive severe problems”.

As shown in Figure IV-9, for the survey item

**Figure IV-7 Percentages of People Perceiving Occupational or Career Problems, by Experience of Periods of Unemployment (Left) and Number of Times Changing Jobs (Right)**



**Figure IV-8 Percentages of People Perceiving Occupational or Career Problems, by Annual Individual Income (Above) and Annual Household Income (Below)**

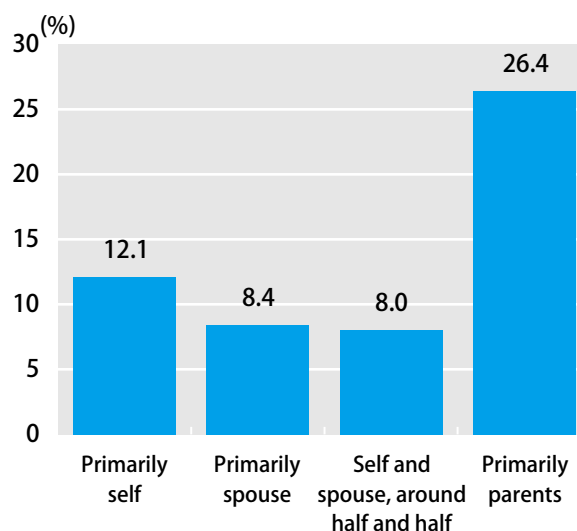


asking who was the breadwinner in the household, people who responded “primarily my parents” had the highest percentages of “perceiving very severe problems”. When formulating career guidance programs for people in their 30s and 40s, it should be kept in mind that people whose parents are the primary breadwinners have particularly urgent needs.

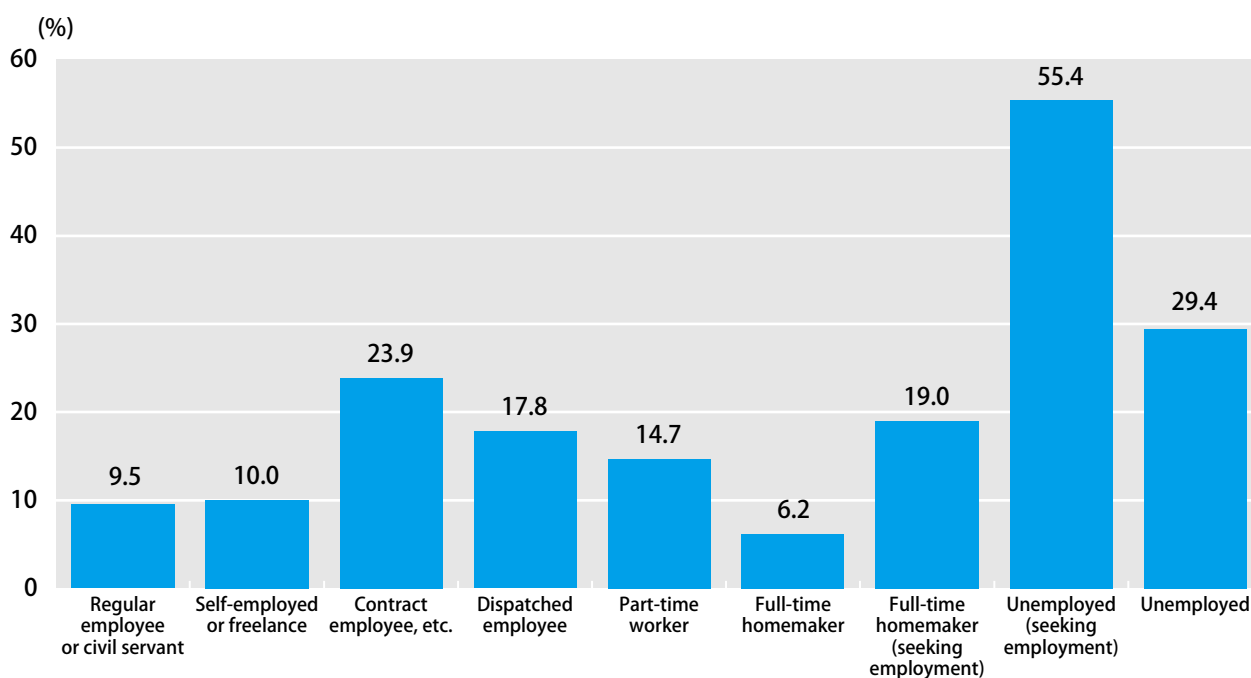
As shown in Figure IV-10, with regard to employment status, those most likely to perceive severe problems with their occupation or career were people who are currently unemployed and seeking work. Over half of these, 55.4%, “perceive severe problems”. This response was also given by 29.4% of people who are unemployed and not seeking work, and 23.9% of contract employees, etc.

To summarize the above findings, the categories of respondents who most often perceived problems with their occupation or career were (1) people whose junior high school academic performance was near the bottom of the class (2) people who withdrew from

**Figure IV-9 Percentages of People Perceiving Occupational or Career Problems, by Primary Household Breadwinner**



**Figure IV-10 Percentages of People Perceiving Severe Occupational or Career Problems, by Current Employment Status and/or Position**





junior college or technical college (3) people who engaged in job-seeking activities at graduation but were not hired (4) people who were non-regular employees or unemployed immediately after graduation (5) people who had experienced periods of unemployment or had changed jobs many times (6) people whose annual individual income was between 1 and 2 million yen or whose annual household income was under 2 million yen (7) people whose parents were the primary breadwinners in the household, and (8) people who were unemployed, seeking work, or contract employees, etc.

## 2) Methods of classifying target group aged 30-49

The attributes we have examined thus far have strong reciprocal correlations with one another. With this in mind, the attributes of survey respondents were replaced with dummy variables, the outcome overlaid with degree of severity of perceived occupational or career problems and plotted in two dimensions for a correspondence analysis.

The findings are shown in Table IV-11. This table contains figures on one axis, showing degree of severity of perceived occupational or career problems, and on another axis interpreted as a binary choice of regular or non-regular employee. The table indicates that respondents can be classified into the representative categories of (1) regular employees who “do not particularly perceive problems” (top left), (2) full-time homemakers who “do not perceive any problems” (bottom left), (3) unemployed individuals who “perceive severe problems” (top right), and (4) non-regular employees who “perceive problems to some degree” (bottom right).

(1) Regular employees who “do not particularly perceive problems” are from double-income households with high annual income, and have been regular employees of large companies for an extended period of time. Regardless of gender, they are a relatively privileged group in terms of career.

(2) Among full-time homemakers who responded that they “do not perceive any problems” or “cannot say either way”, many may actually not perceive any problems, it cannot be said with certainty that no problems whatsoever exist. Moving forward, it is

necessary to carefully consider latent career guidance needs that may exist beneath the surface, primarily among full-time homemakers.

(3) In addition to lack of employment, many unemployed individuals who “perceive severe problems” are characterized by primary dependence on parents, numerous changes of employer, lack of success with job-seeking at the time of graduation, and low household income. It is consistent with findings thus far that this group perceives the most severe problems.

(4) Non-regular employees who “perceive problems to some degree” are a group that merits closer attention as people in their 30s and 40s facing career problems. They tend to lack spouses or children, and to have changed jobs many times in the past. They also have a tendency to be employed at relatively small establishments.

These outcomes further clarify the stark contrast between male university-graduate full-time employees of major companies and full-time homemakers who do not particularly perceive problems, and unemployed individuals or non-regular employees who perceive severe problems. We can interpret it as a contrast between the conventional, traditional mid-career picture of a male regular employee and a full-time homemaker, and the unemployed or non-regularly employed mid-career individuals that have become increasingly common over the past 10 to 20 years. It is the latter that should be focused on as we consider career guidance in Japan in the future.

**Table IV-11 Results of Correspondence Analysis of Survey Respondent Attributes and Severity of Perceived Occupational or Career Problems**

Annual household income ¥10 million or above	0.83	-0.14	Current status: Unemployed, etc.	-2.69	0.56
Annual household income between ¥8 and ¥10 million	0.52	-0.15	Primary breadwinner: Parents	-1.31	0.14
Primary breadwinner: Self and spouse, around half and half	0.40	-0.44	Have changed jobs 7 times or more	-1.21	0.80
Size of establishment: 1,000 employees or more	0.37	-0.50	At time of graduation, sought job but was not hired	-1.20	0.38
Do not particularly perceive problems	0.33	-0.33	Annual household income between ¥0 and ¥4 million	-1.07	0.07
Number of years working as regular employee: 21 years or more	0.33	-0.29	Current status: Full-time homemaker / Unemployed (seeking work)	-1.06	0.86
Annual household income between ¥6 and ¥8 million	0.29	-0.07	Have experienced unemployment	-0.87	0.03
No experience of working as non-regular employee	0.22	-0.05	Perceive severe problems	-0.82	0.09
Current status: Regular employee	0.18	-0.42	Upon graduating, did not work for a period of time	-0.79	0.37
Worked as regular employee immediately after graduation	0.14	-0.01	Upon graduating, worked as a non-regular employee or non-regular civil servant	-0.75	0.10
Average number of work hours per week: 40 to 50 hours	0.13	-0.43	Have withdrawn from school in the past	-0.65	0.84
Number of years working as regular employee: 10-20 years	0.12	-0.19	4 or more years' experience working as non-regular employee	-0.57	0.08
Average number of work hours per week: less than 40 hours	0.11	-0.33	Academic performance in junior high school: Near the bottom of the class	-0.32	0.52
Average number of work hours per week: 40 hours	0.06	-0.16	Less than 10 years' experience working as a regular employee	-0.25	0.32
Academic background: University graduate	0.01	-0.21	At time of graduation, did not seek employment	-0.19	0.25
Perception of career: Perform a wide range of jobs in a specific field	0.00	-0.17	Have changed jobs twice	-0.16	0.07
Current status: Full-time homemaker	0.69	1.36	Perception of career: Perform a specific job in a wide range of fields	-0.16	0.27
Upon graduating, hired by first-choice employer	0.45	0.08	Live in urban area	-0.06	0.04
Do not perceive problems at all	0.42	0.42	Age: 35-39	-0.05	0.07
Married	0.39	0.11	Unmarried	-0.79	-0.13
Primary breadwinner: Spouse	0.39	0.52	Have changed jobs 4-6 times	-0.61	-0.14
Have never changed jobs	0.38	0.11	Current status: Non-regular employee	-0.50	-0.07
Current status: Self-employed / Family business	0.37	0.38	Have changed jobs 3 times	-0.44	-0.35
Have children	0.34	0.12	Do not have children	-0.41	-0.09
Perception of career: Perform a specific job in a specific field	0.34	0.12	Perception of career: Perform a wide range of jobs in a wide range of fields	-0.39	-0.02
Have experience as a homemaker	0.20	0.61	Size of establishment: 100 employees or less	-0.28	-0.34
Age: 45-49	0.18	0.03	Upon graduating, hired by employer other than first choice	-0.25	-0.13
No experience of unemployment	0.17	0.02	Age: 30-34	-0.24	-0.10
Cannot say either way	0.16	0.27	Perceive problems to some degree	-0.12	-0.15
Have changed jobs once	0.15	0.03	Size of establishment: 1,000 or fewer employees	-0.11	-0.40
Academic performance in junior high school: Around the middle of the class	0.08	0.23	Gender: Male	-0.09	-0.23
Live in non-urban area	0.08	0.00	No experience as a homemaker	-0.09	-0.20
Gender: Female	0.07	0.26	Size of establishment: 300 or fewer employees	-0.05	-0.43
Annual household income: ¥4 to ¥6 million	0.06	0.03	Primary breadwinner: Self	-0.04	-0.24
1 to 3 years' experience of working as non-regular employee	0.06	0.16	Average number of work hours per week: 50 hours or more	-0.01	-0.19
Academic background: Junior or technical college graduate	0.03	0.31	Academic performance in junior high school: Near the top of the class	-0.01	-0.16
Size of establishment: 29 or fewer employees	0.03	0.21			
Academic background: High school graduate	0.03	0.06			
Age: 40-44	0.03	0.06			

\*Results of correspondence analysis, arranged in order of size of value on first axis. First axis = degree to which occupational or career problems are perceived, Second axis = Regular employee vs. Non-regular employee axis.

#### 4. Delivery: How Career Guidance Should Be Delivered to Mature Adults in Japan

In the past, discussions of career guidance have primarily focused on the content of career guidance. Frequently covered topics have been related to career

guidance information and tools, such as what kind of job information should be provided and what sort of vocational interest tests should be performed. Recently, however, while not disregarding the content of career guidance completely, discussions have increasingly focused on the means of delivery.

This paper also examines career guidance for mature adults in light of these recent trends. With regard to the medium of delivery in particular, until now services have generally been provided by public vocational service institutions or via the Internet, but with regard to the future of career guidance it is necessary to consider other channels for delivery. These could include public occupational competency development facilities, schools, private-sector companies, and NPOs, as well as technologies and media such as telephone and e-mail. In particular, attention should be focused on means of delivering guidance to people in remote locations and steps to address disparities in access to information.

### 1) Content and delivery of career guidance

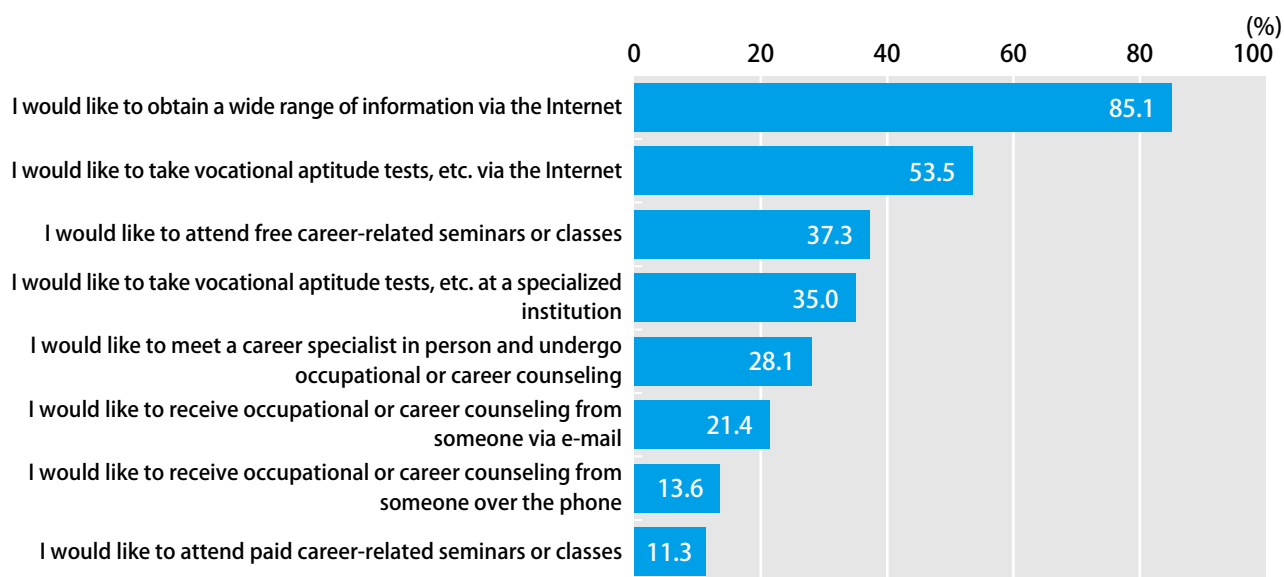
For this study, people were surveyed to determine what kind of career guidance services they would like and how they would like them delivered. The results are shown in Figure IV-12 as responses to the question “If you were able to utilize occupation- or career-related support or services, how would you do so?” As the figure shows, the most common response was “I would like to obtain a wide range of information via the Internet”, followed by “I would

like to take vocational aptitude tests, etc. via the Internet” and “I would like to attend free career-related seminars or classes”. It is evident that the Internet is the most favored medium of delivery, and information and tests are the most favored form of content.

However, it was inferred that correlations between career guidance delivery and content preferences exist, and for this reason a cluster analysis was performed. In a cluster analysis, items that are positioned close together (clustered) are basically interpreted as being strongly correlated with one another. It is also possible to obtain information on the hierarchy of correlations among items. In Figure IV-13, items are broadly separated into counseling and seminar type services (upper half) and information and testing type services (lower half). These findings suggest that survey respondents mentally divide career guidance services into two categories: (1) Free or paid seminars or counseling from specialists via e-mail or telephone, and (2) information collected via the Internet and testing services provided over the Internet or by specialized institutions.

Close examination of the figure reveals that

**Figure IV-12 Responses to the Question “If You Were Able to Utilize Occupation- or Career-related Support or Services, How Would You Do So?”**

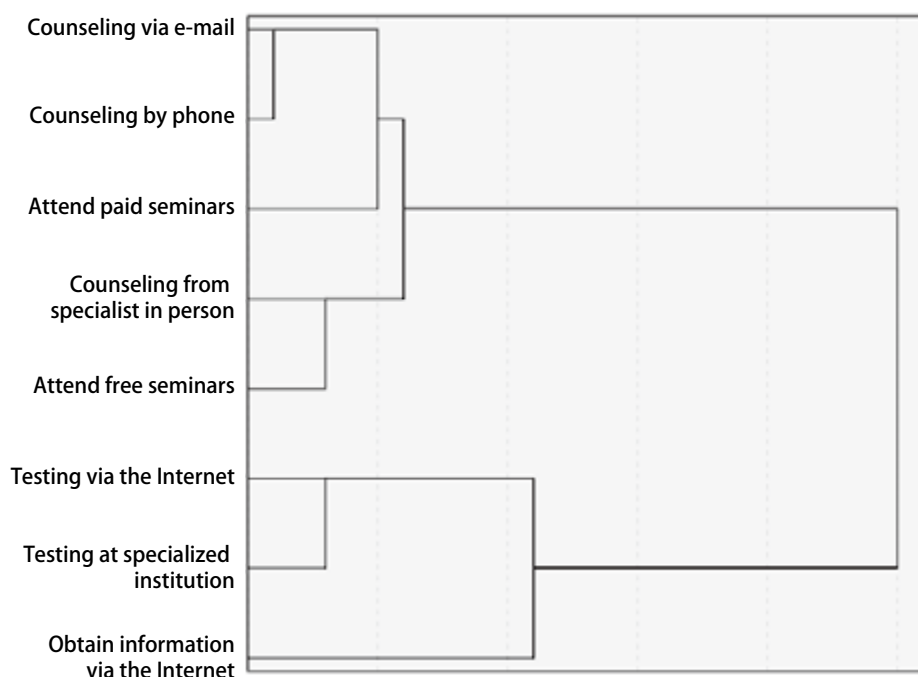


counseling via e-mail or telephone and paid seminars are closely related to one another. A separate close relation exists between free seminars and counseling from specialists. These connections can be interpreted from various angles, but the picture that emerges is of a combination of (1) paid seminars offered by private-sector companies for a fee and follow-up e-mail or telephone counseling thereafter, or (2) free seminars offered by public institutions and specialized counseling.

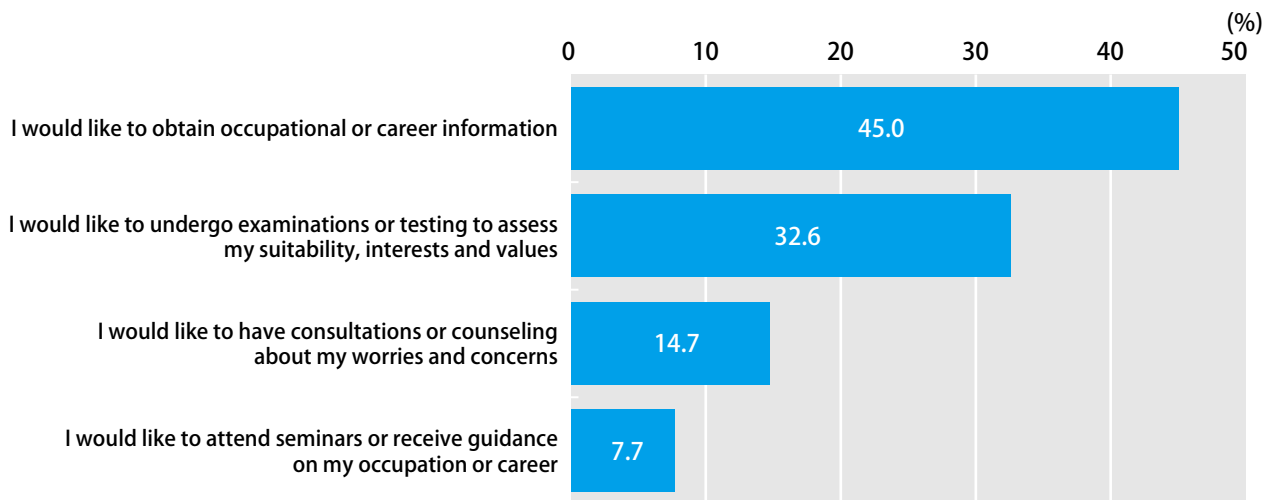
## 2) Various conditions applying to career guidance delivery

A further analysis of career guidance delivery from a different angle was performed. Figure IV-14 shows responses to the question, “If you were to receive support or guidance with your occupation or career, what form would this take?” As the figure shows, the most common response was “I would like to obtain occupational or career information”, followed by “I would like to undergo examinations or testing to assess my suitability, interests and values” and “I would like to have consultations or counseling about my worries and concerns”. Roughly, the order of preference for many respondents was “Information > Testing > Counseling > Seminars”.

**Figure IV-13 Results of Cluster Analysis of Types of Support and Services Respondents Prefer to Utilize**



**Figure IV-14 Types of Occupational or Career Support Respondents Would Prefer to Have**



The next table, Table IV-15, shows responses to a question about what conditions recipients would like to receive four types of support under.

- **Location:** Regardless of the type of support or assistance, “at the Employment Security Bureau” (nicknamed “Hello Work” in Japan) was a common one. However, “at home” was also a common response when the type of support was “obtaining occupation or career-related information” (hereinafter, “information”) or “undergoing testing or screening” (hereinafter, “testing”). Meanwhile, for the item “receiving consultations or counseling” (hereinafter, “consultations”) and “attending seminars or guidance sessions” (hereinafter, “seminars”) many people responded, “in a convenient place such as near a train station”. It appears that as a rule people want to receive career guidance services at the Employment Security Bureau, but when it comes to information and testing the home is also favored, while convenient locations such as near train stations are favored for seminars.
- **Length of time:** The most common response was “30 minutes to one hour”, but for “information”, “testing” “consultations” there were also many people responding “15 to 30

minutes”, and for “consultations”, “about one hour” was also a common response, and for “seminars”, “One to two hours or so” was also common. It is evident that people favor shorter times for obtaining information and undergoing testing, notably 30 minutes to one hour, while they are willing to spend longer times for consultations and seminars.

- **Number of times:** The most common responses were “Only once” and “No particular preference”.
- **Number of participants:** The vast majority responded “One (myself)”. However, in the area of seminars, respondents expressed an interest in “In a group of six to ten people”.
- **From whom:** Many people responded “From counselors, etc. at a public institution” or “From Employment Security Center staff”. It is evident that there are strong needs for services offered through public institutions including “Hello Work”. However, to some degree there are also needs for “Counselors at private-sector companies”, particularly in the area of seminars, consultations, and testing.

**Table IV-15 Differences in Desired Conditions for Career Guidance Services, by Type of Service**

(%)

	I would like to obtain occupational or career information (Information) N=1772	I would like to undergo examinations or testing (Testing) N=1281	I would like to have consultations or counseling (Counseling) N=578	I would like to attend seminars or receive guidance (Seminars) N=303	Total
<b>Location</b>					
At the Employment Security Bureau ("Hello Work")	29.1	21.7	22.1	17.0	24.7
At a career support institution	9.0	5.8	13.2	7.4	8.5
At a vocational training institution or facility	6.4	10.7	9.0	15.2	8.9
At a university, junior college, technical college, etc.	1.6	1.0	0.6	4.6	1.5
At a "culture center," etc.	3.1	7.5	7.7	14.2	6.1
At a specialized private-sector company	8.8	8.4	9.4	10.6	8.9
At my employer	4.9	6.0	6.8	9.2	5.9
At home	22.5	24.2	8.8	3.9	19.6
In a convenient place such as near a train station	12.7	13.5	20.2	17.4	14.5
Other	1.8	1.3	2.2	0.4	1.6
<b>Length of time</b>					
15 min. or less	13.7	11.5	6.4	5.3	11.3
15-30 min.	21.1	22.0	18.0	10.6	20.1
30-60 min.	39.9	42.4	43.9	41.1	41.4
About 1 hr.	12.7	13.0	18.0	17.5	13.9
1-2 hrs.	6.4	7.5	7.8	17.9	7.9
2 hrs. or more	0.5	0.2	0.5	0.7	0.4
No particular preference	5.7	3.5	5.4	7.0	5.0
<b>Time of day</b>					
Early morning	0.6	0.3	0.5	0.0	0.5
Morning	22.6	24.7	27.9	29.3	24.6
Afternoon	13.3	13.2	17.7	17.7	14.2
Late afternoon or evening	11.5	9.8	14.8	17.3	11.9
Want to utilize small amounts of free time	1.3	1.6	1.9	2.0	1.6
Want to utilize services where time is not a factor	30.8	31.1	15.2	10.7	27.0
No particular preference	19.8	19.3	21.9	23.0	20.2
<b>No. of times</b>					
Only once	26.3	40.9	25.6	28.8	31.1
Several consecutive days	5.1	4.6	4.8	7.6	5.1
Several times per week	6.1	4.1	4.5	2.6	4.9
Once a week for 4 weeks or so	12.9	11.0	13.5	16.2	12.7
Once a week for 2 or 3 months	7.7	6.3	7.1	10.9	7.4
Once a month for 2 or 3 months	7.3	7.5	9.3	12.3	8.0
Once a month for 6 months or so	2.8	2.4	5.9	4.3	3.3
Other	0.2	0.1	0.5	0.0	0.2
No particular preference	31.6	23.0	28.7	17.2	27.3
<b>No. of participants</b>					
One (myself)	80.4	77.0	88.4	40.9	77.4
Group of 2-3 people	6.8	7.7	6.6	5.6	7.0
Group of 4-5 people	5.1	8.0	3.3	15.8	6.6
Group of 6-10 people	3.8	3.5	0.3	17.5	4.3
Group of 11-20 people	2.0	1.7	1.0	8.9	2.3
Large group of 21 or more people	1.8	2.0	0.3	11.2	2.4
<b>From whom</b>					
Employment Security Center staff	21.0	13.0	11.3	10.6	16.2
Counselors, etc. at a public institution	25.7	38.0	40.5	31.3	32.3
Staff other than counselors at a public institution	9.7	10.4	11.3	12.3	10.4
Counselors at a private-sector company	20.7	23.0	25.7	31.3	23.0
In-house counselors at my employer	0.6	0.8	0.9	0.4	0.7
Friends and acquaintances	1.5	0.6	0.4	0.7	1.0
Online acquaintances, etc.	1.7	0.7	0.9	2.1	1.3
People I do not know	2.9	3.8	3.3	3.5	3.3
By myself	11.5	8.0	1.5	1.1	8.1
Other	1.2	0.6	1.1	1.8	1.0

\*For each item, the two most common responses are shaded.



## 5. Cost: How Much Are Recipients Willing or Able to Pay for Career Guidance in Japan?

Recent career guidance research has discussed cost issues and how career guidance can be delivered through the market, because in all developed countries, there is a perceived need to lessen the strain career guidance programs place on public coffers. Out of this has come the concept of recipients funding their own career guidance, at least when their income is above a certain level, and mechanisms of this sort are being explored.

However, discussions of this sort must start with the important prerequisite of people's ability to pay for career guidance services. The thorniest part of this discussion is the difficulty of determining exactly what is a fair price for career guidance services, and with this in mind, this study asked respondents how much they would be willing or able to pay for career guidance, so as to provide hints on the way forward.

With the above concerns in mind, this survey posed three questions about the expense and time consumed by career guidance services: “(1) If you were to receive one-to-one counseling or guidance

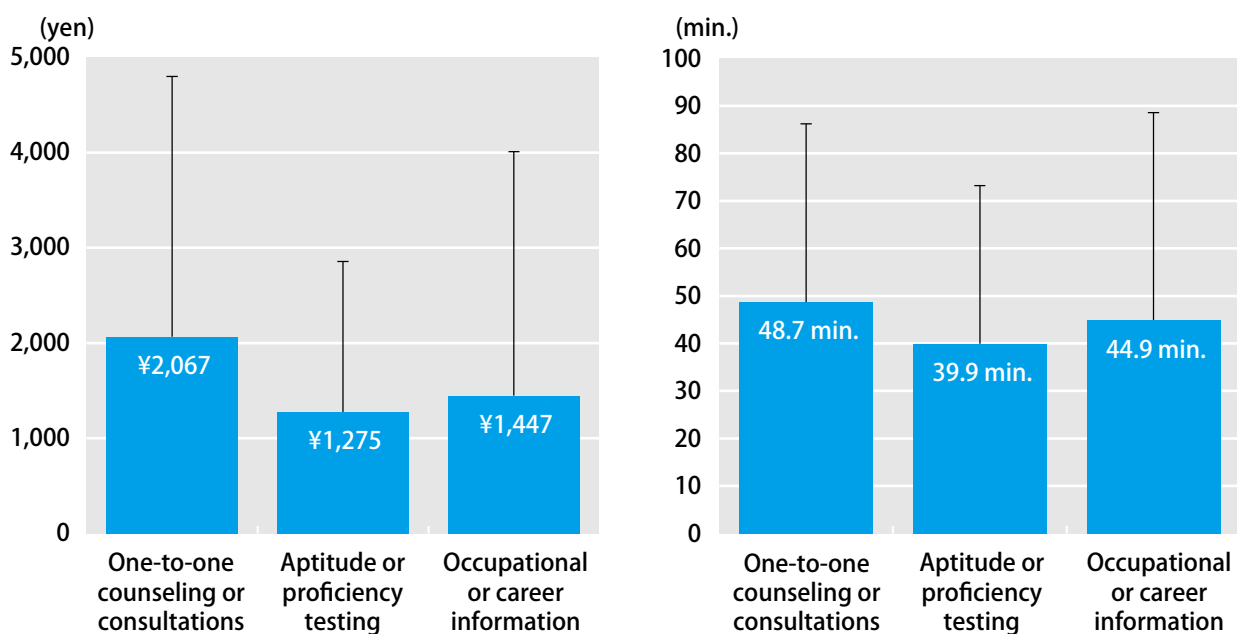
regarding your occupation or career, how much money and time would you be willing to spend for one session?” “(2) If you were to receive aptitude or competency testing regarding your occupation or career, how much money and time would you be willing to spend for one test?” “(3) How much money or time would you be willing to spend on obtaining information regarding your occupation or career?”

### 1) General tendencies related to the cost of career guidance services

Figure IV-16 shows the average amounts people are able to spend on career guidance services. The highest amount was for counseling and consultations at 2,067 yen, followed by information at 1,447 yen and testing at 1,275 yen. The order was the same with regard to time, with people willing to spend the longest on counseling at 48.7 minutes, followed by information at 44.9 minutes and testing at 39.9 minutes.

Based on these findings, if the amount people are willing or able to pay for counseling or consultations is calculated at a per-minute rate it comes to 42 yen/minute, followed by information at 32 yen/minute and

**Figure IV-16 Amount of Money (Left) and Time (Right) People Can Spend on Career Guidance Services**



testing also at 32 yen/minute. Here again counseling or consultations is shown to be the type of guidance people are most willing to pay for. We may infer that respondents viewed consultations or counseling as more specialized services than information or testing.

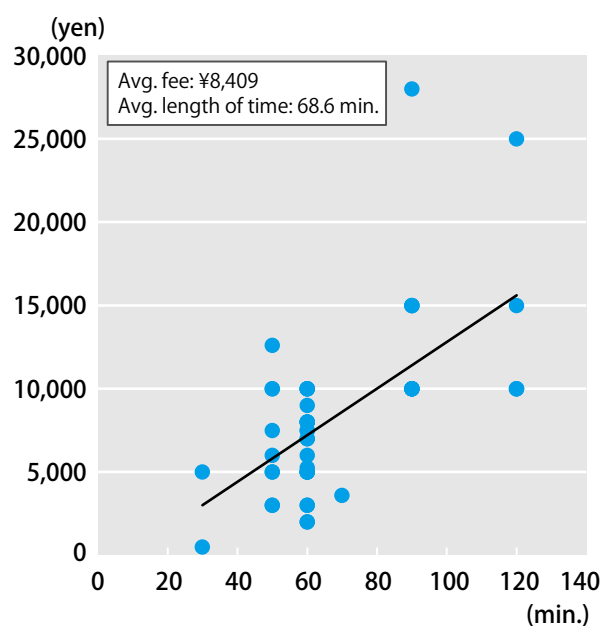
Here we should note that the average response to the survey question on counseling fees, approximately 2,000 yen, is extremely low compared to the actual cost of paid career counseling in Japan today. Figure IV-17 plots 50 pieces of data on the length of sessions and fees charged by career counselors in Japan who post their fees on the Internet. Data is clustered in the 50-60 minute range (average length of time 68.6 minutes), and between 5,000 and 10,000 yen (average 8,409 yen). This is extremely far removed from the fees respondents to this survey had in mind.

These findings indicate that if career guidance is offered as a paid service on the open market, there is a need for some kind of financial assistance to help fill the gulf between what people say they are willing or able to pay, around 2,000 yen per session, and what the service actually costs on average, about 8,500 yen.

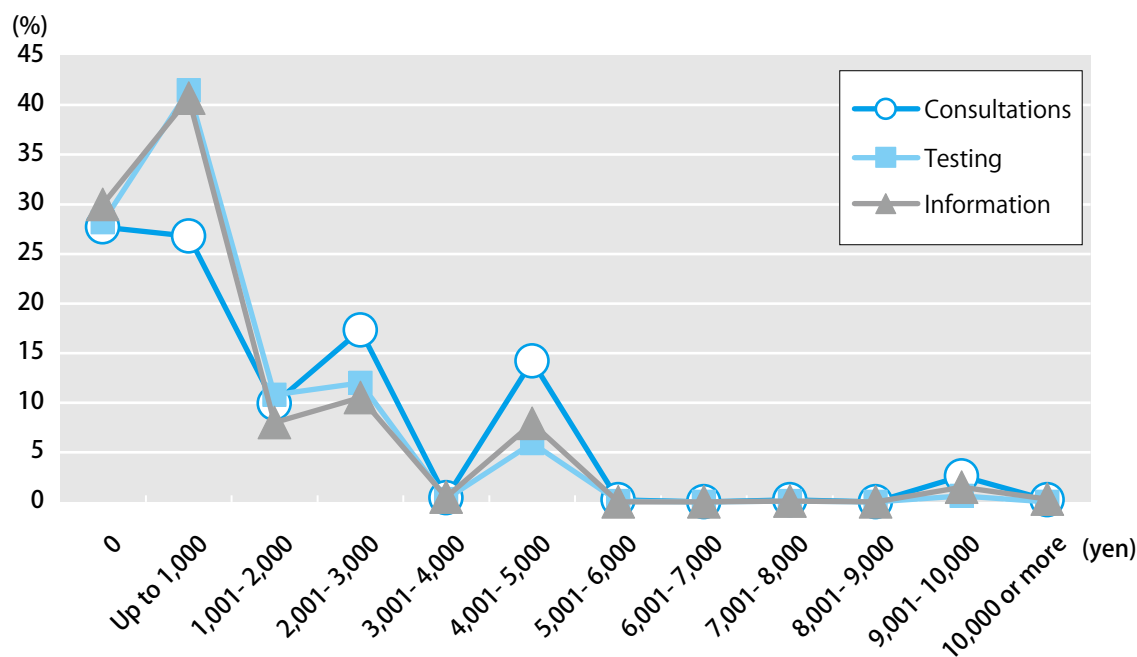
A great many respondents, however, seem to have the opinion that career guidance should as a rule be free. As shown in Figure IV-18, the responses regarding amounts people say they can pay are

distributed widely, but peak in the 0 to 1,000 yen range. The widespread and deep-rooted perception that career guidance should be available free of charge appears to be a major stumbling block to the

**Figure IV-17 Plot Chart of Japanese Career Counselors' Standard Session Lengths and Fees**



**Figure IV-18 Distribution of Amounts People Say They Can Pay for Career Guidance Services**



success of a model in which career guidance costs are borne by recipients.

## 2) Characteristics of individual attributes pertaining to amount people say they can pay for career guidance services

Next, this study examined correlations between individual attributes and amounts people say they can pay for career guidance services. As common tendencies are seen for “consultations”, “testing”, and “information”, here we will focus on the amounts people say they can pay for consultations in particular.

Table IV-19 shows the 20 individual attributes most positively correlated with being willing or able to pay for consultations, and the 20 most negatively correlated. The 20 most positively correlated include higher annual individual or household income; current status as a regular employee; either self or spouse being the primary breadwinner; male gender, and university graduate status. Many people with

these attributes have the wherewithal to spend freely on career guidance. Conversely, the 20 most negatively correlated include lower annual individual or household income; large number of changes of employer in the past; currently seeking a job, unemployed, an non-regular employee, or a full-time homemaker; and spouse being the primary breadwinner. Many people with these attributes lack the wherewithal to spend freely on career guidance.

Table IV-20 shows the results of a stepwise multiple regression analysis performed in order to determine which factors among those shown in Table IV-19 had the greatest impact on the amounts people are willing or able to pay for career guidance services. If all factors are included in the analysis, for consultations, testing, and information alike, the only factors with any significant impact were “annual individual income” and “annual household income”. Even if these two are removed from the scope of the analysis, the factors that exert the greatest influence

**Table IV-19 20 Individual Attributes Most Positively Correlated/ 20 Most Negatively Correlated with Being Willing or Able to Pay for Career Guidance Services (Consultations)**

Individual attributes (20 most positively correlated)	Amount willing or able to pay for consultations	Individual attributes (20 most negatively correlated)	Amount willing or able to pay for consultations
Annual individual income ¥12 million or more	¥4,509	Annual household income ¥0-2 million	¥1,051
Annual household income ¥12 million or more	¥3,302	Have changed jobs 7 or more times	¥1,170
Annual individual income ¥10-12 million	¥3,299	Current status: Seeking employment	¥1,204
Annual individual income ¥8-10 million	¥3,226	Annual individual income ¥0	¥1,305
Annual individual income ¥6-8 million	¥2,856	Annual household income ¥0	¥1,416
Annual household income ¥10-12 million	¥2,811	Current status: Non-regular employee	¥1,418
Length of service as regular employee: 21 years or more	¥2,627	Have experience as full-time homemaker	¥1,423
Annual household income ¥8-10 million	¥2,555	Current status: Unemployed	¥1,435
Annual individual income ¥4-6 million	¥2,535	Current status: Full-time homemaker	¥1,440
Primary breadwinner: Self and spouse, around half and half	¥2,506	Annual household income ¥2-4 million	¥1,445
Current status: Regular employee	¥2,490	Annual individual income ¥0-2 million	¥1,453
Gender: Male	¥2,467	Primary breadwinner: Spouse	¥1,549
Career thus far: A wide range of jobs in a specific field	¥2,417	Have changed jobs 4-6 times	¥1,572
Academic background: University or graduate school graduate	¥2,413	10 or more years' experience as non-regular employee	¥1,582
No experience as non-regular employee	¥2,403	Bottom half of the class	¥1,641
Primary breadwinner: Self	¥2,374	Vocational school, etc.	¥1,663
Academic performance in junior high school: Near the top of the class	¥2,341	Career thus far: A wide range of jobs in a wide range of fields	¥1,667
Have never changed jobs	¥2,328	Status immediately after graduation: Non-regular employee, etc.	¥1,668
No experience as full-time homemaker	¥2,308	1-3 years' experience as non-regular employee	¥1,683
Age: 45-49	¥2,275	Up to 10 years' experience as regular employee	¥1,684

**Table IV-20 Factors That Most Influence the Ability to Pay for Career Guidance Services (Results of Stepwise Multiple Regression Analysis)**

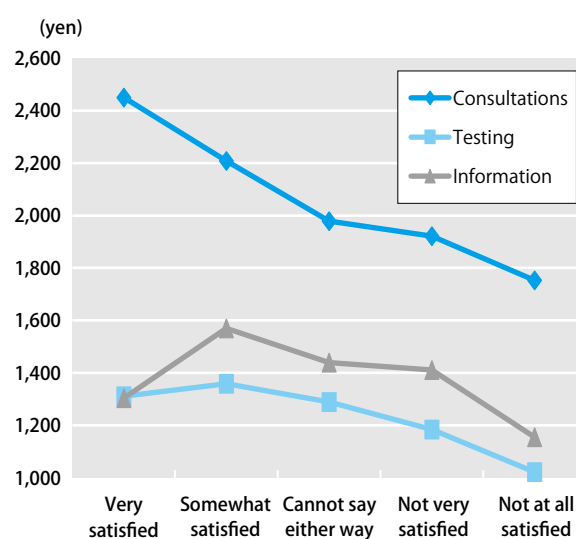
	Consultations	Testing	Information
	B sig.	B sig.	B sig.
Current status: Self-employed			.056 **
Current status: Unemployed, etc.			.056 **
Annual individual income	.213 **	.170 **	.138 **
Annual household income	.105 **	.103 **	.069 **
R <sup>2</sup>	.077 **	.049 **	.029 **

(Results excluding annual individual and household income)	Consultations	Testing	Information
	B sig.	B sig.	B sig.
Gender (1=Men、 2=Women)			-.060 **
Currently live in urban area		.049 **	
Academic background: University or graduate school graduate	.081 **	.069 **	.064 **
Number of years working as regular employee:	.067 **	.075 **	.053 **
No. of times changing jobs	-.057 **	-.065 **	
Career thus far: A wide range of jobs in a specific field	.043 **		
Current status: Regular employee	.128 **	.074 **	
Current status: Self-employed	.052 **		
R <sup>2</sup>	.053 **	.035 **	.029 **

are those that imply higher income and ability to spend freely on career guidance services, such as regular employees status, long period of experience as a regular employee, and university graduate status.

These results indicate that those capable of spending the most on career guidance are precisely those that least need it, namely male, university-graduate regular employees with high annual individual and household income, while those most in need of career guidance (job seekers, the unemployed, non-regular employees, full-time homemakers) are paradoxically those least capable of paying for it.

It follows that those least satisfied with their careers thus far are also least capable of paying for career guidance, as illustrated by Figure IV-21. This further validates one of the key points that emerged from this study, namely that one reason attempts to have career guidance recipients shoulder the cost of this guidance is that those who genuinely need guidance (people dissatisfied with their careers) have low incomes and lack the funds to pay for it. This point can hardly be emphasized enough.

**Figure IV-21 Amount People Say They Can Pay for Career Guidance Services, by Degree of Satisfaction with Career Thus Far**

## 6. Summary and Implications

This paper examined career guidance for mature adults in Japan from the three vantage points of segmentation, delivery, and cost. A summary of the findings follows.

First, with regard to segmentation, it was clear that many people in their 30s and 40s did not fit the conventional mold of male regular-employee breadwinners and female full-time homemakers raising children, including a large contingent of unemployed or non-regularly employed people. The latter were the ones most in need of career guidance, with this need particularly pronounced among the following groups: (1) people whose academic performance in their student days had been poor, (2) people who had withdrawn from school, (3) people who had sought jobs around the time they graduated but had not been hired, (4) people who worked as non-regular employees or were unemployed immediately following graduation, (5) people who had experienced periods of unemployment since graduating, and (6) people who had changed jobs many times thus far. It was evident that difficulty in transitioning from school to work or career problems during their younger days continued to exert a negative impact on people's careers into their mature adult years (aged 30-49). However, even among regular employees there was an apparent gap between one group, who worked many hours per week on average but had only average income, and another group of high-income employees of major corporations. The findings indicated that in the future, it may be necessary to focus on the career guidance needs of already employed people, particularly regular employees.

Second, regarding delivery, it was found that: (1) Recipients thought of career guidance as divided into two basic types: (a) a combination of paid or free seminars and consultations via e-mail or telephone with specialists, and (b) acquisition of information from the Internet and testing over the Internet or through specialized institutions. (2) As a rule, recipients hoped to receive career guidance through public employment services such as Employment Service Center ("Hello Work"). (3) However,

recipients preferred to acquire information and undergo testing at home, but to have consultations or participate in seminars in convenient public locations. (4) In terms of time, people hoped to spend only small amounts of time on information or testing, but greater amounts on consultations or seminars. (5) Regarding service providers, counselors or staff members at public institutions were most favored, but for seminars, consultations, and testing, there was demand for counselors employed by private-sector companies as well.

Third, in terms of cost, the average amount people said they could spend for career guidance services was approximately 2,000 yen for consultations, 1,300 yen for testing, and 1,400 yen for seminars. These amounts are extremely low compared to the average fees charged for paid career counseling in Japan today (around 8,000 to 10,000 yen). Also, a "catch-22" was evident in that those most able to pay for career guidance, namely male university-graduate regular employees with ample annual individual or household income, are those least in need of guidance, while conversely, those in great need of career guidance (job seekers, those currently unemployed, non-regular employees, full-time homemakers) are those least able to afford it.

The above results have the following implications for the future of career guidance for mature adults in Japan: One key implication is that in Japan, mature adults requiring career guidance are not necessarily regular employees but may very well be unemployed or working as non-regular employees. It is important to recognize that these people require not only introductions to potential employers, but also the sort of all-around career guidance often provided to younger people. Mature adults who lack employment or are non-regular employees often carry a legacy of career difficulties extending back to their student days, and as a result require thoroughgoing career guidance of the sort they ought to have had at a younger age. For example, they may need advice of the sort they should have gotten from teachers prior to graduation, testing that they should have undergone in the past, and seminars covering material they ought to have covered at some point in the past. On the surface, career guidance for unemployed individuals

and non-regular employees may appear to be “putting the cart before the horse” (as finding employment quickly might seem like the first priority). However, it is clear that this group faces occupational or career issues that were not sufficiently resolved at a younger age, and if these go unresolved, over the long term they will face the same problems over and over again.

Second, it is evident that there is a need to offer the above-described demographic career guidance services through conveniently accessible channels at a reasonable cost. Recent research on career guidance specifically envisions information and communications technology-based channels, as well as delivery of services in convenient public locations such as next to train stations. In Japan, Employment Service Centers already offer information on job opportunities via the Internet, as well as career advancement services for mature adult non-regular employees, and “Hello Work” Plazas in convenient locations where information-search and occupational counseling services are available. In short, conveniently accessible career guidance services for mature adult non-regular employees do exist in Japan. This study indicates that these services do indeed fulfill the career guidance needs of the mature adult demographic, and they will need to be expanded and enriched in the future. Also, there is a need for further development of services such as online information enabling people to understand their aptitudes and compatibilities, and simple checklists for greater self-understanding. The survey results in this study indicated a strong demand for user-friendly career guidance services instantly accessible at home. This situation calls not only for efforts to meet these Internet-based needs, but also more strategic examination of how they can be seamlessly connected to more abundant and effective non-Net-based services at public employment service providers.

Third, this study showed that when the current status of career guidance through public channels is taken into account, the concept of having recipients bear the cost of guidance is not a realistic one. The primary reason for this is that people truly in need of career guidance are precisely those who are unable to afford paying for it. On the other hand, paid career guidance aimed at resolving workplace issues, for

relatively economically secure regular employees, could be feasible. Appropriate career guidance for regular employees is an area that has not received sufficient attention due to focus on the needs of unemployed individuals and non-regular employees.

This study concludes that in Japan today, a diverse range of career guidance needs is not being sufficiently met. While there may be progress, it is clear that it needs to be accelerated, and career guidance programs broadened and enriched. However, the environment surrounding mature adults’ careers is constantly evolving, and there is a need for further, ongoing research on career guidance for this demographic in Japan.

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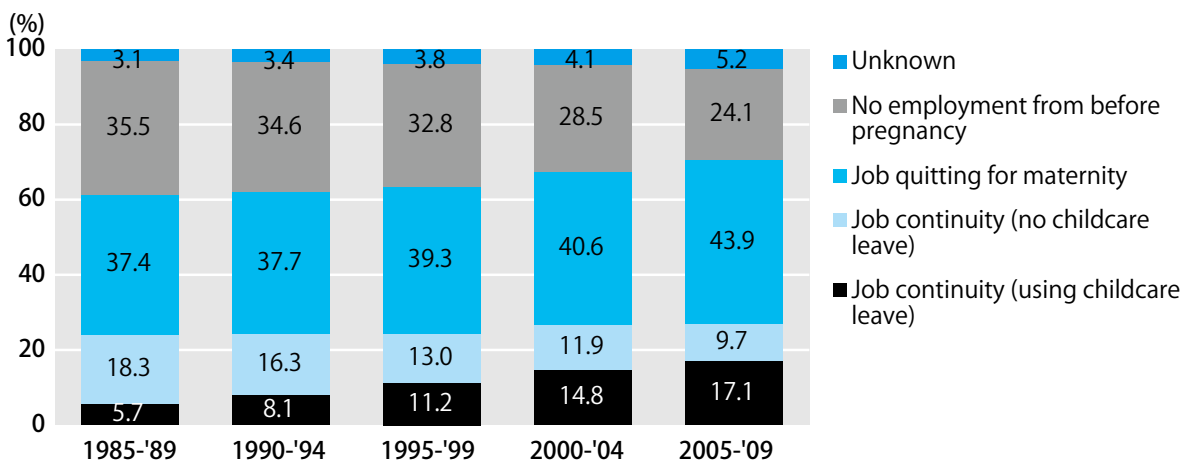
## I The Problem

In Japan, women's job continuity has been supported by a number of policy initiatives, including the Equal Employment Act (enforced since 1986), the Childcare and Family Care Leave Act (1992), and the Act on Advancement of Measures to Support Raising Next-Generation Children (2005). Ever since the Childcare and Family Care Leave Act made it compulsory for companies to give childcare leave, in particular, the number of companies with systems of childcare leave in their rules of employment, etc., has increased, and the proportion of women taking childcare leave has risen. In spite of that, however, many women still quit their jobs when giving birth and raising children. The rate of job quitting for the first pregnancy and childbirth is particularly high, and as Figure V-1 shows, the rate of job continuity before and after childbirth has hardly changed since the second half of the 1980s.<sup>1</sup> The purpose of this chapter

is to analyze the causes of this and to highlight issues with a view to increasing job continuity in the childbirth and childcare phases.<sup>2</sup>

Until now, many studies have pointed out that childcare leave systems have the effect of increasing job continuity in the childbirth and childcare phases. These include Higuchi (1994), Tomita (1994), Higuchi, Abe and Waldfogel (1997), Morita and Kaneko (1998), Nagase (2003) and Zhou (2003). In JILPT (2007), the final report in the JILPT Phase 1 Medium-term Plan, it was pointed out that, although childcare leave systems alone do not have the effect of reducing job quitting for childbirth, they do have this effect when combined with nurseries and family assistance. Here, the combination of childcare leave systems and nurseries was found to be particularly important in younger cohorts. The expansion of both childcare leave systems and nurseries since the 1990s could therefore be said to have had an effect. But in spite of this, job continuity ratios have not risen.

**Figure V-1 Rates of Job Continuity before and after Birth of First Child**



Source: 14th Japanese National Fertility Survey (National Institute of Population and Social Security Research 2010)

1 As pointed out in previous research, the job quitting ratio is particularly high in the first pregnancy and childbirth, and the focus of this paper will therefore be on the first pregnancy and childbirth. As such, "job quitting for maternity" and "job continuity" below will refer to situations in the first pregnancy and childbirth, unless otherwise stated.

2 This paper is based on the outcome of the Project Research Subtheme "Study on the Policy Effect of Women's Job Continuity" conducted by JILPT in fiscal 2007-2011. On this subtheme, see JILPT (2009, 2010, 2011, 2012b).

As causes of this, JILPT (2007) pointed to an increase in working styles (such as long working hours and late night work) that make it harder for women to remain employed during childbirth and childcare, as negative aspects in the expansion of women's employment;<sup>3</sup> an increase in women who are not eligible for childcare leave systems, due to an increase in non-regular employment of younger age groups;<sup>4</sup> and the reduced effect of family assistance as a traditional form of support.<sup>5</sup> Higuchi (2007, 2009) also points out that labor supply and demand had eased off amid the harsh economic situation after the collapse of the bubble, and that companies were not actively seeking human resources at that time. Takeishi (2006) and Kawaguchi (2008), meanwhile, point to the gender discriminatory nature of the Japanese employment system as a more fundamental problem.<sup>6</sup>

In recent years, however, the situation may have changed. In the mid-2000s, when the economy had temporarily recovered from the slump after the collapse of the bubble, as Higuchi (2009) points out, companies may have been more positive in hiring women out of a need to secure labor power. Not only that, but it is also conceivable that companies may have started efforts to incorporate women in the workforce, with a view to raising the efficiency of using labor power over the long term. Kawaguchi (2008), though not discussing chronological trends, reveals the finding that there is a positive relationship between companies' reform of business management and the active involvement of women. Rather than negating the Japanese employment system, Kawaguchi explains that it promotes the active

involvement of women with a view to increasing management efficiency.

In terms of policy, an increase in support for work-life balance (WLB) has been promoted since 2005, in response to the changes in working styles mentioned above. Following the 2005 Amendment to the Childcare and Family Care Leave Act, eligibility for childcare leave was expanded to include fixed-term contract workers who met certain conditions. In the same year, the Act on Advancement of Measures to Support Raising Next-generation Children (the Next-generation Act) was also brought into effect. In order to acquire the 'Kurumin' certification mark of WLB support based on this law, companies must raise the proportion of women taking childcare leave to 70% or more, as well as shortening working hours, reducing overtime and encouraging workers to take their leave. In other words, the Next-generation Act not only requires companies to have a good record in terms of women taking childcare leave, but also to make positive efforts to create workplaces where women in the childbirth and childcare phases can work easily.

On job continuity in the childbirth and childcare phases, similarly, both Sato and Ma (2008) and Higuchi (2009) point out that the rate of job quitting for maternity has decreased among regular employees. The same trend may be seen in the results for "Regular employees" in Figure V-2. Although there is no increase in rates of job continuity between "1990-94" and "1995-1999", i.e. before and after the Childcare and Family Care Leave Act came into effect, a rising trend can be seen from "2000-2004" onwards. Meanwhile, JILPT (2008) reports that the

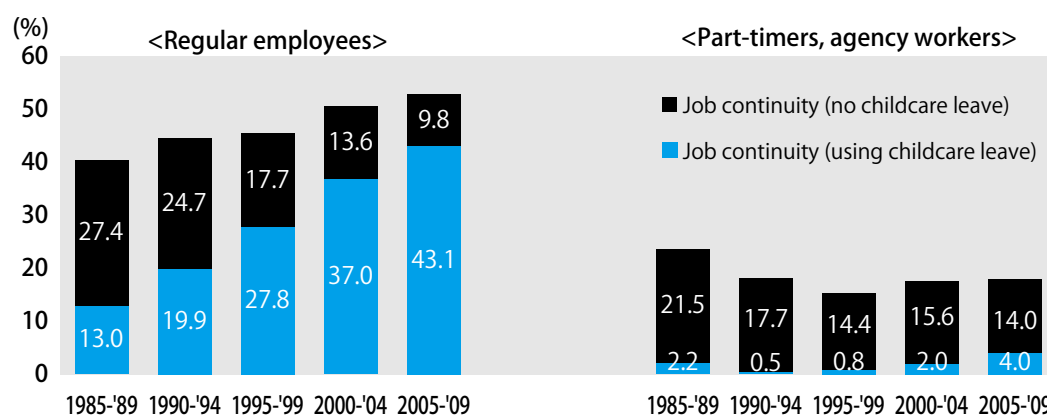
3 Tomita (1994) and Higuchi (2007) also point to analysis results showing that working hours have an impact on job quitting for maternity.

4 Non-regular employment is subject to childcare leave if under a labor contract with no fixed term. By contrast, fixed-term contract workers employed for a specific period have been regarded as excluded from childcare leave even after the Childcare and Family Care Leave Act came into effect in 1992, because their employment format is not considered fitting for long-term leave.

5 Ozawa and Suzuki (2000) and Senda (2002) also point out that the effect of cohabiting parents has not been significant in recent years. Senda (2002) also asserts, from the results of analysis on the use of childcare resources in the form of family (husband or parents), nurseries and childcare leave, that childcare resources available for use differ depending on the type of job.

6 The male-oriented nature of the Japanese employment system had already been pointed out by many previous studies. The possibility that this nature has not changed significantly even since the Equal Employment Act is suggested by both Takeishi (2006) and Kawaguchi (2008).

**Figure V-2 Rates of Job Continuity before and after Birth of First Child- by Employment Format**



Source: 14th Japanese National Fertility Survey (National Institute of Population and Social Security Research 2010)

number of fixed-term contract workers taking childcare leave is on the rise. Nevertheless, as Figure V-2 shows, there has been no upward movement in the rate of job continuity among non-regular employees, i.e. part-timers and agency workers.

As the background to this, let us now consider the following possibility. In the study mentioned above, Kawaguchi (2008) stresses the positive aspects of using female labor power in raising business management efficiency. As a negative aspect, however, it is also conceivable that a disparity will arise between female workers who are valued by companies as long-term labor power and other female workers. This disparity would appear to be expressed in the different trends for different employment formats shown in Figure V-2.<sup>7</sup> Unlike the situation before the bubble, when the majority of young workers were in regular employment, companies have reduced their hiring of regular employees since the collapse of the bubble. And although they support the

work-life balance of those rigorously selected regular employees, it is conceivable that they may not be positive on job continuity of non-regular employees. Even for regular employees, it should be noted that initiatives in support of work-life balance are relatively slow to be adopted by small and medium-sized enterprises. For example, the obligation to formulate action plans on childcare support in the Next-generation Act (action plans by general businesses) only applies to companies with more than 100 full-time workers.<sup>8</sup> Although the effect of this was to boost rates of job continuity in large corporations, they may not have risen in small and medium-sized enterprises.

Something that also appeared in a JILPT (2010) interview survey was that even today, when childcare leave systems are widespread and the proportion of women taking childcare leave has risen, many women still approach pregnancy and childbirth with uncertain prospects of job continuity. As a result, it is quite a common perception among women, even today, that

7 In previous research, job type and educational background have been cited as the main reasons for quitting jobs, but according to JILPT (2011), differences in the rate of job continuity based on education or job type are in a decreasing trend, due to increased awareness of systems of work-life balance support in companies. The difference in proportions taking leave and whether or not there is a childcare leave system based on employment formats is now larger, and the expansion of non-regular employment has even spread to those with higher education backgrounds and jobs like teachers, nursery workers and nurses. Employment formats will be examined in line with this situation.

8 When first brought into effect in 2005, the obligation was limited to companies with more than 300 workers, but since 2011 the scope has been expanded to include those with more than 100.

continuing to work as well as giving birth and raising children is “the exception”. Even if work-life balance support has boosted the rate of job continuity, if the scope of this is limited to regular employees in large corporations, there will be little change to the perception that job continuity is “the exception”. Rather than that, the analysis below will be used to examine whether Japan can be said to be moving toward a society in which rates of job continuity rise among women in general and job continuity is possible in the childbirth and childcare phases, regardless of the employer or working style.

For the analysis, data from the *Survey on Women's Working Styles and Family Life* targeting women aged 30-44 nationwide (JILPT 2010) will be used.<sup>9</sup> To state the main analysis results from the outset, the rate of job quitting for maternity can be said to have fallen in companies with a scale of at least 100 regular employees, as a result of increased taking of childcare leave as the pivotal element of work-life balance support. Thus, a task from now on would be to strengthen support aimed at non-regular employees and companies with fewer than 100 employees, in order to expand the scope of job continuity in the childbirth and childcare phases. The analysis results suggest that, to promote this effectively, it will be important to diffuse work-life balance support flexibly in response to personnel management and career realities, and with this in mind, to enhance the provision of information to individual workers, rather than just encouraging companies to make efforts for work-life balance support.

## II Trend toward Non-regular Employment of Young People and Job Quitting for maternity

Because childcare leave is a system premised on the continuation of an employment relationship with the same employer, labor contracts with fixed terms (fixed-term contracts) have been regarded as outside the scope of application, as they do not fit in with this system. And since many fixed-term contract workers are in non-regular employment as part-timers and agency workers, there is a widespread impression that “childcare leave is a system for regular employees”.<sup>10</sup> However, even if a labor contract has a fixed term, the worker is still eligible for childcare leave if the employment relationship continues, making the situation no different to that of a labor contract with no fixed term. Based on this principle, eligibility for childcare leave has expanded to include some fixed-term contract workers since the 2005 Amendment to the Childcare and Family Care Leave Act. Spurred by this, women taking childcare leave have been increasing, albeit gradually, in non-regular employment as well.

To accelerate this trend and effectively raise the rate of job continuity, it will be important to promote taking of childcare leave in non-regular employment to the same level as in regular employment. Let us look at Figure V-3 to illustrate this. It shows that the job quitting ratio in non-regular employment is higher than that in regular employment, even among women whose employers had childcare leave systems at the time of their first pregnancy.

A problem existing before that of taking leave is the fact that the system is too narrow in its scope of application. Figure V-4 shows ratios of work-life balance support systems offered by employers at the

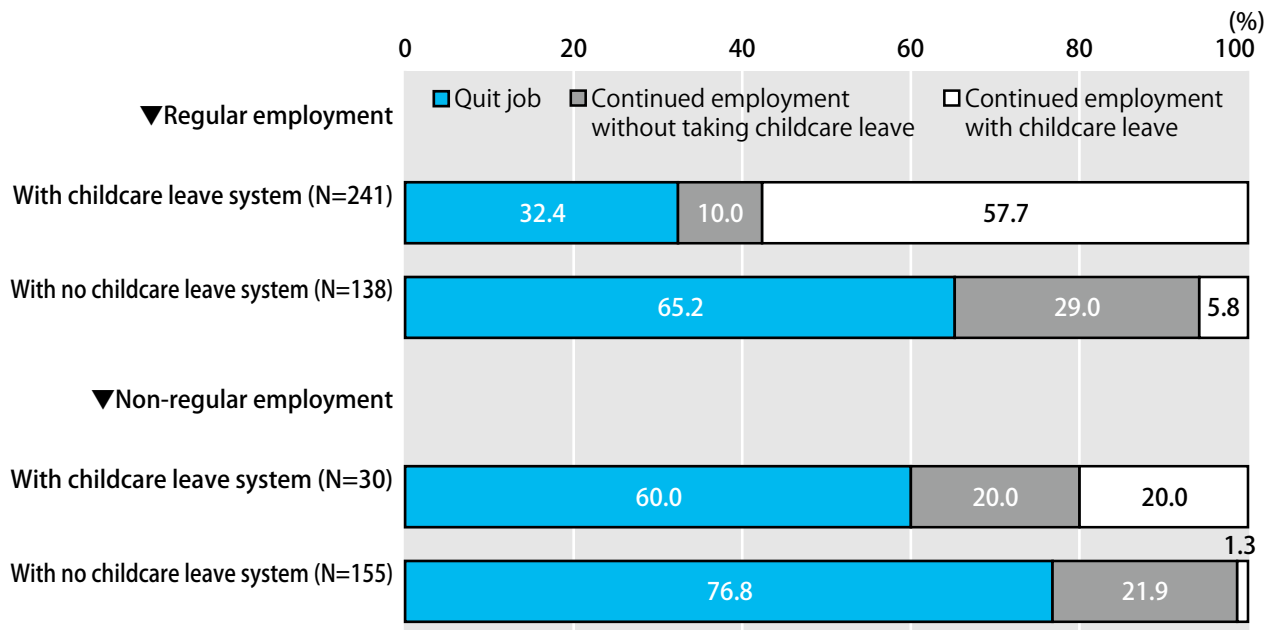
9 The survey was implemented between November 18 and December 12, 2010. Samples were selected via stratified two-stage sampling, and the survey was implemented by visiting and leaving questionnaires. The survey target sample consisted of 2,000 women, and responses were collected from 1,240 of these (collection rate 62.0%). Survey implementation was commissioned to Central Research Services, Inc. For details, see JILPT (2011, 2012b). Survey targets included women with no experience of childbirth, but this paper only analyzes those with childbirth experience.

10 JILPT (2011) points out a growing perception among women that non-regular employees are also eligible for childcare leave, regardless of whether on a fixed-term contract or not, triggered by the 2005 Amendment to the Childcare and Family Care Leave Act. By contrast, there appears to have been a widely shared perception, up to that point, that childcare leave systems did not apply to non-regular employment, even under labor contracts with no fixed term.

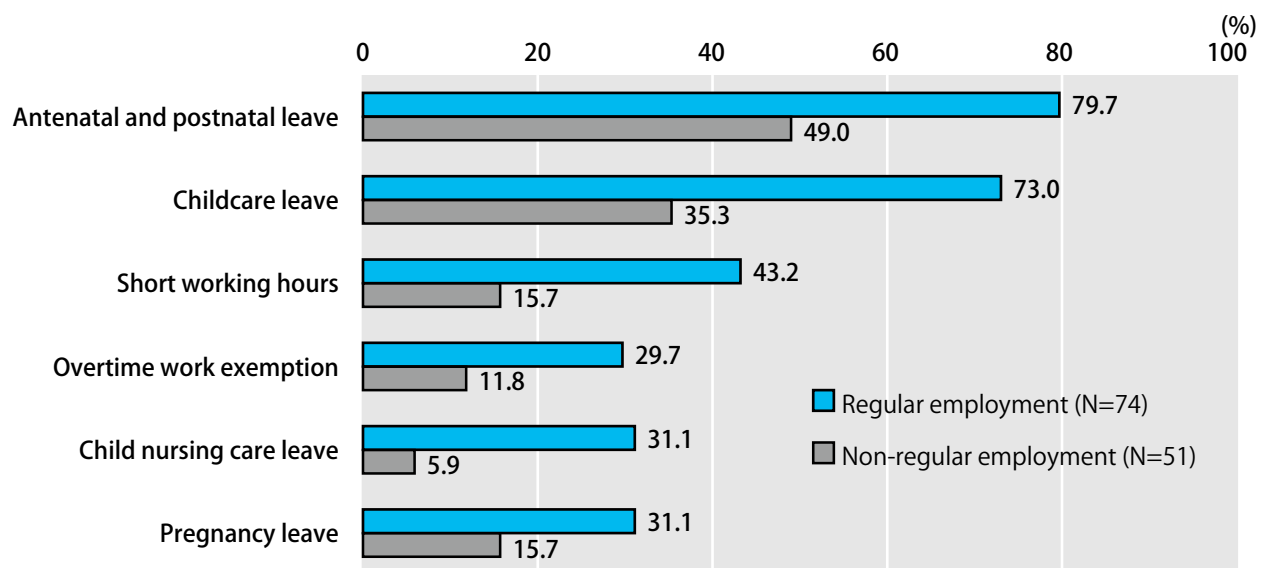
time of pregnancy by women giving birth to their first child in or after 2005, when eligibility for childcare leave was expanded to include fixed-term contract

workers. In either system, the ratio was lower in non-regular employment than in regular employment. Non-regular employment originally includes part-

**Figure V-3 Job Quitting Ratios and Proportions Taking Childcare Leave for First Pregnancy and Childbirth– by Employment Format and Access to Childcare Leave Systems in First Pregnancy**



**Figure V-4 Proportions Whose Employer in First Pregnancy Had a System of Work-life Balance Support– by Employment Format in First Pregnancy (Births in 2005 Onwards)**



timers with short prescribed working hours and working styles in which there is no overtime work, even if work-life balance support does not exist as a system. Eligibility for childcare leave has not been expanded to include all non-regular employment. Based on the fact that working styles that form the basis of work-life balance support are different from regular employment, it cannot immediately be seen as a problem if these systems have a low rate of application.

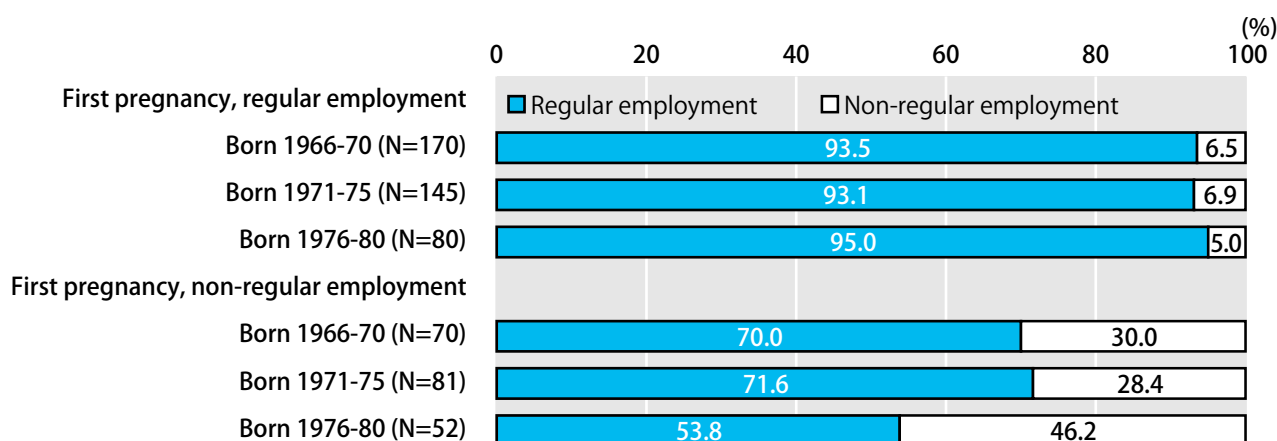
However, considering that maternity leave is available to all women regardless of employment format, we should not overlook the fact that only about half of all non-regular employees are covered by this system. Although many reasons for job quitting by women are pointed out, job continuity would be almost impossible under any circumstances if there were no system of maternity leave. Conversely, if employment could be resumed after postnatal leave even if there were no eligibility for childcare leave, job quitting for maternity could be avoided. Applying a system of maternity leave even to workers outside the scope of childcare leave is a particularly important task for expanding job

continuity in non-regular employment.

Another point worthy of attention is that many women change from regular to non-regular employment after starting their first job. After the economic bubble collapsed at the beginning of the 1990s in Japan, there was a protracted a hard time for job seekers in which companies reduced their hiring of new graduates. And although the economy subsequently made a short-lived recovery, the employment situation took another turn for the worse with the Lehman shock. As a result of this lengthy economic downturn, the number of young people starting their first job in non-regular employment has certainly increased. However, as shown in Figure V-5, many women who started out in regular employment later changed to non-regular employment.<sup>11</sup> Viewed simply, job quitting for maternity should decrease if these women were to remain in regular employment. With this in mind, let us now analyze vocational careers before the first pregnancy.

First, let us examine levels of continuation of initial employment. In Japan, it is not so common for workers to change from regular to non-regular employment when continuing to work for their first

**Figure V-5 Proportions of Employment Format of First Job– by Employment Format in First Pregnancy and Birth Cohort**



<sup>11</sup> From the same angle, Moriizumi (2005) also analyzes the impact of the increasing tendency toward non-regular employment by young people on job quitting for maternity, but does not analyze the relationship with childcare leave systems examined in this paper.



**Figure V-6 Proportions of First Job Continuation, Changing Jobs and Leaving Employment until First Pregnancy– by Corporate Scale and Employment Format of First Job**



\* Continuation = same employer in first job and when pregnant  
 Changing jobs = different employer  
 Leaving employment = not in improvement when pregnant

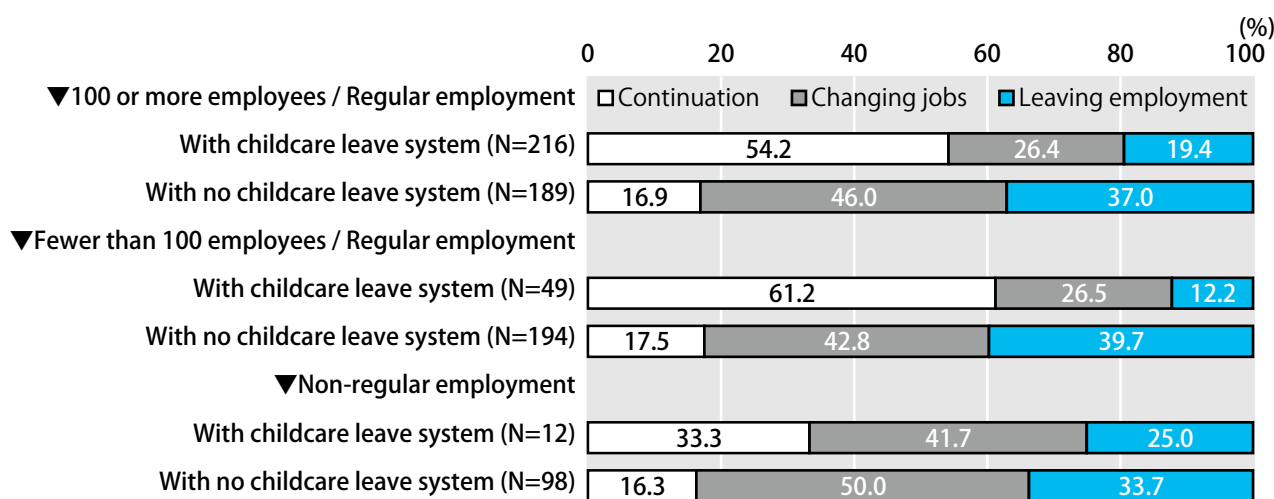
employer. The majority change employment formats in the process of moving from one employer to the other. In other words, if continuing one’s first job in regular employment, pregnancy and childbirth should also be approached during regular employment. With this in mind, let us turn to Figure V-6. This shows the proportions of women staying with the same employer from the first job until the first pregnancy (continuation), those moving to another employer (changing jobs), and those withdrawing from employment altogether (leaving employment), by the scale of the first employer and the employment format. Regular employees in large Japanese corporations have a strong tendency to remain settled in their companies and build careers in internal labor markets. By contrast, workers in small and medium-sized enterprises have relatively high mobility, and this is even more the case with non-regular employees. And the same thing can be seen in these results. The categories of corporate scale and employment formats are “100 or more employees/ Regular employment”, “Fewer than 100 employees/ Regular employment” and “Non-regular employment”.<sup>12</sup> The continuation ratio (shown by the

white band) is highest with “100 or more employees/ Regular employment” and lowest with “non-regular employment”. Conversely, the job changing ratio (gray band) is highest with “non-regular employment” and lowest with “100 or more employees/ Regular employment”. It should also be noted, however, that even with “100 or more employees/ Regular employment”, the continuation ratio is only around 35%. This could show how mobile the young workforce is.

Here, attention is drawn to the relationship between this level of continuation of the first job and the employer’s system of work-life balance support. If the first employer had a system of work-life balance support, one would expect there to be job continuity on subsequently reaching the childbirth and childcare phases. It is often asserted that this is a positive factor in young female workers becoming settled in companies. In this respect, Figure V-7 focuses on the existence of childcare leave systems in the first job, and shows ratios of first job continuation, changing jobs and leaving employment by the employment format and corporate scale of the first job.

<sup>12</sup> As shown in JILPT (2009), the proportion taking childcare leave differs greatly on either side of a corporate scale of 100 employees.

**Figure V-7 Proportions of First Job Continuation, Changing Jobs and Leaving Employment until First Pregnancy– by Corporate Scale, Employment Format and Access to Childcare Leave Systems in First Job**



\* Continuation = same employer in first job and when pregnant  
 Changing jobs = different employer  
 Leaving employment = not in improvement when pregnant

What should first be confirmed here is that, regardless of employment format and corporate scale, the continuation ratio is high when there was a childcare leave system in the first job.<sup>13</sup> Comparing regular employment with “100 or more employees” and that with “fewer than 100 employees”, the ratios of continuation, changing jobs and leaving employment all show hardly any difference based on corporate scale. The difference in corporate scale seen in Figure V-6 could be said to reflect differences in terms of whether there is a childcare leave system or not. Similarly, it has also been pointed out traditionally that childcare leave systems have the effect of raising the corporate settlement of young females. From that, the following two points should be noted.

The first is that, even when there is a childcare leave system in the first job, regardless of corporate scale, about half quit their first employer (are

classified under “leaving employment” or “changing jobs”). This shows just how mobile the young workforce is. And the second is that, when there is no childcare leave system, there is hardly any difference between regular and non-regular employment in the ratios of first job continuation, changing jobs and leaving employment. If the employer has no system of childcare leave, there is only a low likelihood of job continuity in the childbirth and childcare phases even if the first job is in regular employment. On this point, there is no great difference between the predicament of regular employees with no childcare leave system and non-regular employees.

However, women whose first employer offers no childcare leave system cannot so easily improve their situation by subsequently changing jobs. This can be seen in Figure V-8 below, which shows the employment formats of those “changing jobs” in Figure V-7 above when pregnant and the ratios of

<sup>13</sup> It is possible that women whose first jobs include childcare leave systems intentionally choose employers with such systems because they have a strong awareness of job continuity in the first place. Nevertheless, the problem addressed in this paper is the labor market structure that makes it difficult to form professional careers with high potential for job continuity unless there is this kind of strong awareness from the beginning of the career.

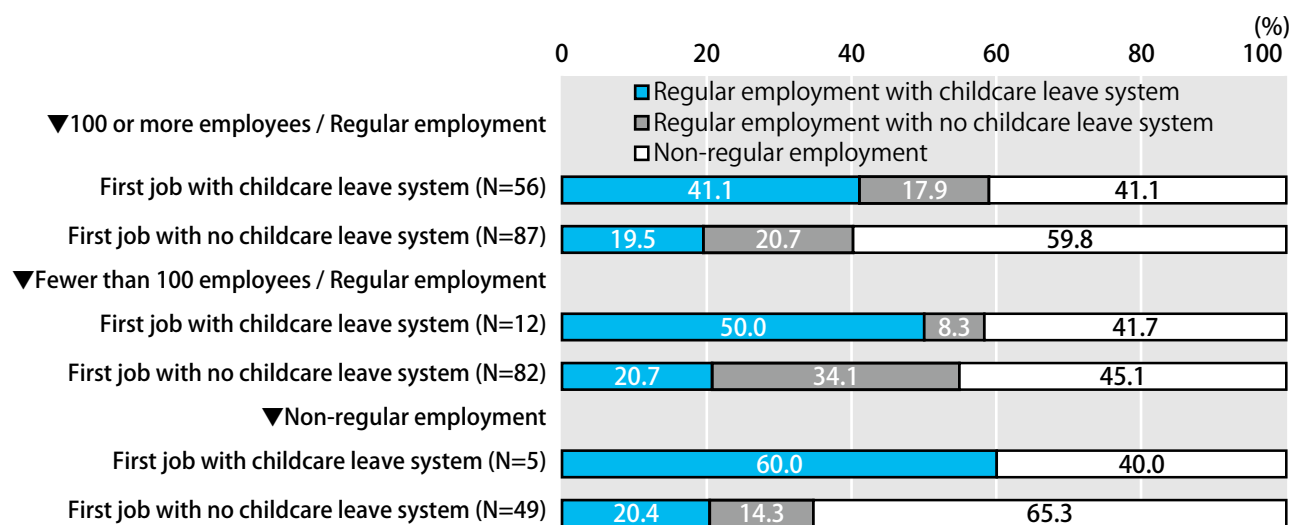
childcare leave systems in regular employment. Figures when the first job is “Fewer than 100 employees/ Regular employment” or “Non-regular employment” and there is a childcare leave system are merely noted for reference, as the sample size is small. Even so, the trends do not differ from “100 or more employees/ Regular employment”.

Let us first examine the situation when the first job is in a company with “100 or more employees/ Regular employment” but no childcare leave system. About 60% of these women are in non-regular employment by the time they reach pregnancy. Turning next to the same scenario in companies with “Fewer than 100 employees/ Regular employment”, the rate of non-regular employment is lower than that in companies with “100 or more employees”. However, the rate of “Regular employment with no childcare leave system” in pregnancy is high. As a result, regular employment with childcare leave systems when pregnant accounts for only about 20%, regardless of corporate scale. This is the same ratio as that of the change from a first job in non-regular employment with no childcare leave system to one in

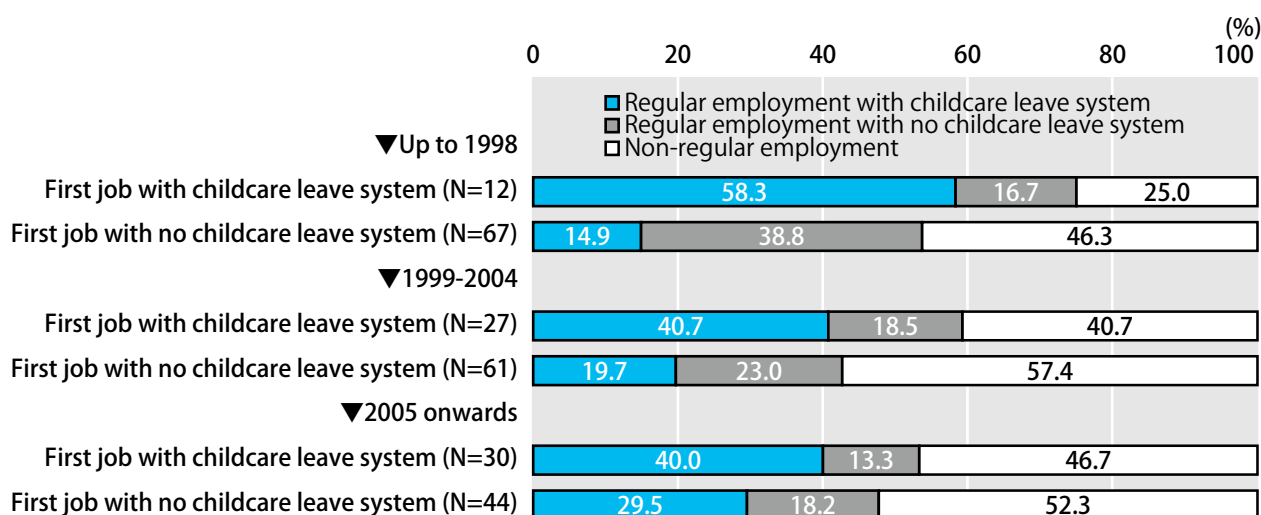
regular employment with a childcare leave system when pregnant. This shows just how hard it is to move to regular employment under an employer with a childcare leave system.

Even when there is a childcare leave system in the first job, the rate of non-regular employment when pregnant is not at all low (around 40%) when this was “100 or more employees/ Regular employment”. However, compared to first jobs with no childcare leave system, the ratio is low, while conversely, “Regular employment with childcare leave system” when pregnant is relatively high. In “Regular employment with no childcare leave system” when pregnant (the gray band), there is no difference based on whether or not there was a childcare leave system in the first job, and the difference compared to “Regular employment with childcare leave system” is the same as that in the rate of non-regular employment.

**Figure V-8 Proportions in Regular Employment and Having Access to Childcare Leave Systems in First Pregnancy– by Employment Format, Corporate Scale and Access to Childcare Leave Systems in First Job (Those Changing Jobs before First Pregnancy)**



**Figure V-9 Proportions in Regular Employment and with Access to Childcare Leave Systems in First Pregnancy– by Year of Childbirth and Access to Childcare Leave Systems in First Job (Those in Regular Employment in First Job and Changing Jobs before First Pregnancy)**



The introduction rate of childcare leave systems has been increasing in recent years. However, as shown in Figure V-9, even when controlling the year of childbirth, the probability of changing from no childcare leave system to “Regular employment with childcare leave system” cannot be seen as high.

As the background to this, one would point out that the introduction rate of childcare leave systems by small and medium-sized enterprises is low. As is well known, large Japanese corporations focus mainly on hiring new graduates, and it is the small and medium-sized enterprises that hire more regular employees in mid-career. Although the diagram is ambiguous, of women who were in regular employment both for their first job and their first pregnancy, 27.2% of those who continued their first job worked in companies with a scale of fewer than 100 employees, while such employers accounted for 54.4% of those who changed jobs. This means that it is harder to change jobs to an employer with a childcare leave system. Regardless of corporate scale, if there are prospects of job continuity in the

childbirth and childcare phases, women who choose non-regular employment in consideration of the impact on family life could be expected to decrease.

### III Issues facing job continuity support in smaller companies

Figure V-2 above revealed how the rate of job continuity among regular employees before and after the birth of the first child has risen. However, as shown in Figure V-10, there is no sign of a decreasing trend in job quitting for maternity in companies with fewer than 100 employees, even with regular employment.<sup>14</sup> Rates of job quitting for maternity now differ even among regular employees, depending on corporate scale. To correct this difference, one method would be to promote the diffusion and application of childcare leave systems in small-scale companies with fewer than 100 employees. However, even today, 20 years after the Childcare and Family Care Leave Act came into effect, there still remains the problem of how companies without childcare

14 The following analysis is limited to women who were regular employees at the time of their first pregnancy.

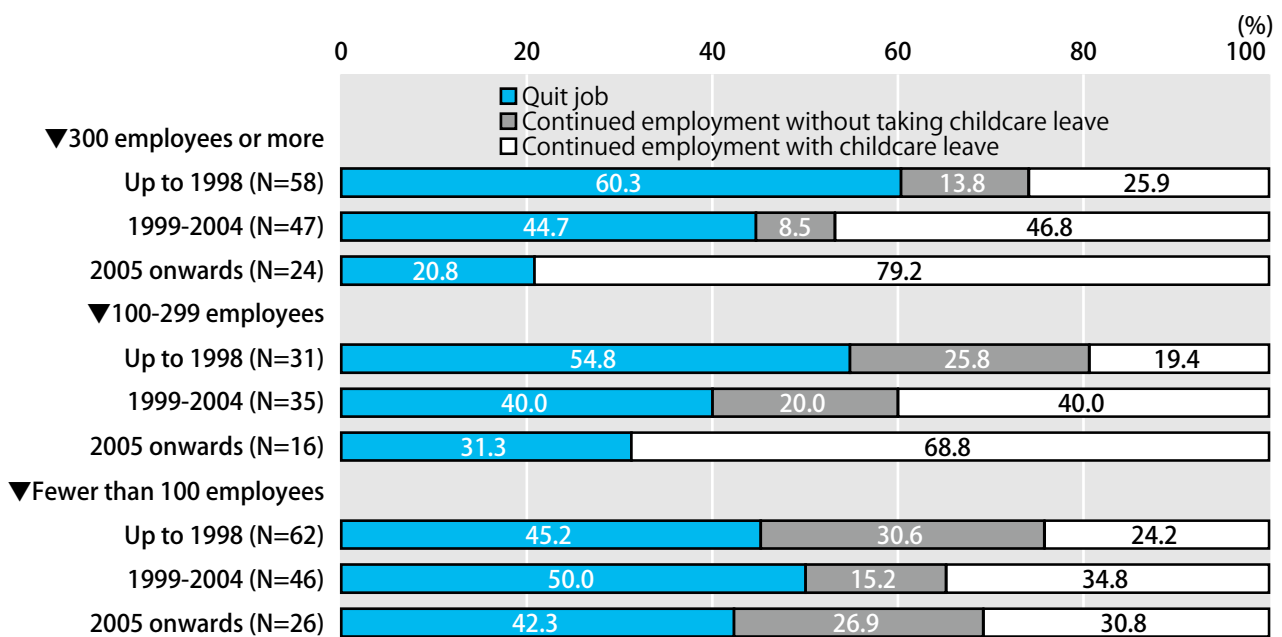
leave systems can be persuaded to introduce and apply them. As stated above, the obligation to formulate action plans for childcare support under the Next-generation Act has expanded in scope from companies with more than 300 employees to those with more than 100 employees, but companies with fewer than 100 employees are merely obliged to make efforts to this end.

However, it has also been suggested that applying the same policy measures to small businesses as to large corporations would not be appropriate to their circumstances. The typical case is that “SMEs ...

overcome the hurdles to combining work and parenting not by establishing systems, but by responding flexibly according to employees’ individual circumstances”<sup>15</sup> (Small and Medium Enterprise Agency 2006: 225). From the same angle, Atsumi (2007) also reports a survey result that a large proportion of women find it “easier to achieve a balance” when working for small and medium-sized enterprises, and says that the “prevailing view” that “small and medium-sized enterprises are lagging behind in supporting work-life balance” is mistaken.<sup>16</sup>

On the other hand, some have also pointed out that small businesses cannot cope with the cost of

**Figure V-10 Job Quitting Ratios and Proportions Taking Childcare Leave for First Pregnancy and Childbirth– by Corporate Scale and Year of Childbirth in First Pregnancy (Regular Employment in First Pregnancy)**



15 On this point, Nakamura (2012) uses the results of data analysis to show that small businesses have low rates of taking childcare leave and high rates of job quitting due to marriage and pregnancy, that these job quitting rates could be reduced by creating systems of childcare leave, etc., and that very few companies with no system of childcare leave respond with flexible arrangements, thus criticizing the assertion in Small and Medium Enterprise Agency (2006) that “enterprises with fewer employees are more likely to respond flexibly without establishing systems” (Nakamura 2012: 117).

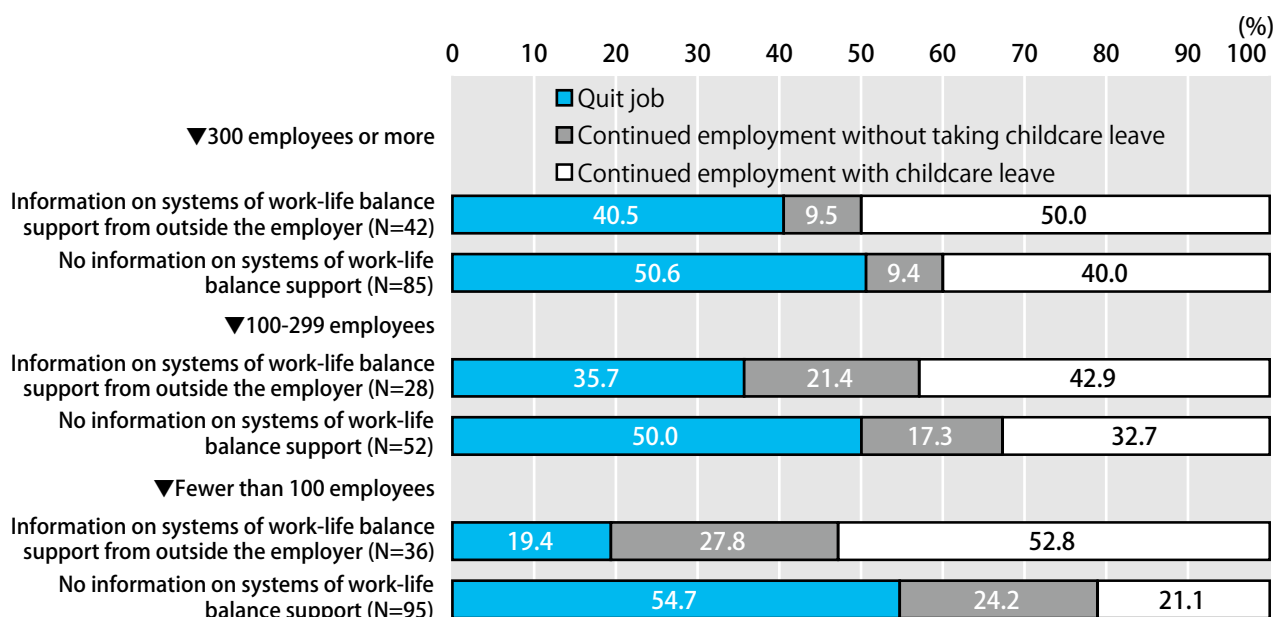
16 When discussing “small and medium-sized enterprises”, the Small and Medium Enterprise Agency (2006) and Atsumi (2007) have their focus more on small businesses than medium-sized ones.

work-life balance support.<sup>17</sup> It would surely be unrealistic to expect small businesses always to adopt a positive response to their employees' work-life balance support. If job continuity has been achieved despite a lukewarm attitude to work-life balance support by businesses, it could be seen as largely due to the bargaining power of the workers themselves. In small businesses, there is greater scope for one-on-one negotiations between employers and individual workers than in large corporations. Under such circumstances, we could imagine that workers might have knowledge of systems of work-life balance support, use this knowledge to negotiate with their employers, and thereby avoid having to leave their jobs.<sup>18</sup> From the employers' point of view, this would

surely be the same as “responding flexibly to individual circumstances”.

Figure V-11 illustrates this. In the analytical data survey, respondents were asked whether there were opportunities to know about childcare leave and other systems of work-life balance support outside the employer during the first pregnancy. The graph shows job quitting rates in first pregnancy and childbirth based on whether such opportunities existed, and proportions of women taking childcare leave based on corporate scale. Regardless of corporate scale, those who had information on systems of work-life balance support outside the employer had a lower rate of job quitting but also a smaller proportion taking childcare leave. This trend is particularly conspicuous

**Figure V-11 Job Quitting Ratios and Proportions Taking Childcare Leave for First Pregnancy and Childbirth— by Corporate Scale and Access to Systems of Work-life Balance Support from Outside the Employer in First Pregnancy (Regular Employment in First Pregnancy)**

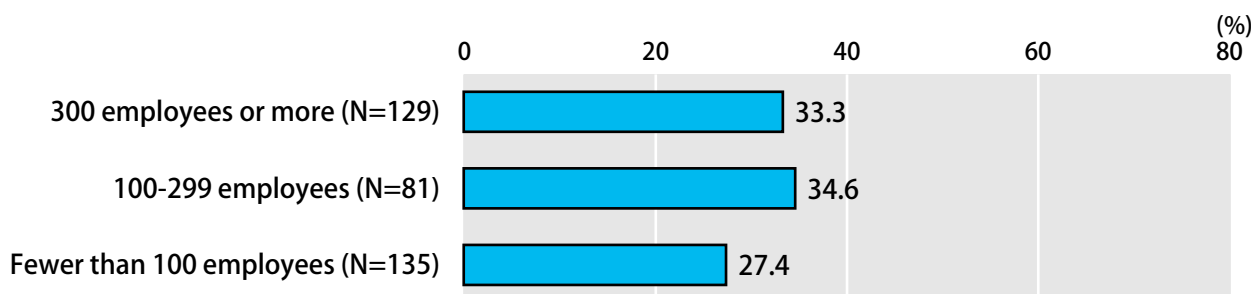


17 Wakisaka (2001) and Morita (2005) suggest that costs associated with childcare leave could inhibit hiring of women by businesses with less than 30 employees.

18 In an interview survey, JILPT (2010) reports in detail on such negotiations with an employer in the case of respondent “E”. The gist was that, to elicit the support needed for job continuity from her employer, a female worker took it upon herself to gather information on systems of work-life balance support, and requested this from her employer. As a result, she achieved job continuity even with an employer who was initially not so positive about work-life balance support.



**Figure V-12 Proportions Having Opportunities to Access Information on Systems of Work-life Balance Support Outside the Employer in First Pregnancy– by Corporate Scale in First Pregnancy (Regular Employment in First Pregnancy)**



in businesses with “Fewer than 100 employees”.<sup>19</sup> This seems to show how knowledge of systems by individual workers can influence negotiations with employers on job continuity in childbirth and childcare.

However, women in companies with fewer than 100 employees could hardly be considered blessed with opportunities for obtaining information on systems of work-life balance support outside the employer. Figure V-12 shows the ratios of such opportunities by corporate scale. Thanks to the advance of the Internet and other information technology in recent years, it is becoming technically easier to obtain various information on systems of work-life balance support. It is possible that the number of women who avoid job quitting for maternity could decrease if this kind of information environment were enhanced and information that is useful in negotiations with employers were provided to workers in small businesses. However, the ratio in businesses with “Fewer than 100 employees” is lower than in those with “300 employees or more” and “100-299 employees”. It would appear, then, that not many workers are making full use of the advantage of small businesses in facilitating individual negotiations with employers.

Finally, multivariate analysis will be carried out to see if the same could be said even if other factors were controlled. The method used will be logistic regression analysis. The dependent variables are 1 if the mother is employed when the first child is born and 0 when not in employment. Since the analysis target is regular employment in first pregnancy, not being in employment when giving birth could be equated with job quitting for maternity. Explanatory variables will be “Whether information on systems of work-life balance support is received from the employer”, plus the following.

The first variable is whether or not there is a system of childcare leave, as an effect of employers’ systems of work-life balance support. However, a problem that “systems are hard to use, even if they exist” is occasionally highlighted in connection with systems of work-life balance support. Efforts aimed at familiarizing employees with the system in order to eliminate this kind of uncertainty associated with system use are becoming more widespread among large corporations. Thus, variables for the existence or absence of childcare leave systems and of familiarization with systems of work-life balance support<sup>20</sup> will be combined into three categories (“System + familiarization”, “System only” and “No

<sup>19</sup> The results of  $\chi$  square tests based on corporate scale are only significant in businesses with fewer than 100 employees.

<sup>20</sup> In the questionnaire, respondents were asked whether they had ever had explanations from an employer concerning the employer’s childcare leave systems, etc. Explanations here include guidance based on pamphlets, websites, email, etc. Cases when such explanations were made are referred to as “With” and those when no explanation was made as “Without”.

system”), with “No system” input as the benchmark. The next variable is whether work duties upon first pregnancy were the same as those of male full employees. This will be input as an indicator showing the segregation of vocational fields for men and women. The job type at the time of pregnancy (the benchmark is clerical work) and the final educational level (the benchmark is junior or senior high school) will be input as related variables, and membership of a labor union as a collective labor relations indicator. Variables showing the influence of families will be whether or not there was a cohabiting parent when the first child was born, the job continuity of the respondent's mother in the childbirth and childcare phases, which Nagase (1999) sees as having an effect<sup>21</sup> (continued employment = 1, employment interrupted or re-employed = 0), and difficulty in attending work due to morning sickness (showing employment difficulty when pregnant rather than after childbirth). Finally, the birth cohort (the benchmark is birth in 1966-70), the age when the first child was born, and the location of residence when the first child was born (urban areas<sup>22</sup> = 1, others = 0) will be input as basic attributes.

Until now, corporate scale has been divided into three categories (“300 employees or more”, “100-299 employees” and “Fewer than 100 employees”), but since it was not possible to secure a sufficient sample size from businesses with “100-299 employees” for estimation, those with “300 employees or more” and “Fewer than 100 employees” will be compared. By so doing, the intention is to clarify the common ground and differences between effective job continuity support measures in large corporations with “300 employees or more” and measures that are effective in small businesses with “Fewer than 100 employees”. The analysis results are shown in Table

V-13. Variables producing significant effects are highlighted, but determinants behind job quitting for maternity differ according to corporate scale.

To begin with, let us examine the effect of systems of work-life balance support from outside the employer. Although a significant effect is shown in businesses with “Fewer than 100 employees”, it is not significant in those with “300 employees or more”. Small businesses offer considerable scope for deciding whether job continuity is possible or not through individual negotiation. By contrast, the possibility of job continuity in large corporations is determined under collective personnel and labor management. This can be seen as the reason why this difference arises.

From the same perspective, familiarizing employees with childcare leave systems has the effect of reducing job quitting for maternity in businesses with “Fewer than 100 employees”, even in cases of “System only”. By contrast, there is no significant effect on “No familiarization” in businesses with “300 employees or more”, even when a system exists. In large corporations, where there is a great diversity of workplaces within the organization, an inconsistency in usability can easily arise, even when there is a system. Familiarization with systems could therefore be seen as important in order to correct this inconsistency. Conversely, in small businesses, where internal leadership is easier to achieve than in large corporations, the problem that systems exist but are difficult to use is very likely not to be so serious. Rather, the analysis results suggest that inconsistency in the very existence of systems from company to company has a greater impact on job continuity.

21 “I gave birth and raised my child while continuing to work” in the questionnaire is referred to as “Job continuity”, “I gave birth and raised my child without working, then started working when childcare had become settled” as “Re-employment after childcare”, and “I gave birth and raised my child without working, and remained out of work thereafter” as “full-time housewife”.

22 Since the location of residence is related to the supply-demand balance of nursery services, seven prefectures, government-designated cities and core cities described as “urban areas” in the “Summary of the Situation Regarding Nurseries (April 1, 2010)” by the Day Care Division of the Equal Employment, Children and Families Bureau, Ministry of Health, Labour and Welfare will also be referred to as “urban areas” here.

**Table V-13 Determinants for Employment on Birth of First Child (Logistic Regression Analysis)**

Dependent variables (employment = 1, not in employment = 0)	Whether employed at birth of first child					
	300 employees or more			Fewer than 100 employees		
Targets of analysis (corporate scale)	Coefficient value	Standard error	Odds ratio	Coefficient value	Standard error	Odds ratio
Cohort (BM: Born 1966-70)						
Born 1971-75	.009	.552	1.009	.072	.638	1.075
Born 1976-80	.596	.716	1.814	-.731	.793	.481
Age at birth of first child	.067	.073	1.069	.080	.084	1.084
Location of residence at birth of first child (urban area = 1, other = 0)	-.684	.543	.505	-.815	.580	.443
Whether there was a cohabiting parent when first child was born	-.285	.554	.752	.193	.617	1.213
Whether there was a cohabiting parent when first child was born Own mother's job continuity (yes = 1, no = 0)	.617	.525	1.854	1.362	.579	3.906 *
Difficulty in attending work due to morning sickness	-.496	.492	.609	.498	.545	1.645
Final educational level (BM: junior or senior high school)						
Vocational school or junior college graduate	.416	.607	1.515	-.261	.631	.770
University or graduate school graduate	.319	.871	1.376	1.821	1.143	6.180
Job type in first pregnancy (BM: clerical work)						
Teacher, nursery worker, nurse	-.496	.869	.609	.739	1.086	2.094
Specialist or technical	-.419	.840	.658	-.084	.853	.919
Business or sales	-.169	.796	.845	-1.298	1.084	.273
Services	-.551	1.189	.577	-.341	.772	.711
Skilled or unskilled labor	-.851	1.150	.427	-.406	.944	.666
Work duties in first pregnancy (same as male full employees = 1, different = 0)	1.872	.682	6.503 **	.399	.632	1.490
Whether labor union member in first pregnancy	-.289	.595	.749	.138	.735	1.148
Whether access to systems of work-life balance support from outside the employer	-.164	.542	.849	1.328	.667	3.772 *
Familiarization of employer's childcare leave systems in first pregnancy (BM: No system)						
System + familiarization	2.845	.937	17.205 **	2.347	1.021	10.456 *
System only	.690	.725	1.993	2.025	.682	7.577 **
Constant	-4.009	2.121	.018	-3.923	2.462	.020
χ square		38.886 **			56.810 **	
Freedom		19			19	
Nagelkerke R2		.383			.514	
N		115			117	

BM = benchmark  
All "either/or" items: "Yes" = 1, "No" = 0

\*\*p<.01 \*p<.05

Targets of analysis:  
regular employees in first pregnancy

Meanwhile, in businesses with "Fewer than 100 employees", the state of job continuity when the respondent's own mother was in the childbirth and childcare phases shows a significant effect. Like

systems of work-life balance support from outside the employer, this is also highly to influence individual negotiations with the employer. Because there is a clear wish for job continuity in the childbirth and

childcare phases under the mother's influence, these women are more likely to approach negotiations with the employer from a stronger vantage point.

Thus, differences in personnel and labor management, in that these are based on collective management in large corporations but on individual negotiations in small businesses, can be interpreted as being reflected in the results in Table V-13. Probably for the same reason, the issue of whether work duties were the same as for male full employees was only significant in businesses with "300 employees or more". In large corporations, there is a tendency to decide individual employee allocations based on how women are employed collectively. By contrast, small businesses have greater scope to take individual personalities and aptitudes into account when allocating staff. For this reason, it is possible that a female worker will not quit even if her work duties are not the same as those of male full employees, as long as she feels motivation. This may be why no significant effect is found in businesses with "Fewer than 100 employees".

In this way, it is important to encourage efforts aimed at work-life balance support in large corporations founded on collective personnel and labor management. This is typically reflected in the effect achieved by familiarizing employees with the system. It will also be effective to encourage small businesses to introduce systems and make them familiar. In small businesses, however, even if the companies themselves are difficult to persuade, it is possible that more women could avoid job quitting for maternity if individual workers were provided with information on systems of work-life balance support, and their bargaining power vis-à-vis the employer were thereby enhanced. In that sense, effective methods of promoting work-life balance support in small businesses will differ from those applied to large corporations.

#### IV Summary and Conclusion

The situation of job quitting upon first pregnancy and childbirth has been analyzed, and issues to be resolved in order to increase job continuity in the childbirth and childcare phases have been studied.

The main points of the analysis results are as follows.

- (1) In regular employment with a corporate scale 100 or more employees, the proportion of women taking childcare leave (as the main element of work-life balance support) increases and the rate of job quitting for maternity decreases. Suggested causes of this are greater familiarization of employees with the system in individual companies, and the effect of male-female occupational integration.
- (2) In non-regular employment, the proportion of workers without access to any system (antenatal and postnatal leave as well as childcare leave) is still as high as ever. Moreover, although many women switch from regular to non-regular employment after starting the first job, a large proportion of women who had no access to childcare leave systems with their first employer shift to non-regular employment.
- (3) Even in regular employment, the rate of job quitting for maternity has not fallen in companies with fewer than 100 employees. In these businesses, promoting the diffusion of childcare leave systems remains an issue, but at the same time, providing workers with information on systems of work-life balance support outside the employer would also be effective in reducing rates of job quitting for maternity.

To further expand job continuity in the childbirth and childcare phases, strengthening support for non-regular employees and small businesses with fewer than 100 employees could be seen as an important task. However, the determinants of job continuity differ according to corporate scale and employment format. Based on such differences, the analysis results suggest the importance of flexible efforts to permeate work-life balance support. Specifically, it is important not only to encourage efforts aimed at work-life balance support by companies, but also to provide individual workers with information that will be useful for job continuity.

Until now, the main method of promoting work-life balance support has been based on strengthening efforts by employers. This is suited to regular employment in large corporations, where workers

become settled in a single company and are managed collectively as the core labor power. The analysis results in this paper also suggest that systems of work-life balance support encourage female labor power to become settled in companies. Conversely, if the employer is not so positive about work-life balance support, changing to a different employer is another method of increasing the potential for job continuity. However, opportunities to know about a company's system of work-life balance support before joining that company are limited in Japan. Therefore, the analysis results reveal that women avoid changing jobs within regular employment, where the impact on family life is great, choosing non-regular employment instead. Creating an environment in which these women can change jobs within regular employment while retaining prospects of job continuity could be seen as an issue to be tackled.

To this end, it would be considered effective to strengthen work-life balance support in small and medium-sized enterprises, where mid-career hiring of regular employees is relatively common. If the diffusion of work-life balance support systems could be promoted in small businesses where the diffusion is particularly lagging, this alone would increase the possibility for joining companies that have systems of work-life balance support. However, this will be "easier said than done". The problem of how to encourage efforts toward work-life balance support in small businesses would still remain. To overcome this situation, the analysis results suggest that an effective method would be to appeal not to companies but to individual workers, and to provide individuals with information enabling them to avoid job quitting for maternity.

By doing so, job continuity could be expected to expand, not only among regular employees in large corporations but also broadly among women in the childbirth and childcare phases.

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## Introduction: Research Objective and Method

### Section 1 Research Objective

Now that the introduction of “restricted regular employee” systems with restrictions on work duties (job types), places of employment and other aspects is becoming a significant policy issue, attention is being drawn to the nature of rules concerning termination of employment, and particularly to the dismissal of these employees. The crux of the debate appears to rest on whether dismissal rules for these restricted regular employees are any different from those of regular employees with no restriction on work duties (job types), places of employment, etc., and if they are different, how they differ and to what degree.

When considering this kind of problem, it would be beneficial to examine what sort of legal judgments the courts have previously made in cases of dismissal of workers who have an indeterminate period of restriction on work duties (job types) and places of employment. So far, however, no research has comprehensively analyzed or studied this point. JILPT therefore decided to gather a comprehensive body of judicial precedents on two types of dismissal (economic dismissal and dismissal due to insufficient ability), focusing on workers without an indeterminate period of the aforementioned restriction, in case law since the legal principle of abuse of dismissal rights was established (Article 16 of the Labor Contract Act), and also to analyze trends in legal judgments by courts in those cases.

### Section 2 Research Method

In this study, the analysis will be aimed at judicial precedents meeting conditions 1., 2. and 3. below and

reported in one of the three case journals *Rodo Hanrei*, *Rodo Keizai Hanrei Sokuho*\* and *Rodo Kankei Minji Saibanreishu*\*\* (although some more recent cases are reported in *Rodo Hanrei Journal*\*\*\*).

\* Abbreviated below to “Rokeisoku”

\*\* Abbreviated below to “Rominshu”

\*\*\* Abbreviated below to “Journal”

1. Judicial precedents formed after the Supreme Court judgment in the Kochi Broadcasting case (Supreme Court, January 31, 1977, 268 Rodo Hanrei 17), when the Supreme Court is considered to have established the legal principle of abuse of dismissal rights, until September 1, 2013.
2. Cases of economic dismissal (including notice of termination for change of conditions<sup>1</sup>) and dismissal due to insufficient ability (here, the format of claims is limited to those in which the legal validity of the dismissal is problematic, including claims for confirmation of status, claims for damages, and provisional disposition for remedy of status).
3. Cases in which restrictions are imposed on a worker’s work duties (job type) and/ or place of employment (including cases in which the work duties (job type) and place of employment are explicitly restricted in contractual documents, etc., as well as others in which, even without being expressed as such, a court could be construed as having made a judgment on the premise that some form of restriction has been imposed in view of the process of hiring, the actual working situation, etc.).

Based on the principles set out above, the LEX/DB case law database was searched for judicial precedents meeting condition 1. above, in order to

1 When an employer terminates a labor contract (dismisses a worker) after proposing changes to labor conditions which the worker does not accept.

gather judicial precedents for analysis in this study. This process produced a total of 3,355 judicial precedents. Next, judicial precedents meeting conditions 2. and 3. above were extracted by examining each of these precedents one by one.

As a result, 61 cases (34 cases of economic dismissal, 26 cases of insufficient ability dismissal, and 1 case of economic dismissal plus insufficient ability dismissal) were obtained as judicial precedents meeting all of conditions 1.- 3. above.<sup>2</sup> The authors then enumerated the key points of each case to analyze trends in legal judgments made by courts (of the authors of this paper, Ryo Hosokawa was responsible for analyzing trends in economic dismissal cases and Yota Yamamoto for trends in cases of dismissal due to insufficient ability, although the ultimate outcomes are based on mutual discussion and investigation between the two).

## Analysis of Trends in Judicial Precedents in Cases of Dismissal of Restricted Regular Employees

### Section 1 Economic Dismissal Cases

#### 1. Classification of cases

The 35 analyzed precedents in cases of economic dismissal consisted of 22 cases in which restriction on work duties (job type) was the problem, 7 cases in which restriction on the place of employment was the problem, and 6 cases in which restrictiveness in both work duties (job type) and the place of employment was the problem.

#### 2. Whether the restrictiveness is explicitly stated

##### 1) Restriction on work duties (job type)

The restriction was explicitly acknowledged, using expressions such as “specifying the status in terms of work duties” or “restricting work duties (job type)”, in 7 of the 22 economic dismissal cases in which restriction on work duties (job type) was the problem (Cases 6, 11, 12, 14, 27, 30 and 33).

In the other 15 cases (Cases 1, 2, 3, 4, 5, 7, 9, 10, 13, 18, 22, 24, 29, 32 and 35), the restriction on work

duties (job type) was not explicitly acknowledged, but the court could be construed as having made its judgment on the premise that some form of restriction had been imposed, in view of the process of hiring, the actual working situation, etc. (for convenience, this kind of restriction will be referred to below as an “implicit restriction”).

##### 2) Restriction on the place of employment

The restriction was explicitly acknowledged, using expressions such as “specifying the place of employment” or “restricting the place of employment”, in 4 of the 7 economic dismissal cases in which restriction on the place of employment was the problem (Cases 16, 17, 21 and 23).

In the other 3 cases (Cases 15, 19 and 25), the restriction on the place of employment was not explicitly acknowledged, but a judgment could be construed as having been made on the premise of an implicit restriction.

##### 3) Restriction on work duties (job type) and place of employment

There were 6 cases in which restrictiveness of both work duties (job type) and the place of employment was the problem, and in 3 of these cases (Cases 8, 26 and 28) the restriction on work duties (job type) and place of employment was explicitly acknowledged. Of the others, there was one case (Case 20) in which the restriction on the place of employment was explicitly acknowledged, and in which the judgment could be construed as having been made on the premise that there was an implicit restriction on work duties (job type); and one case (Case 31) in which the restrictiveness of the place of employment was clearly denied, while the judgment could be construed as having been made on the premise that there was an implicit restriction on the work duties (job type). Finally, there was one case (Case 34) in which the employer asserted that there were restrictions of both the place of employment and work duties (job type), but the court clearly denied both claims.

<sup>2</sup> The judicial precedents subject to analysis are listed at the end of this paper.

### 3. Factors for judging restrictiveness

#### 1) Restriction on work duties (job type)

When judging the presence and degree of restriction on work duties (job type), descriptions in contracts, rules of employment, etc., are sometimes taken as factors for judgment (Cases 11, 32 and 33), as shown in Table VI-1. In many judicial precedents, however, judgments focused on the actual working situation of the worker in question or on the process of hiring rather than these documentary descriptions.

The most numerous of these are cases in which the presence and degree of restriction on work duties (job type) are judged in terms of whether the worker in question has actually continued to be engaged in specific work or whether the worker has been engaged in any other work, and, in the latter case, how frequently the worker was engaged in other work (Cases 1, 2, 3, 5, 7, 9, 11, 13, 18, 22 and 34). These are followed by cases focusing on the actual deployment of allocation and transfers (Cases 9, 10, 13, 29, 33 and 35). Besides these, some cases focused on the speciality level of the worker's work duties or status, namely the relative importance of the job type,

etc., within the company (Cases 20, 24 and 29), differences compared to other job types in terms of wage systems and labor conditions (Case 29), and the fact that preferential treatment was received (Case 30).

In many cases in which the presence and degree of restriction on work duties (job type) are judged with focus on the process of hiring, the motivation and purpose of hiring from the employer's perspective are taken as factors for judgment (Cases 6, 10, 12, 30 and 33). In others, factors for judgment are the educational and professional background of the worker in question (Case 5) or the background to application for a post in which a worker reached the stage of hiring interview through a job introduction agency (Case 35). In Case 35, the judgment also took account of how the worker's ability and experience were evaluated by the employer at the time of hiring. In another case (Case 20), the difference in hiring procedure compared to other job types was taken into account.

**Table VI-1**

		Case No.	
Work (job type)	Process of hiring	Educational and professional background, etc.	5
		Process of applying	35
		Motivation and purpose of hiring from the employer's perspective	6, 10, 12, 30, 33
		Others	20, 35
	Description in contract, rules of employment, etc.		11, 32, 33
	Actual working situation, treatment, etc.	Actual working situation (whether the worker has continued to be engaged in specific work or has been engaged in other work, and the degree thereof)	1, 2, 3, 5, 7, 9, 11, 13, 18, 22, 34
		Actual deployment of allocation and transfers	9, 10, 13, 29, 33, 35
		Relative importance of the job type, etc., within the company	20, 24, 29
		Difference with other job types in wages and labor conditions	29
		Preferential treatment	30

Source: Compiled by author

## 2) Restriction on the place of employment

When judging the presence and degree of restriction on the place of employment, compared to judgments on the restriction on work duties (job type), there are more cases in which statements in contracts, rules of employment, etc., are given as factors for judgment (Cases 16, 21, 23, 25 and 28), as shown in Table VI-2. On the other hand, as with judgments on the restriction on work duties (job type), there are also many cases in which the focus is on the actual working situation, i.e. whether the worker had continued to be engaged in specific work (Cases 15 and 34), the actual deployment of allocation and transfers (Cases 19 and 23), and differences compared to other job types (Case 23). Besides these, as characteristic factors when judging the presence and degree of restriction on the place of employment, in relation to the process of hiring, there were many cases (Cases 15, 16, 17, 23 and 28) in which the focus was on the person authorized to hire the worker in question, or who essentially decided the hiring (for example, the authority to hire was given to, or the decision to hire was essentially made by, the branch manager level rather than Head Office). There were also two cases (Cases 15 and 20) in which the personal circumstances of a worker were taken into account in connection with employment with restriction on the place of employment.

## 4. The impact of restrictiveness on legal judgments

### 1) General discussion

As is well known, a “legal principle of economic dismissal” has been established at the level of case law. Under this principle, judgments on the legality of economic dismissal are based on four requirements (or factors): the need to reduce personnel, efforts to avoid dismissal, the rationality of selection, and the appropriateness of procedures.

A premise to be highlighted in this respect is that, of the 35 judicial precedents targeted for analysis as economic dismissal cases, there is not one that clearly states as a general principle that “the legal principle of economic dismissal [a framework for judgment based on the four requirements (four factors)] is not adopted on account of restrictiveness.” If anything, 22 of the 35 economic dismissal cases (Cases 2, 3, 9, 12, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 27, 28, 29, 32, 33, 34 and 35) are construed as making judgments based on the legal principle of economic dismissal [the framework for judgment based on the four requirements (four factors)].

In the other 13 cases, however, no general principle on the relationship between restrictiveness and the legal principle of economic dismissal is mentioned. Therefore, even though it is unclear whether the framework for judgment used in these cases is based on restrictiveness, these can be

**Table VI-2**

		Case No.	
Place of employment	Process of hiring	Person authorized to hire or person deciding hire	15, 16, 17, 23, 28
		Scope of recruitment	16
		Mid-career hiring	16
		Others	25
	Statements in contracts, rules of employment, etc.		16, 21, 23, 25, 28
	Actual working situation, etc.	Actual working situation (that the worker has continued to be engaged in specific work)	15, 34
		Actual deployment of allocation and transfers	19, 23
		Difference with other job types	23
	Worker's personal circumstances		15, 20

Source: Compiled by author

construed as judicial precedents using a framework for judgment that differs from judgments based on the four requirements or four factors of economic dismissal. Of these, 6 cases (Cases 4, 5, 8, 10, 11 and 13) adopted methods of judgments which, although including factors included in the four requirements (four factors) in their standards for judgment, took account of other factors or did not take account of specific factors, etc., and used standards that could be construed as a framework differing from that of judgments based on the four requirements (four factors). Besides these, there were 3 cases (Cases 1, 14 and 31) in which the judgment was loosely based on whether there were grounds for dismissal, and another 3 cases (Cases 6, 7 and 30) in which the judgment was based on whether dismissal rights had been abused (without adopting the framework of the legal principle of economic dismissal).

Moreover, as stated in 2) onwards, there are cases in which, irrespective of the framework for judgment, restrictiveness concerning the worker in question may be evaluated as having a certain impact when making more specific legal judgments, such as the extent to which mandatory efforts to avoid dismissal were made. Even in these cases, however, it should be pointed out that courts tend to make general judgments on the appropriateness of dismissal, taking account not only of the nature of “restrictiveness” and the impact this has on mandatory efforts to avoid dismissal, etc., but also of other factors pertaining to the case in question, such as the need to reduce personnel or the appropriateness of procedures.

## 2) Efforts to avoid dismissal

In specific judgments on cases where the impact of restrictiveness can be discerned, the most common impact is that on judgments related to efforts to avoid dismissal.

### A. Judgments restricting the scope for considering redeployment, etc.

As the impact of “restrictiveness” in connection with economic dismissal cases, the most typically observed restriction is that on the scope within which the employer should consider redeployment, etc., as

an effort to avoid dismissal, as a consequence of restrictiveness concerning the worker in question. In terms of judicial precedents, statements to this effect are made in Cases 1, 3, 4, 19 and 33.

A typical example of this is Case 1, in which the economic dismissal of “on-site” or blue-collar workers engaged in construction site work was contested. In this case, the court stated that “If the plaintiff workers and other employees engaged in site work were to be redeployed to other divisions, it would be reasonable for the targeted job type to be restricted to site work and other special positions of a similar job type to this”, but in that “site work and special positions in other divisions were overstaffed at the time, and there was no prospect of positions becoming vacant in the near future”, judged that “they clearly became surplus to requirements … as there was no demand for labor power in other divisions, and moreover, there could be no expectation of such demand arising in the near future”.

However, something to be borne in mind in connection with these examples is that there are relatively few cases in which there has been a straightforward link from restriction on work duties (job type) to restriction on the scope for considering redeployment, etc. In many cases, for work duties (job type) and others where redeployment is feasible (as claimed by the workers), the result has been a judgment restricting the scope of efforts to avoid dismissal, combined with factors such as circumstances making redeployment objectively difficult.

A typical example of this is Case 4, in which full-time teachers in an electrical engineering department as surplus personnel contested their dismissal on economic grounds, brought about with the closure of the department when pupil recruitment for the department was discontinued. The court’s ruling in this case, in response to the workers’ assertion that the employer should have taken the measure of making the teachers acquire licenses in a new subject enabling them to be redeployed there, was that even if such a measure had been taken, the workers “could only use a small amount of lesson time in the first place and there was no manifest obligation … to

transfer this to the other department” (Underlining by author).

B. Judgments construed as adopting the position that “The obligation to redeploy or make other efforts to avoid dismissal is not restricted on account of restrictiveness (or, at least, the obligation to make efforts to avoid dismissal is not extinguished)”

Judgments that “restrict the scope within which the employer should consider redeployment, etc., as an effort to avoid dismissal, as a consequence of restrictiveness concerning the worker in question” are made in some cases, as in a. above. However, in economic dismissal cases, there are numerous examples construed as adopting the position that “The obligation to redeploy or make other efforts to avoid dismissal is not restricted on account of restrictiveness”, or “The obligation to make efforts to avoid dismissal is not extinguished” (Cases 7, 10, 11, 14, 15, 17, 18, 21, 23, 27 and 28).

A typical example is Case 23, in which the workers were hired by the Kawasaki Factory and engaged in work such as making raw noodles in the factory, under the system of daily wages paid on a monthly basis, but were dismissed on economic grounds upon the closure of the Kawasaki Factory. In this case, the court, though deeming that “Under the labor contract, the place of employment is thought to have been restricted to the Kawasaki Factory”, stated nevertheless that “This merely means that workers paid daily wages on a monthly basis<sup>3</sup> could not be made to work in a location other than the Kawasaki Factory without their consent, and should not be construed as constituting grounds for reducing the scope of efforts to secure employment, which the defendant employer should offer to workers who are paid daily wages on a monthly basis in the event of closure of the factory”, and furthermore that “As they have entered employment contracts with no fixed term and have worked in the Kawasaki Factory for

many years to date, their expectation of continued employment is no different from that of workers paid monthly wages, and in view of the fact that there are no circumstances under which the business situation of the defendant employer has deteriorated, the defendant employer should, on closing the Kawasaki Factory, make maximum possible efforts to secure employment for the plaintiff workers”.

Of course, even if such judicial precedents are construed as adopting the position that the obligation to redeploy or make other efforts to avoid dismissal is not restricted on account of restrictiveness, specific judgments on the cases in question sometimes reach the conclusion that limits on the work competency of the worker in question, derived from the restrictiveness concerning the worker, combine to make redeployment impossible as a result.

A typical example is Case 15, in which a worker who had been working in the Nagano Branch since joining the company contested dismissed on economic grounds upon the closure of the branch due to declining orders and technical innovation. In this case, the court offered the interpretation that the intention of both employer and workers was that “The plaintiff worker’s place of employment would be the Nagano Branch as long as the Nagano Branch remained in existence”, but stated nevertheless that “This dismissal cannot be described as manifestly valid just because the closure of the Nagano Branch was inevitable, and in this case, in which the plaintiff worker wished to be redeployed at Head Office, if the possibility of redeployment could be affirmed, moreover, it should be said that the plaintiff worker does not correspond to a ‘redundant worker’ ... in the rules of employment ... and there cannot be said to be ‘unavoidable business-related circumstances’”. However, considering the factual relationships in this case, in that “It is not easy for the plaintiff worker to carry out editing work at Head Office ... and even sales work ... had only been undertaken in conjunction with other work, with no conspicuous

3 Workers whose wages are calculated on a daily basis, with the total accumulated per month paid on a specific monthly payment date (pay day). Here, this refers to workers employed under a system of daily wages paid on a monthly basis by the defendant employer.



success, redeployment to the Sales Department would be difficult in view of this”, the court ultimately denied the possibility of redeployment as an effort to avoid dismissal, in that “Considering the defendant employer’s business situation, the work volume, and the plaintiff worker’s history, it has to be said that the plaintiff worker’s redeployment would have been markedly difficult”.

#### C. Judgments restricting the scope of offering voluntary termination

Next, a judicial precedent restricting the scope of offering voluntary termination was found in just one case.

Namely, in Case 16, a worker who was hired as a clerical worker in the Osaka Branch contested economic dismissal upon the closure of the Osaka Branch due to poor business performance. In this case, the court ruled that the employer could not be seen as under obligation to offer voluntary termination in its Tokyo Branch, as not only were the scope of business activity and trading partners of the Osaka Branch different from those of the Tokyo Branch and the Osaka Branch had independent profit accounting, but also there was an agreement on restriction on the place of employment concerning the worker, and there was no plan for redeployment.

#### D. Judgments seeking efforts such as education or training for redeployment (with the aim of avoiding dismissal)

As stated in a. above, situations in which it is difficult to redeploy workers with the aim of avoiding dismissal can arise when the workers are employed with restricted work duties (job type), causing limitations on work competency or similar. In such cases, some judicial precedents (Cases 2, 5, 21 and 22) have sought that the employer make efforts for education, training, etc., with a view to facilitating redeployment to avoid dismissal.

A typical example is Case 5, in which a worker who had been working as a welder contested economic dismissal on grounds of refusing a transfer when the Kawasaki Factory was converted to a

subsidiary. In this case, the employer asserted that, although a job that could be given to the worker by changing the job type or secondment in itself existed in the employer or secondment host, if such a job were given to the worker, the employer would have to pay the worker’s wages during the period required to master the new job type, or the difference in wages compared to the secondment host, and that even if training were carried out with a view to changing the job type, there was no need to fill vacancies or increase staff in the department where the worker worked. In response to this, the court held that “The existence or lack of a job should be judged not only in terms of whether a job commensurate with the person’s wage currently exists, but also, based on the company’s business situation at the time and future prospects, whether it would be reasonable to find a job and to continue to employ the worker by changing the job type”. Moreover, the court pointed out (among others) that “It cannot be acknowledged that the plaintiff worker has no adaptability to a change of job type, and judging from the defendant employer’s employee scale, not only is it clear that sooner or later vacancies will arise through natural attrition, etc., but it is even conceivable that staff increases will be required as a result of an economic upturn or expansion of the business content, etc.”, and thus judged that the employer “could continue to employ the plaintiff worker by changing the job type, and the expenses necessary for this change of job type should be seen as unavoidable” (underlining by author).

In judicial precedents making this kind of judgment, however, it must be borne in mind that consideration is often given to factors such as the level of necessity to reduce personnel in the case in question, or the overall business situation of the company concerned.

A typical example is Case 22, in which workers who had been working in a computer room contested their economic dismissal upon the closure of the computer room as an unprofitable division. In this case, the court held that “After the closure of the computer room, the plaintiff workers could conceivably have been redeployed in the sales division ... but because ... the plaintiff workers ... only had experience of work such as typography and

computerized typesetting, and none had experience of outside work ... it is not beyond comprehension that the defendant employer would hesitate to redeploy the plaintiff workers in the sales division”, but pointed out nonetheless that “The defendant employer ... is a company with spare capacity, and even if there was a need to reduce personnel, the need was not particularly pressing”, and in addition, also taking account of the fact that workers with experience of printing work are generally capable of engaging in sales, ruled that “In that, amid the process leading to dismissal, redeploying the plaintiff workers in sales posts was not considered or proposed at all, when judged overall in combination with the urgency of the need to reduce personnel, it is difficult to evaluate that mandatory efforts to avoid dismissal were discharged”.

E. Judgments seeking efforts to maintain employment in a given location through secondment, education and training, etc., because dismissal avoidance measures by relocating the place of employment alone do not suffice when the work undertaken by a worker employed under restriction on the place of employment no longer exists in that place of employment

In cases when the work undertaken by a worker employed under restriction on the place of employment no longer exists in that place of employment, dismissal avoidance measures through redeployment could conceivably take one of two forms, namely (1) relocation to another place of employment, etc., where the work in question exists, and (2) relocation to other work, etc., in the original place of employment. Here, there are judicial precedents stating that, when measure (1) does not suffice, relocation to other work, etc., should be attempted instead while maintaining the restriction on the place of employment, and that in some cases efforts such as education and training are required to this end.

A typical example is Case 21, in which workers were engaged in accounting and general clerical work in the Tohoku Sales Office as regular employees on the “local staff,” and also dealt with accounting and

general clerical work for subsidiaries, but were dismissed on economic grounds upon the closure of the Tohoku Sales Office, because not only had the assigned work ceased to exist but also no position could be secured in affiliated companies within a commutable range. When the economic dismissal was contested, the employer asserted that a proposal for transfer or secondment to an affiliate in the Kansai region had been made, but the workers had refused this and had therefore been dismissed on economic grounds. In response to this assertion, the court held that “The plaintiffs cannot likely be thought to have had difficulty in converting (from their accounting, clerical and other work duties) to sales staff (in an affiliate in the Tohoku region), and consideration should at least have been given to trialing the plaintiff workers as sales staff to ascertain if they had aptitude for such work”, and ruled that “Because it should be said that there was clearly little likelihood that the plaintiff workers, who had families and would be unlikely to move home for their work in the first place, would accept the proposal (for transfer or secondment to the Kansai region) ... this cannot be seen an important circumstance proving that efforts were taken to avoid dismissal”.

A contrasting example is Case 31, in which a worker had entered an employment contract specifying sales clerical work in the job description and was working in the Sapporo Branch, but was dismissed on economic grounds on grounds that the branch’s clerical work would cease to exist with the merger and discontinuation of sales branch work. When this was contested, the worker’s assertion of restriction on the place of employment was denied, and on the premise that it was acknowledged that the worker’s place of employment was not restricted, the conclusion was drawn that economic dismissal was unavoidable as the worker had refused redeployment to the Tokyo Head Office as a dismissal avoidance measure accompanying the discontinuation of sales clerical work in the Sapporo Branch.

3) On the need to reduce personnel

As stated in 2), of cases in which specific judgments seem to have been impacted by restrictiveness, the common impact is on judgments

concerning efforts to avoid dismissal. Besides these, however, some judicial precedents have also taken account of restrictiveness as a factor justifying the need to reduce personnel (Cases 4, 9, 13 and 29).

A typical example is Case 29, in which workers were engaged in home remedy distribution work as distributors in a home remedy distribution business undertaken by their company's Tochigi Prefecture Headquarters. When the home remedy distribution business of the Tochigi Prefecture Headquarters was transferred to a subsidiary, they were offered transfers or voluntary termination, but did not accept, and so were dismissed on economic grounds, which they contested. The court judged that "It can be seen as reasonable for the Tochigi Prefecture Headquarters ... of ... the defendant employer ... to transfer its home remedy distribution business to another company ... and in view of the fact that the work content and labor conditions of distributors engaged in home remedy distribution work were different from those of regular employees, it can be seen as necessary to target distributors involved in the business for personnel cuts accompanying the transfer of the business".

#### 4) On the rationality of selection

Besides the above, some judicial precedents take account of restrictiveness as a factor justifying the rationality of selection (Cases 4, 9, 13, 24 and 33). A typical example is Case 33, in which the worker, who was working as a professor in a Department of Health and Welfare (Special Course in Living and Welfare) contested dismissal on economic grounds due to the closure of the Special Course in Living and Welfare. The court ruled that "The employment contract (between the plaintiff worker and the defendant employer) included an agreement on restriction on job type to Professor of the Special Course in Living and Welfare, and in view of the speciality of a university professor and the difference between the level of speciality of the Special Course in Living and Welfare and that of other faculties and departments, it can be deemed reasonable that the plaintiff worker, as a professor in the closed faculty (department), was selected for dismissal upon the closure of the Special Course in Living and Welfare, rather than a professor in another faculty".

5) Judgments that could be construed as simply justifying the dismissal of the worker in question as reasonable, in view of restrictiveness [i.e. not (substantially) considering the "four requirements" (four factors)]

As stated in 1) above, even in economic dismissal cases involving restriction on work duties (job type) or the place of employment, judgments are usually based on the framework of the legal principle of economic dismissal [the "four requirements" (four factors)]. Nevertheless, though few in number, some judicial precedents (Cases 6, 12, 26 and 30) reach the simple conclusion, in view of the restrictiveness pertaining to the worker in question, that the dismissal is justified as reasonable (i.e. they conclude that dismissal is unavoidable as previously restricted work duties have ceased to exist).

In cases such as these, however, it should be borne in mind that, rather than "work duties" or "job type" being restricted, the judgment could be construed as being premised upon employment for the purpose of engagement in even more restricted purposes (work). For example, Case 6 concerns an employment contract entered for the purpose of appointing the General Manager (CEO) of a subsidiary and assigning responsibility for the lease business. Similarly, Case 30 concerns a worker who was headhunted as the President of a Chinese local subsidiary. In both cases, dismissal resulted from the company's withdrawal from the business in question.

## Section 2 Cases of Dismissal Due to Insufficient Ability

### 1. Classification of cases

Restriction on work duties (job type) was the problem in all 26 analyzed precedents in cases of dismissal for insufficient ability. Unlike economic dismissal cases, there were no cases in which restriction on the place of employment was the problem.

### 2. Whether the restriction is explicitly stated

Compared to economic dismissal, there were somewhat more cases in which the restriction on work duties (job type) was explicitly acknowledged, using expressions such as "specifying the status in

terms of work duties” or “restricting work duties (job type),” in judicial precedents analyzed as cases of dismissal due to insufficient ability. This was found in 11 of the 26 cases (Cases 36, 38, 40, 41, 43, 44, 47, 53, 54, 59 and 61). The reason for this is thought to be that, in cases of dismissal due to insufficient ability, the plaintiffs are often doctors, professors and others working in highly specialized positions.

On the other hand, there were 14 cases (Cases 37, 39, 42, 45, 46, 48, 50, 51, 52, 55, 56, 57, 58 and 60) in which, although restriction on work duties (job type) was not explicitly acknowledged, the court can be construed as having made a judgment on the premise of an implicit restriction.

Besides these there was also 1 judicial precedent (Case 49) in which, although the restrictiveness of work duties (job type) was explicitly denied, differences were stated in the judgment on the legality of dismissal due to insufficient ability based on whether or not work duties (job type) were restricted. This case is included in the analysis by this paper because it was thought that it could act as a reference

case (on this point, see 4. (4) a. below).

### 3. Factors for judgments on restrictiveness

Meanwhile, as concerns factors for judging restrictions on work duties (job type), a characteristic feature of cases of dismissal due to insufficient ability compared to economic dismissal cases is that the majority focus on factors for judgment related to the process of hiring. In particular, as Table VI-3 shows, the courts focus on issues such as the educational background, professional background and ability of the workers themselves, details given in recruitment advertisements, the employer’s motivation and purpose in hiring the worker in question, the worker’s perception of the ability expected for the work duties (job type) in question, and explanation by the worker as to whether he or she has the ability expected for the work duties (job type). As such, there is an apparent tendency to judge whether the parties to a labor contract intended to restrict the work duties (job type) performed by the worker in question.

Also, though representing just one case of

**Table VI-3**

		Case No.	
Work (job type)	Process of hiring	Educational & professional background, ability (language ability) etc.	38, 39, 41, 42, 50, 52
		Details in recruitment advertisement	41, 50, 59, 60
		Motivation and purpose of hiring from the employer’s perspective	38, 40, 45, 50, 52, 59, 60
		Hiring test for other job type in mid-employment	36
		Worker’s perception (of expected ability, etc.)	38, 40, 41, 59
		Mid-career hiring	38, 50, 52
		Worker’s explanation (of job type and ability, etc.)	39, 42, 45, 52
	Description in contract, etc.	38, 40, 42	
	Actual working situation, treatment, etc.	Difference with other job types in wages and labor conditions	36, 55
		Preferential treatment	40, 45, 59
Format of claim (claim to confirm specific status)		38	
Nature of personnel system		41, 54	
Others		37, 52	

Source: Compiled by author

dismissal on grounds of insufficient ability, there was one case in which the format of the claims made in the law suit was highlighted as one factor for judgment when acknowledging a restriction on work duties (job type). Namely, in Case 38, the plaintiff worker was not merely seeking confirmation of the existence of a contractual relationship but was also seeking confirmation that the worker had the status of Manager of Human Resources Headquarters in the employer. In view of this, the court held that “It can be construed that (the parties) themselves acknowledge that this (labor) contract was a contract that specified the status as Manager of Human Resources Headquarters”, and thus judged that “It is reasonable to construe that this contract is an employment contract specifying the status as Manager of Human Resources Headquarters”.

In two rather more unusual cases (Cases 41 and 54), the problem was that workers employed in Japan to work in a US air base were dismissed due to insufficient ability. In these cases, the court deemed the workers in question to have specific restrictions on work duties (job type). This is because, in US air bases in Japan, workers are hired to perform specific work duties for each position; the personnel system adopted in principle is that, once a person is hired, unless they reapply and are hired for a different position, they are not able to perform other work duties.

#### 4. The nature of the impact of restrictiveness on legal judgments

##### 1) General discussion

Firstly, as a premise, it is extremely rare for the framework for judgments on the legality of dismissal to be clearly stated as a general theory in cases of dismissal due to insufficient ability, unlike in economic dismissal cases. The only example in which a general theory is stated is Case 61. Here, on whether or not there are “objectively reasonable grounds” (Labor Contract Act, Article 16) in an insufficient ability dismissal case, the court judged that “... As to whether there are ... ‘objectively reasonable grounds’ for dismissal due to a decrease in work ability or aptitude, a decision should first be based on an overall appraisal of circumstances such as whether, under the

labor contract, a decrease in work competency is so serious that continued employment under the labor contract cannot be expected, having studied the content of the work competency required of the worker in question, or whether the employer encouraged the worker to make improvements or corrections or gave opportunities for efforts or reflection but no improvement was made, or whether there are any prospects for improvement through guidance in future”.

As a result, in cases of dismissal due to insufficient ability, rather than stating special general theories, the vast majority of judicial precedents make simple judgments on the applicability of grounds for dismissal or whether there has been abuse of dismissal rights (under the rules of employment). Of course, in terms of specific judgments on the applicability of grounds for dismissal or whether there has been abuse of dismissal rights, the impact of restrictiveness can be discerned in several patterns.

##### 2) On judging the applicability of grounds for dismissal

Firstly, the most common pattern found in judicial precedents was that in which the applicability of grounds for dismissal in rules of employment was judged strictly from the worker’s perspective (= toward a tendency to recognize the applicability of grounds for dismissal) in accordance with the height of expectation or ability required of the restricted work duties (job type) (Cases 36, 38, 39, 40, 42, 43, 45, 46, 51, 52, 53, 58 and 61).

A typical example is Case 38, in which a worker who had been employed with the status in work duties specified as Manager of Human Resources Headquarters was dismissed based on a provision in the rules of employment (Rule 7: “If the employee’s work performance or efficiency is extremely bad, and it is deemed inappropriate to continue employment”), and the dismissal was contested. The worker asserted that, for this Rule 7 to be applied and the worker to be dismissed, the worker’s work performance or efficiency would have to be exceptionally poor, there would have to be no chance of correcting this or reassigning elsewhere, etc., and there would have to be no other option but to remove the worker from the



employer. In response to this assertion, the court ruled that “Since this contract ... is an employment contract specifying the status of Manager of Human Resources Headquarters, ... the judgment on whether the work performance or efficiency can be described as extremely bad is not a judgment going as far as whether the work performance or efficiency is extremely bad as ‘an ordinary employee’, but it would suffice to consider whether or not it falls under Rule 7 based on standards defining the work performance or efficiency required of the status of Manager of Human Resources Headquarters ...”

### 3) On dismissal during a probationary period

Next, though involving only one case, there was an example that explained the justification behind setting probationary periods for screening aptitude and reserving broad termination rights during that period when hiring workers restricted to high positions.

That is, in Case 37, a worker who was hired as a high-ranking employee under the title of “A-rank employee,” engaged in PR work in the Media Room of the EC Delegation to Japan, contested the decision not to hire on completion of a probationary period. In this case, the court ruled that “... for (the defendant employer) to set a probationary period to screen aptitude and reserve termination rights when hiring a high-ranking employee such as the above can be seen as having stronger rationality compared to cases when this kind of employment format is not adopted, and it should be said that the exercise of termination rights reserved in this contract can be broadly recognized to a certain extent”.

### 4) On dismissal avoidance measures

Furthermore, the restriction on work duties (job type) also has a certain effect on the scope of dismissal avoidance measures to be taken by the employer prior to dismissal.

#### A. Judgments deeming redeployment to another job type or demotion unnecessary or impossible

As in economic dismissal cases, when workers are employed without restriction on work duties (job

type), the employer is also required to take dismissal avoidance measures prior to dismissal in cases of dismissal due to insufficient ability. In Case 49, the court ruled that “When a worker who has been employed with restriction on the job type or work content becomes unable to perform that work, or the department to which the worker is allocated actually does not exist, the worker is no longer able to provide performance in accordance with the spirit of the obligation, and this inevitably constitutes grounds for dismissal”, but also that “When a worker is conversely employed without specific job type or work content, even if the provision of labor related to the work actually ordered to be carried out is inadequate, it should be considered whether there is work to which the worker can actually be allocated, taking account of the worker’s ability, experience, status, the scale and industry of the employer (company), the actual situation of worker allocation and transfers, etc.”.

By contrast, there were several cases of dismissal for insufficient ability of workers employed with restricted work duties (job types), in which redeployment (or demotion) as a dismissal avoidance measure was deemed unnecessary (Cases 38, 40, 50 and 59). A typical example is Case 38, in which a worker employed with the specified status of Manager of Human Resources Headquarters in work duties was dismissed due to insufficient ability and contested the dismissal. In this case, the worker asserted, on grounds of a provision in the rules of employment (“The company may order the redeployment or transfer of employees at its own judgment”), that if the worker had aptitude for a status in work duties other than the Manager of Human Resources Headquarters, the employer would bear an obligation to carry out redeployment, etc. In response to this assertion, the court ruled that “... this employment contract is a contract concluded with attention to (the plaintiff worker’s) educational and professional background, specifying the status of Manager of Human Resources Headquarters, and (the plaintiff worker) would not have wished to take up employment with the company if the position offered had been a general human resources post rather than Manager of Human Resources Headquarters, while



(the defendant employer) would not have wished to hire (the plaintiff worker) for a position or work duties other than those of Manager of Human Resources Headquarters ...” among other points, and therefore that “If ... (the defendant employer) judged (the plaintiff worker) to be unsuitable as Manager of Human Resources Headquarters, it would be reasonable to construe that there would be no obligation to assess aptitude for different positions or job types anew in accordance with ... the rules (of employment), or to order redeployment to the department in question, etc.”.

Alongside these, moreover, there are no few cases in which redeployment as a dismissal avoidance measure is judged impossible in reality on grounds of a restriction on work duties (job type) (Cases 43, 44, 48, 56 and 57). For example, in Case 48, in which a dentist contested dismissal due to insufficient ability, the court deemed that one factor when making a general consideration was that “(the plaintiff worker) was employed by (the defendant employer) in the specialist profession of a dentist and could not be redeployed to other workplaces”, and concluded that “It cannot be said that dealing with (the plaintiff worker) by means of dismissal goes as far as lacking appropriateness in general societal terms”.

Of course, there are also judicial precedents stating that when the speciality of the work undertaken by a worker is not of a high level, the employer’s obligation to make efforts to avoid dismissal is not diminished. That is, in Case 55, in which a taxi driver contested dismissal due to insufficient ability, the court stated that “... For example, if a person who was a doctor loses his or her doctor’s license, dismissal would be construed as unavoidable to a certain extent as the person could obviously not be redeployed as a hospital clerk ... (but), for work that has hardly any speciality, redeployment is possible to a certain extent, depending on the employer’s need, and even if specific work cannot be performed, the worker cannot

be dismissed and should be employed in another job type”. On this particular case, the court deemed that “The Class 2 license<sup>4</sup> is a qualification that can be acquired by anybody with average ability, and cannot be said to be a qualification that requires a high level of speciality”, and judged that “This must be said to negate the question whether an employer can terminate a contract by dismissal or other means as a matter of course when a taxi driver can no longer be engaged in that work”.

In addition to this, moreover, in some cases of dismissal due to insufficient ability where a decrease in ability is caused by an industrial accident, it is explained that the scope of obligation to make efforts to avoid dismissal is not diminished even when there was an explicit restriction on the work duties (job type). An example of this is found in Case 47, in which a flight attendant, who was involved in a road accident while traveling in a taxi arranged by the employer for work purposes, was judged unfit in training for a return to work having been away from work through leave or absence for more than four years, and was dismissed due to insufficient ability. When the dismissal was contested, the court ruled that “When a worker has been employed with restrictions on the job type or work content, and then becomes unable to perform that work, if a department to which the worker could be allocated does not exist, the worker is no longer able to provide performance in accordance with the spirit of the obligation, and therefore this inevitably constitutes grounds for dismissal. ... However, even if a worker cannot be returned to the original work immediately after a period of leave or absence, if there is no decrease in the worker’s basic working ability, and the circumstances of the inability to return to the original work is only a temporary result of the leave or absence, such as a lack of knowledge for being assigned specific work due to a change in machinery or equipment while on leave, and it would be possible to return to a state in which the original work could

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4 One of the license categories under Japan’s Road Traffic Act. Required when intending to drive a bus, taxi or other passenger vehicle for passenger conveyance (i.e. when carrying out commercial activity by carrying passengers in a passenger vehicle with a commercial numberplate), when driving a customer’s vehicle as a designated driver, or in other words when driving a vehicle by way of executing a passenger conveyance contract.

be resumed after a short time, it cannot be said that the worker is no longer able to provide performance in accordance with the spirit of the obligation, and the grounds for dismissal provided in the rules of employment above should also be construed as carrying the same purport. Of course, the employer may, in return for paying wages to the worker after the return to work, demand the provision of labor commensurate with this, but even when it is not possible to return to the original work immediately, when it possible to return in a relatively short time, in view of the situation leading to the leave or absence, the scale and industry of the employer, the actual circumstances of worker allocation, etc., it should be said that the employer is required to provide a short period of preparation for returning to work, and take educational measures and others under the principle of good faith, and it should moreover be said that the employer cannot dismiss the worker without taking such good faith measures”.

Meanwhile, as stated in 3. above, in the case where the problem lay in the dismissal due to insufficient ability of a worker employed in Japan to work in a US air base, the worker's work duties (job type) had an explicit restriction due to the personnel system adopted by the US air base. Nevertheless, when dismissing such a worker on grounds of insufficient ability, the measures (procedures) to be adopted are prescribed in Chapter 10 Section 4a of the Master Labor Contract (MLC) between Japan and the USA. As such, the courts merely judge whether or not the measures (procedures) prescribed in Chapter 10 Section 4a of the MLC have been adopted in relation to dismissal avoidance measures and others for cases such as this (on this point, Case 41 is an example where dismissal was deemed valid, and Case 54 an example where it was deemed invalid).

#### B. Judgments deeming education or training measures unnecessary

Furthermore, in cases of dismissal due to insufficient ability of workers employed with restricted work duties (job types), there were two cases in which the implementation of education or training as a dismissal avoidance measure was

deemed unnecessary (Cases 50 and 58).

In Case 50, for example, the worker was employed as the Director of a Technology Center's Quality Management Division, and contested dismissal based on a provision in the rules of employment (“When there is no sincerity in work execution, knowledge, skills or efficiency have markedly deteriorated, and there are deemed to be no future prospects”). In this case, the court ruled that “This is a case of mid-career hiring, in which attention was focused on ... (the plaintiff worker's) professional background ... the worker was hired on the terms of a Grade 1 Director with responsibility for overseas clients in the Quality Management Division, based on the judgment that the worker was an immediately deployable human resource equipped with the Japanese and English language ability and quality management ability necessary for the work, and (the plaintiff worker) was employed in understanding of that fact. As such, unlike cases of new graduate hiring on the premise of long-term employment, this is not a case in which (the defendant employer) ... should equip the worker with the necessary ability through education, or consider redeployment to a completely different department such as reception or odd jobs if there is no aptitude. If a worker is completely lacking in the ability expected when employed, and makes no attempt to improve this, dismissal is the inevitable results, and it would be reasonable to construe the provisions of the rules of employment ... as having the same purport” (Underlining by author).

#### C. Judgments deeming prior cautions, guidance or warnings unnecessary

Finally, particularly in cases contesting the dismissal of doctors due to insufficient ability, there is an apparent tendency for the courts to recognize the validity of dismissal even when the employer has given no prior cautions, guidance or warnings (Cases 51 and 56; and though not involving a doctor, Case 59 also fits this pattern).

A typical example is Case 56, in which a Head Physician contested dismissal due to insufficient ability. In this case, the worker asserted that the dismissal lacked appropriateness in general societal

terms, as the employer had not given the worker specific guidance or cautions. Against this assertion, the court ruled that “In view of the position in which ... (the plaintiff worker) ... was placed, as a clinician in contact with patients and as a doctor belonging to (the defendant employer) which undertook medical practice as an organization, appropriate behavior and medical action are a natural presupposition, and are not matters that require further cautions. As such, it would not be reasonable to emphasize the fact that (the defendant employer) had not given (the plaintiff worker) particularly specific or explicit cautions or guidance”.

## List of Judicial Precedents Subject to Analysis

### (Economic Dismissal Cases)

- Case 1 US Air Force Tachikawa Base Case, Tokyo District Court, December 1, 1978, 309 Rodo Hanrei 14
- Case 2 Sumitomo Heavy Industries Tamashima Works Case, Okayama District Court decision, July 31, 1979, 326 Rodo Hanrei 44
- Case 3 Toyo Sanso Case, Tokyo High Court, October 29, 1979, 330 Rodo Hanrei 71
- Case 4 Saeki Gakuen Case, Fukuoka High Court, November 26, 1981, 326 Rominshu 825
- Case 5 Chiyoda Corporation (Principal Action) Case, Yokohama District Court, March 26, 1992, 625 Rodo Hanrei 58
- Case 6 The Chase Manhattan Bank Case, Tokyo District Court, March 27, 1992, 609 Rodo Hanrei 63
- Case 7 Kanchi-in House Case, Kyoto District Court decision, November 15, 1993, 647 Rodo Hanrei 69
- Case 8 Scandinavian Airlines System Case, Tokyo District Court decision, April 13, 1995, 675 Rodo Hanrei 13
- Case 9 National Westminster Bank (First Temporary Injunction Appeal) Case, Tokyo District Court decision, August 17, 1998, 1690 Rokeisoku 3
- Case 10 National Westminster Bank (Second Temporary Injunction) Case, Tokyo District Court decision, January 29, 1999, 782 Rodo Hanrei 35
- Case 11 All Japan Seamen’s Union Case, Tokyo District Court, March 26, 1999, 1723 Rokeisoku 3
- Case 12 Kadokawa Culture Promotion Foundation Case, Tokyo District Court decision, November 29, 1999, 780 Rodo Hanrei 67
- Case 13 National Westminster Bank (Third Temporary Injunction) Case, Tokyo District Court decision, January 21, 2000, 782 Rodo Hanrei 23
- Case 14 Mine Unyu Case, Osaka District Court, January 21, 2000, 780 Rodo Hanrei 37
- Case 15 Hirokawa Shoten Case, Tokyo District Court decision, February 29, 2000, 784 Rodo Hanrei 50
- Case 16 Singapore Development Bank (Temporary Injunction Appeal) Case, Osaka District Court decision, May 22, 2000, 786 Rodo Hanrei 26
- Case 17 Singapore Development Bank (Principal Action) Case, Osaka District Court, June 23, 2000, 786 Rodo Hanrei 16
- Case 18 Wakita (Principal Action) Case, Osaka District Court, December 1, 2000, 808 Rodo Hanrei 77
- Case 19 Minit Japan Case, Okayama District Court Kurashiki Branch decision, May 22, 2001, 1781 Rokeisoku 3
- Case 20 Atsugi Plastics Kanto Factory Case, Maebashi District Court, March 1, 2002, 838 Rodo Hanrei 59
- Case 21 Kanebuchi Chemical Industry (Tohoku Sales Office) Case, Sendai District Court decision, August 26, 2002, 837 Rodo Hanrei 51
- Case 22 Toyo Printing Case, Tokyo District Court, September 30, 2002, 1819 Rokeisoku 25
- Case 23 Toyo Suisan Kawasaki Factory Case, Yokohama District Court Kawasaki Branch decision, December 27, 2002, 847 Rodo Hanrei 58
- Case 24 Taisei Denki Industries Case, Osaka High Court, January 28, 2003, 869 Rodo Hanrei 68

- Case 25 Tohoku Sumidenso Case, Nagano District Court Ueda Branch decision, November 18, 2003, 1857 Rokeisoku 27
- Case 26 Pasona (Yodobashi Camera) Case, Osaka District Court, June 9, 2004, 878 Rodo Hanrei 20
- Case 27 Toko Package Case, Osaka District Court decision, May 12, 2005, 1948 Rokeisoku 25
- Case 28 Osumi Case, Tokyo District Court, February 7, 2011, 2106 Rokeisoku 19
- Case 29 Zen-Noh Case, Utsunomiya District Court decision, March 30, 2011, 2108 Rokeisoku 3
- Case 30 Faith Case, Tokyo District Court, August 17, 2011, 2123 Rokeisoku 27
- Case 31 Toms Case, Sapporo District Court, February 20, 2012, 2139 Rokeisoku 21
- Case 32 Credit Suisse Case, Tokyo District Court, April 20, 2012, 4 Journal 12
- Case 33 Murakami Gakuen Case, Osaka District Court, November 9, 2012, 12 Journal 8
- Case 34 Victor Sports Case, Osaka District Court, March 8, 2013, 16 Journal 6
- Case 35 PwC Financial Adviser Service Case, Tokyo District Court, September 25, 2003, 863 Rodo Hanrei 19
- (Cases of Dismissal due to Insufficient Ability)**
- Case 36 Teikoku Detective Agency Case, Kobe District Court, March 27, 1980, 349 Rodo Hanrei 37
- Case 37 EC Delegation to Japan Hiring Withdrawal Case, Tokyo High Court, December 14, 1983, Vol. 34 5, 6 Rominshu 922
- Case 38 Ford Japan Case, Tokyo High Court, March 30, 1984, 437 Rodo Hanrei 41
- Case 39 Ado Construction Design Office, Tokyo District Court, March 30, 1987, 497 Rodo Hanrei 70
- Case 40 Mochida Pharmaceutical Case, Tokyo High Court decision, February 22, 1988, 517 Rodo Hanrei 63
- Case 41 Yokohama US Military Base Case, Yokohama District Court, August 1, 1991, 597 Rodo Hanrei 68
- Case 42 A Z Robe Case, Osaka District Court decision, November 29, 1991, 599 Rodo Hanrei 42
- Case 43 Kinya Sangyo Case, Osaka District Court, March 26, 1999, 1708 Rokeisoku 14
- Case 44 Hokkaido Ryukoku Gakuen Case (formerly: Otaru Futaba Joshi Gakuen Case), Sapporo High Court, July 9, 1999, 764 Rodo Hanrei 17
- Case 45 Emerson Japan Case, Tokyo District Court, December 15, 1999, 1759 Rokeisoku 3
- Case 46 Proudfoot Japan Case, Tokyo District Court, April 26, 2000, 789 Rodo Hanrei 21
- Case 47 All Nippon Airways (Forced Retirement) Case, Osaka High Court, March 14, 2001, 809 Rodo Hanrei 61
- Case 48 Asahi Shimbun Case, Osaka District Court, March 30, 2001, 1774 Rokeisoku 3
- Case 49 Nakagawa Kogyo Case, Osaka District Court decision, April 10, 2002, 1809 Rokeisoku 18
- Case 50 Hirose Electric Case, Tokyo District Court, October 22, 2002, 838 Rodo Hanrei 15
- Case 51 Jikeikai Police Hospital Case, Tokyo District Court, November 10, 2003, 870 Rodo Hanrei 72
- Case 52 Nihon Suido Consultants Case, Tokyo District Court, December 22, 2003, 871 Rodo Hanrei 91
- Case 53 Yokohamashi Gakko Hokenkai (Dental Hygienist) Case, Tokyo High Court, January 19, 2005, 890 Rodo Hanrei 58
- Case 54 State (United States Forces Japan, Dismissal) Case, Tokyo High Court, December 21, 2006, 936 Rodo Hanrei 39
- Case 55 Tokyo M.K. Case, Tokyo District Court, September 30, 2008, 975 Rodo Hanrei 12
- Case 56 Hospital A (Doctor Dismissal) Case, Fukui District Court, April 22, 2009, 985 Rodo Hanrei 23
- Case 57 Rui Sekkeishitsu Case, Osaka District Court, October 29, 2010, 1021 Rodo Hanrei 21
- Case 58 Japan Foundation Engineering Case, Osaka High Court, February 10, 2012, 1045 Rodo Hanrei 5
- Case 59 Royal Bank of Scotland plc Case, Tokyo District Court, February 28, 2012, 3 Journal 8

Case 60 Corps Case, Tokyo District Court, July 17,  
2012, 1057 Rodo Hanrei 38

Case 61 Bloomberg LP Case, Tokyo High Court,  
April 24, 2013, 1074 Rodo Hanrei 75

### I The Increase in Individual Labor-related Disputes and Labor Contract Legislation

In a climate of diversifying employment formats, workers' labor conditions have come to be decided or changed on an individual basis in Japan in recent years, and individual labor disputes have been tending to increase. Besides courts of law, means of resolving disputes have been progressively enhanced in procedural terms. For example, a system for settling individual labor disputes under the Act on Promoting the Resolution of Individual Labor-Related Disputes started in 2001, while a system of labor tribunals based on the Labor Tribunal Act has been in operation since 2006. However, since there was no law that prescribed civil rules on labor contracts in order to resolve such disputes, the Labor Contract Act came into force in March 2008. With this, basic rules on labor contracts were established.

The system of resolving individual labor disputes helps to prevent problems from arising between individual workers and employers in relation to labor conditions, workplace environments, etc., or to resolve them quickly when they do occur. It consists of three methods – “general labor consultation”, “advice or guidance” from the Directors of Labour Bureaus, and “mediation” by a Dispute Coordinating Committee.<sup>1</sup>

In the labor tribunal system, a labor tribunal consisting of one judge and two members with specialized knowledge and experience of labor relations examines individual labor disputes in a

maximum of three sessions, in principle. It then attempts conciliation as appropriate, and when a settlement cannot be reached through conciliation, holds a labor tribunal in an attempt to resolve the dispute flexibly according to the circumstances of the case. If either of the parties raises an objection to the labor tribunal, the tribunal's decision ceases to be valid, and the case is taken to court proceedings.

In this way, specialized administrative and judicial procedures and services for resolving individual labor disputes appear to have been developed with the enactment of the Act on Promoting the Resolution of Individual Labor-related Disputes and the Labor Tribunal Act. Once a year, the Ministry of Health, Labour and Welfare reports on the “Status of Implementation of the Individual Labor Dispute Resolution System”. In this, as well as describing the state of use of these systems, it also shows, as reference values, the numbers of newly filed labor-related normal civil litigation cases and labor tribunal cases. These are summarized in Table VII-1. According to this, newly filed labor-related normal civil litigation cases are in an increasing trend, rising to the 3,000 case level since 2009. Labor tribunal cases have also been on the increase since their launch in 2006. Since the launch of the individual labor-related dispute resolution system, moreover, cases of general labor consultation (specifically, individual labor dispute consultation in civil cases),<sup>2</sup> requests for advice or guidance and requests for mediation have all been in an increasing trend.

1 Specifically, “general labor consultation” involves general labor consultation sections set up in Prefectural Labour Bureaus, etc., where specialist counselors respond to consultation on labor problems in one-stop fashion. “Advice or guidance” is a system whereby the Director of the Prefectural Labour Bureau encourages individual labor dispute parties in civil law to settle disputes independently, by suggesting directions for resolution to both parties. “Mediation,” finally, is a system seeking resolution of disputes whereby lawyers, university professors and other members of the Dispute Coordinating Committee who are experts in labor problems mediate between the parties and encourage dialog, and, when requested by both parties, presenting concrete mediation proposals to be adopted by both.

2 “Individual labor disputes in civil cases” are disputes between individual workers and employers on working conditions and other labor-related matters (excluding those pertaining to violations of the Labor Standards Act, etc).



According to the most recent “FY2013 Status of Implementation of the Individual Labor Dispute Resolution System”, cases of general labor consultation exceeded one million for the sixth straight year, and although more or less on a par, still remain at a high level. Specifically, there were 1,050,042 cases of general labor consultation in the most recent year (2013), of which individual labor dispute consultation in civil cases accounted for 245,783 cases. These break down into 59,197 cases (19.7%) of “Bullying and harassment”, the largest single type, followed by “Dismissal” with 43,956 cases (14.6%) and “Voluntary termination” with 33,049 cases (11.0%), among others.<sup>3</sup>

Table VII-2 shows a breakdown of individual labor dispute consultation in civil cases since the launch of the system. In terms of the different types of consultation (lower figures in the table), the ratios of “Dismissal” and “Worsening labor conditions” have been decreasing while those for “Bullying and harassment”, “Voluntary termination” and others have been rising in recent years. In terms of numbers of cases (top figure), we find that “Bullying and harassment”, “Voluntary termination”, “Involuntary termination” and “Forced termination”, among others, are generally in an increasing trend.<sup>4</sup>

In the foregoing, we have confirmed that individual labor-related disputes have been tending to increase in recent years. As stated earlier, this led to the enactment of the Labor Contract Act and its enforcement in 2008. Originally, in Japan’s postwar labor legislation, the Labor Standards Act established various mandatory norms as minimum standards for labor conditions, but other matters had been entrusted to the legal principle of contracts in the Civil Code. According to Sugeno (2013), “In their judgments on labor-related civil cases, courts amended the legal principles in the Civil Code to form a principle of contracts (legal rules) unique to labor relations, in

view of the need for protection in labor relations”.

Thus, of the case law principle created by the courts, the Labor Contract Act legislated on the principle of abuse of dismissal rights, the validity of rules of employment, the principle of abuse of disciplinary authority, the principle of abuse of the right to order secondment, and the obligation to consider safety (health), among others. Article 1 of the Labor Contract Act reads as follows.

“Article 1 The purpose of this Act is to contribute to achieving stability in individual labor relationships, while ensuring the protection of workers, through facilitating reasonable determination of or changes to working conditions, by providing for the principle of agreement, under which a labor contract shall be established or changed by agreement through voluntary negotiation between a worker and an employer, and other basic matters concerning labor contracts”.

In other words, the purpose of the Labor Contract Act is to protect workers and prevent individual labor-related disputes by stipulating basic matters relevant to labor contracts.

In the following, the results of the JILPT “Fact-finding Survey on Employee Hiring and Firing” pertaining to hiring, disciplinary systems and dismissal will be introduced. This will serve to clarify systems and practices in Japanese companies, levels of development in terms of rules and procedures, characteristics of human resource management, and the facts of labor disputes.

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3 The majority of persons seeking consultation are workers (including jobseekers), accounting for 199,123 cases (81.0%). The working formats of workers involved in disputes are “full employees” in 97,573 cases (39.7%), “part-timers and *arubaito*” in 40,604 cases (16.5%), “fixed-term contract employees” in 26,696 cases (10.9%), and “agency workers” in 10,031 cases (4.1%).

4 For an analysis of cases of mediation by Labour Bureaus related to termination of employment in Japan, see JILPT, ed. (2012).

**Table VII-1 Implementation Status of the Individual Labor Dispute Resolution System (Unit = Cases)**

Year	Individual Labor Dispute Resolution System				Newly filed labor-related normal civil litigation cases	Newly filed labor tribunal cases
	General labor consultation	Of which, individual labor dispute consultation in civil cases	Requests for advice or guidance	Requests for mediation		
2002	625,572	103,194	2,332	3,036	2,321	-
2003	734,257	140,822	4,377	5,352	2,433	-
2004	823,864	160,166	5,287	6,014	2,519	-
2005	907,869	176,429	6,369	6,888	2,446	-
2006	946,012	187,387	5,761	6,924	2,035	1,055
2007	997,237	197,904	6,652	7,146	2,246	1,494
2008	1,075,021	236,993	7,592	8,457	2,441	2,052
2009	1,141,006	247,302	7,778	7,821	3,218	3,468
2010	1,130,234	246,907	7,692	6,390	3,127	3,375
2011	1,109,454	256,343	9,590	6,510	3,170	3,586
2012	1,067,210	254,719	10,363	6,047	3,358	3,719
2013	1,050,042	245,783	10,024	5,712	3,209	3,678

Source: Compiled from each year's edition of “Status of Implementation of the Individual Labor Dispute Resolution System”. Newly filed labor-related normal civil litigation cases and newly filed labor tribunal cases are based on a Supreme Court survey (provisional figures). Figures for labor tribunal cases in 2006 are aggregated from March 2006 to February 2007.

**Table VII-2 Breakdown of Individual Labor Dispute Consultation In Civil Cases (Top Figure = Cases, Bottom Figure = %)**

Year	Total number of all cases	Dismissal	Forced termination	Involuntary termination	Withdrawal of job offer	Voluntary termination	Secondment or redeployment	Reduced labor conditions	Other labor conditions	Bullying and harassment	Employment management, etc.	Recruitment, hiring	Others
2002	113,422	32,454	2,114	7,137	800	0	3,550	18,699	19,098	6,627	2,133	1,492	19,318
	100.0	28.6	1.9	6.3	0.7	0.0	3.1	16.5	16.8	5.8	1.9	1.3	17.0
2003	158,378	47,177	4,270	10,744	1060	5540	5,451	25,070	19,837	11,697	1,958	2,296	23,278
	100.0	29.8	2.7	6.8	0.7	3.5	3.4	15.8	12.5	7.4	1.2	1.4	14.7
2004	180,907	49,031	5,242	12,614	1233	9378	5,997	28,887	20,022	14,665	2,736	3,045	28,057
	100.0	27.1	2.9	7.0	0.7	5.2	3.3	16.0	11.1	8.1	1.5	1.7	15.5
2005	200,616	52,385	5,877	14,425	1621	11562	6,818	28,062	22,173	17,859	3,424	3,084	33,326
	100.0	26.1	2.9	7.2	0.8	5.8	3.4	14.0	11.1	8.9	1.7	1.5	16.6
2006	214,204	51,028	6,719	15,738	1529	14521	7,276	27,312	23,558	22,153	3,303	3,749	37,318
	100.0	23.8	3.1	7.3	0.7	6.8	3.4	12.8	10.9	10.3	1.5	1.8	17.4
2007	226,460	51,749	7,886	17,410	1555	15746	8,188	28,235	25,203	28,335	3,888	3,255	35,010
	100.0	22.9	3.5	7.7	0.7	7.0	3.6	12.5	11.1	12.5	1.7	1.4	15.5
2008	268,401	67,230	12,797	22,433	2007	16533	9,262	35,194	27,086	32,242	4,098	3,433	36,086
	100.0	25.0	4.8	8.4	0.7	6.2	3.5	13.1	10.1	12.0	1.5	1.3	13.4
2009	281,901	69,121	13,610	26,514	1933	16632	9,790	38,131	27,765	35,759	3,877	3,139	35,630
	100.0	24.5	4.8	9.4	0.7	5.9	3.5	13.5	9.8	12.7	1.4	1.1	12.6
2010	283,141	60,118	13,892	25,902	1861	20265	9,051	37,210	29,488	39,405	4,834	3,108	38,007
	100.0	21.2	4.9	9.1	0.7	7.2	3.2	13.1	10.4	13.9	1.7	1.1	13.4
2011	305,124	57,785	13,675	26,828	2010	25966	9,946	36,849	37,575	45,939	5,361	3,180	40,010
	100.0	18.9	4.5	8.8	0.7	8.5	3.3	12.1	12.3	15.1	1.8	1.0	13.1
2012	304,058	51,515	13,432	25,838	1896	29763	9,783	33,955	37,842	51,670	6,136	3,322	38,906
	100.0	16.9	4.4	8.5	0.6	9.8	3.2	11.2	12.4	17.0	2.0	1.1	12.8
2013	300,113	43,956	12,780	25,041	1813	33049	9,748	30,067	37,811	59,197	5,928	3,025	37,698
	100.0	14.6	4.3	8.3	0.6	11.0	3.2	10.0	12.6	19.7	2.0	1.0	12.6

Source: “FY2013 Status of Implementation of the Individual Labor Dispute Resolution System”. The top figure in each year is the number of cases, the bottom figure is the ratio of all consultation cases (total number of all cases). The bottom figures may not add up 100% due to rounding off. The total number of all cases includes all cases brought for consultation even if several cases were dealt with in a single consultation.

## II. “Fact-finding Survey on Employee Hiring and Firing”

Individual labor-related disputes have been tending to increase in recent years, amid increasingly individual-oriented and diverse human resource management by companies, as well as a diversification of workers’ employment formats and work attitudes. Against this background, the Labor Contract Act was enacted in Japanese legislation, in a form that clarified case law principles with a view to preventing individual labor disputes. In the following, the results of the “Fact-finding Survey on Employee Hiring and Firing” will be introduced. This was a questionnaire survey of companies conducted by JILPT to grasp the realities of human resource management in Japanese companies and the situation of disputes. The questions in the survey mainly concerned the conclusion and termination of labor contracts, but in this paper, these will be narrowed down to hiring, discipline and dismissal. Here, it should be noted that the question topics in this survey were nearly all aimed at regular employees (employment with no fixed term).

The survey was conducted between October 11th and 26th, 2012. The survey method was based on postal distribution and return of questionnaires. Questionnaires were sent to 20,000 private companies (excluding agriculture, forestry and fishery businesses) nationwide employing 50 full-time workers or more. Companies were selected by stratified random sampling from a private company database, based on industry and number of employees, in line with the distribution in the “Economic Census (2009 Economic Census for Business Frame)” published by the Statistics Bureau, Ministry of Internal Affairs and Communications. Valid responses were received from 5,964 respondents (valid response rate: 29.8%).<sup>5</sup>

### Section 1 Systems and practices related to hiring

Section 1 will summarize the system of (mainly)

new graduate hiring characteristic of Japanese companies and examine how Japanese companies deal with job offers and probationary periods. In particular, this section will confirm how many companies withdraw job offers and decide not to hire following a probationary period.

#### 1. Hiring, job offers

In Japan, the custom of hiring new graduates en masse is well established among larger corporations, while on the other hand, relatively young companies and SMEs are thought to focus more on mid-career hiring, as they have difficulty in regularly hiring new graduates. In the survey, respondents were asked about new graduate hiring and mid-career hiring over the last 5 years. According to the replies, 65.0% of companies carry out new graduate hiring and 84.6% engage in mid-career hiring. Viewing the use or lack of new graduate hiring based on the scale of regular employees, the ratio of “New graduate hiring” decreases in proportion to company scale, registering 58.8% in companies with “Fewer than 100 employees”. In other words, the larger the company, the greater the focus on hiring of new graduates (Table VII-3).

In Japanese companies, when hiring new graduates, in the case of university graduates for example, the normal practice is for students to start applying for jobs in their 3rd to 4th years and to receive notification of hiring decisions any time from the beginning of the 4th year, then for official notification of job offers to be issued in writing that October. As well as sending job offers to new graduates, companies normally require them to submit written pledges in acceptance of the job offer, amongst other procedures.

In the survey, companies were asked what procedures they follow when making job offers to new graduates. According to the replies, the most common procedure when making job offers to new graduates was “Issue a written job offer” with 84.1%, followed by “Have the candidate submit a written pledge” (64.1%) and “Exchange labor contracts specifying the date when employment starts” (20.3%). Only a few

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5 For details of the survey, see JILPT (2014).

**Table VII-3 New Graduate Hiring and Mid-career Hiring over the Last 5 Years (Unit = %)**

	n	New graduate hiring			Mid-career hiring		
		Yes	No	No response	Yes	No	No response
Total	5964	65.0	21.1	13.9	84.6	7.0	8.4
(Scale of regular employees)							
Fewer than 100	3828	58.8	25.8	15.4	86.2	6.7	7.1
100-299	1466	81.2	13.4	5.4	87.6	7.3	5.1
300-999	360	85.3	12.2	2.5	84.7	10.8	4.4
1,000 or more	76	96.1	3.9	0.0	93.4	6.6	0.0

(4.2%) replied “Only make verbal offers, do not particularly communicate in writing”. Seen by scale of regular employees, the ratios of “Issue a written job offer” and “Have the candidate submit a written pledge” are higher when the scale is larger, while the ratios of “Exchange labor contracts specifying the date when employment starts” and “Only make verbal offers, do not particularly communicate in writing” tend to be higher when the scale is smaller (Table VII-4). It would appear, then, that the larger the company, the more likely it is to communicate in writing, including written job offers and pledges.

## 2. Refusal of job offer

In principle, workers in Japan are free to unilaterally reject job offers (refusal of job offer or refusal of hiring), provided they give two weeks’ notice, as the equivalent to terminating a labor contract with no fixed term.<sup>6</sup> When companies were asked whether they had experienced refusal of job offers from new graduates they planned to hire, 3.8% replied that refusal of hiring occurs “Frequently”, 38.3% “Occasionally”, 29.5% “Rarely” and 26.6% “Never”. The ratio of job refusals (the total of “Frequently” and “Occasionally”) was 42.1%. Viewed by scale of regular employees, the ratio of job refusals rises as the

**Table VII-4 Procedures When Making Job Offers to New Graduates (Unit = %, Multiple Response)**

	n	Exchange labor contracts specifying date when employment starts	Issue a written job offer	Have the candidate submit a written pledge	Only make verbal offers, do not particularly communicate in writing	No response
Total	3876	20.3	84.1	64.1	4.2	1.5
(Scale of regular employees)						
Fewer than 100	2249	22.9	82.3	58.7	5.6	1.7
100-299	1190	17.1	85.5	70.9	2.3	1.2
300-999	307	16.6	90.2	75.9	1.6	1.0
1,000 or more	73	12.3	91.8	80.8	1.4	1.4

\* Aggregated from companies that hire new graduates.

6 However, one argument holds that liability for damages would be permissible if this ran markedly counter to the rule of good faith (Araki p.314).

scale increases (Table VII-5). The ratio of candidates refusing job offers is thought to be higher in larger companies because these have greater potential for making job offers to more candidates in the first place.

Meanwhile, when asked about their withdrawal of job offers in the last 5 years, only 3.5% of companies replied that they had withdrawn job offers. By scale of regular employees, the ratio answering “Yes” was only 2.5% in companies with “Fewer than 100 employees”, but somewhat higher at 12.3% in those with “1,000 employees or more” (Table VII-6).

Companies that had withdrawn job offers were then asked why they had done so, with the results shown in Figure VII-7. According to this, the most common reason was “Candidate’s circumstances” (e.g. failure to graduate) with 51.9%, followed by “Candidate’s misconduct” (15.6%), “Worsening business situation” (14.1%), “Candidate’s health reasons” (11.9%), and “Candidate’s falsification of CV or other information” (8.1%), among others. While half of the companies cited the candidate’s

circumstances, this reveals that about 10% of withdrawn job offers result from “Worsening business situation” and other issues on the company’s side.

In the survey, companies that had withdrawn job offers were asked whether any problems had arisen with candidates as a result of doing so. Only 4.4% responded that they had had problems after withdrawing job offers. If the reasons for withdrawing job offers are divided into worsening business situation and other reasons, 21.1% of companies that withdrew job offers due to a worsening business situation say they had had problems with the candidate as a result. Since withdrawal of job offers by companies is rare in the first place, the ratio experiencing problems would of course be even smaller. Nevertheless, the suggestion is that when job offers are withdrawn due to a worsening business situation or other circumstances on the company’s side, problems are prone to occur (Table VII-8).

**Table VII-5 Refusals of Job Offers by Successful Candidates (Unit = %)**

	n	Frequently	Occasionally	Rarely	Never	No response	Frequently + Occasionally
Total	3876	3.8	38.3	29.5	26.6	1.7	42.1
(Scale of regular employees)							
Fewer than 100	2249	2.7	31.7	30.3	33.3	2.1	34.4
100-299	1190	4.1	44.2	30.3	20.3	1.0	48.3
300-999	307	10.4	57.0	21.5	9.4	1.6	67.4
1,000 or more	73	11.0	57.5	30.1	0.0	1.4	68.5

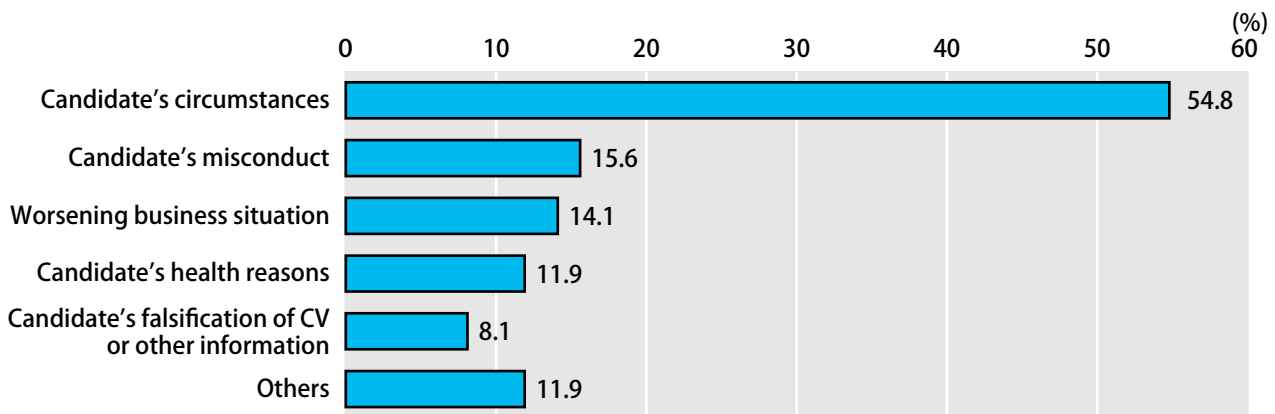
\* Aggregated from companies that hire new graduates. “Frequently + Occasionally” is the total of “Frequently” and “Occasionally”.

**Table VII-6 Withdrawals of Job Offers by Companies over the Last 5 Years (Unit = %)**

	n	Yes	No	No response
Total	3876	3.5	93.2	3.4
(Scale of regular employees)				
Fewer than 100	2249	2.5	93.9	3.6
100-299	1190	3.8	93.1	3.1
300-999	307	7.2	90.6	2.3
1,000 or more	73	12.3	82.2	5.5

\* Aggregated from companies that hire new graduates.

**Figure VII-7 Reasons for Withdrawing Job Offers (Unit = %, Multiple Response)**



\* Aggregated from companies that had withdrawn job offers in the last 5 years (replied “Yes”).

**Table VII-8 Problems with Candidates Due to Withdrawal of Job Offers over the Last 5 Years (Unit = %)**

	n	Yes	No	No response
Total	135	4.4	94.8	0.7
(Reason for withdrawing job offer)				
Worsening business situation	19	21.1	78.9	0.0
Others	112	0.9	99.1	0.0

\* Aggregated from companies that had withdrawn job offers in the last 5 years (replied “Yes”).

### 3. Probation and fixed-term probationary contracts

Companies normally set a probationary period when hiring regular employees. Under this system, workers to be hired as regular employees will first go through a fixed probationary period after the joining a company, during which their personality and abilities will be assessed and a decision made whether to fully hire. The probationary period system seems to have spread broadly throughout Japanese companies. In recent years, however, some have reportedly adopted the method of hiring workers initially under fixed-term contracts, in order to judge their abilities, etc., before fully hiring them as regular employees.

In the following, by comparing normal “Probation” with “Fixed-term probationary contracts”, the realities of fixed-term contract hiring seen in recent years will be introduced at the same time (below, probationary periods of regular employees will be abbreviated to “Probation” and probation under fixed-term contract employment to “Fixed-term probationary contracts”).

Firstly, in terms of normal “Probation”, companies in this survey were asked whether they set probationary periods when hiring regular employees. They were also asked whether they employed under fixed-term probationary contracts when hiring regular employees.<sup>7</sup> The two are compared in Table VII-9. While 86.9% of

<sup>7</sup> It should be noted that, for “probation”, respondents were asked whether they ever set probationary periods for employees they had hired, while for “fixed-term probationary contracts”, they were asked about the situation over the last five years. Moreover, there were three response options for “fixed-term probationary contracts”, namely “Yes”, “No, but wish to consider in future” and “No”, but in the aggregation in this paper, the latter two (“No, but wish to consider in future” and “No”) are totaled and expressed as “No”.



companies replied that they did have a system of “Probation”, only 25.1% said they employed under “Fixed-term probationary contracts”. In other words, most of the responding companies (just under 90%) have systems of “Probation”. Conversely, only about 20% offer fixed-term probationary contracts.

Viewed by industry, the ratio of respondents that have systems of “Probation” is around 80% in all industries, showing that setting a probationary period is a widespread practice throughout Japanese industry. Conversely, viewing “Fixed-term probationary contracts” by industry, the ratio of “Yes” replies is highest in the information and communications industry with 30.9%, and is around 20% in other industries. Although the ratios of “Fixed-term probationary contracts” are low, we see that these exist to quite a consistent level in all industries. Viewing this by scale of regular employees, the ratios of both “Probation” and “Fixed-term probationary contracts” are higher as the scale of the company increases.

In the survey, companies were also asked about the length of probationary periods for regular employees

(both for graduate hiring and mid-career hiring) and the time taken until a worker hired on a fixed-term probationary contracts is fully hired as a regular employee. Comparing the length of time until full hiring, the ratio of “3 months or less” (total of “About 1 month”, “About 2 months” and “About 3 months”) accounted for 80% of “Probation” in cases of both new graduate hiring and mid-career hiring, and 38.4% of “Fixed-term probationary contracts”. Conversely, the ratio of “6 months or more” (total of “About 6 months”, “About 7 months - 1 year” and “More than 1 year”) was just under 20% for “Probation” in both new graduate hiring and mid-career hiring, but 60.5% for “Fixed-term probationary contracts”. In particular, the ratio of “More than 1 year” was a mere 0.1% and 0.3%, respectively, for “Probation” in new graduate hiring and mid-career hiring, while for “Fixed-term probationary contracts” it was much higher at 24.6% (Table VII-10). This shows that, compared to “Probation”, the length of time until full hiring tends to be longer for “Fixed-term probationary contracts”.

**Table VII-9 Probation and Employment under Fixed-term Probationary Contracts (Unit = %)**

	n	Probation			Employment under fixed-term probationary contracts		
		Yes	No	No response	Yes	No	No response
Total	5964	86.9	12.1	1.0	25.1	68.9	6.0
(Industry)							
Construction	422	88.9	10.4	0.7	20.9	73.2	5.9
Manufacturing	1516	89.9	9.8	0.3	26.5	68.6	4.9
Information and communication	194	88.7	11.3	0.0	30.9	64.5	4.6
Transport and postal activities	556	87.8	10.4	1.8	24.5	67.8	7.7
Wholesale and retail trade	1033	87.7	11.6	0.7	22.6	71.2	6.3
Finance and insurance	50	80.0	20.0	0.0	16.0	84.0	0.0
Real estate and goods rental and leasing	59	84.7	15.3	0.0	25.4	72.9	1.7
Services	1786	84.2	14.4	1.3	26.4	67.9	5.7
Others	149	77.9	16.8	5.4	18.1	71.8	10.1
(Scale of regular employees)							
Fewer than 100	3828	85.9	13.1	1.0	23.1	70.8	6.2
100-299	1466	89.4	9.7	1.0	29.3	66.0	4.8
300-999	360	90.0	9.7	0.3	29.2	67.0	3.9
1,000 or more	76	92.1	7.9	0.0	35.5	61.8	2.6

**Table VII-10 Comparison between Probation for Regular Employees and Workers Hired on Fixed-term Probationary Contracts in the Length of Time until Full Hiring (Unit = %)**

	n	Time until full hiring								3 months or less / Total	6 months or more / Total	
		About 1 month	About 2 months	About 3 months	About 4 months	About 5 months	About 6 months	About 7 months - 1 year	More than 1 year			
Probation	Hired as new graduate	3939	4.7	8.4	66.1	0.9	0.2	18.3	1.4	0.1	79.2	19.8
	Hired mid-career	4688	6.2	8.3	65.7	0.7	0.1	16.5	2.1	0.3	80.3	18.9
Fixed-term probationary contracts		1285	2.9	5.4	30.0	0.7	0.5	17.9	18.0	24.6	38.4	60.5

\* Cases when hired as new graduates are aggregated from companies except those with no new graduate hiring and those not responding. Cases when hired mid-career are aggregated from companies except those with no mid-career hiring and those not responding. Cases of fixed-term probationary contracts are aggregated from companies except those not responding. “3 months or less / total” is the total of “About 1 month”, “About 2 months” and “About 3 months”. “6 months or more / total” is the total of “About 6 months”, “About 7 months - 1 year” and “More than 1 year”.

In both “Probation” and “Fixed-term probationary contracts”, companies were asked whether they ever terminated employment without reaching full hiring. The results are summarized in Table VII-11. According to this, the ratio of “Sometimes do not fully hire, including cases in the last 5 years” was 12.2% for “Probation” but 20.4% for “Fixed-term probationary contracts”. In other words, decisions not to hire had been made more frequently in cases of “Fixed-term probationary contracts” over the last 5 years. The ratio of “Never decide not to fully hire” was 33.1% for “Probation” and 16.6% for “Fixed-term probationary contracts”, showing the latter to be lower. It appears that probationary periods are intended to be applied more rigorously in cases of “Fixed-term probationary contracts”.

Now, viewing the ratios of “Sometimes do not fully hire” (the total of “Sometimes do not fully hire, including cases in the last 5 years” and “Sometimes do not fully hire, but no cases in the last 5 years”) by industry, for “Probation”, the ratio is high in “Real estate and goods rental and leasing”, “Services” and “Transport and postal activities”, among others. For “Fixed-term probationary contracts”, the ratio is high in “Real estate and goods rental and leasing” and “Transport and postal activities”, among others. The ratio of “Sometimes do not fully hire, including cases in the last 5 years” is highest in “Real estate and goods rental and leasing”, for both “Probation” and

“Fixed-term probationary contracts”. Industries where decisions not to hire are made seem to be similar for both “Probation” and “Fixed-term probationary contracts”. In these industries, there is an apparent tendency to use the probationary period as a means of judging ability and other employee attributes.

Next, viewed by scale of regular employees, the ratio of “Sometimes do not fully hire” tends to be larger as the corporate scale increases. The ratio of “Sometimes do not fully hire, including cases in the last 5 years” is highest in cases of “1,000 employees or more”, for both “Probation” and “Fixed-term probationary contracts”.

So, how do companies that set and apply normal “Probation” make decisions not to hire in cases of “Fixed-term probationary contracts”? Figure VII-12 shows whether companies fully hire workers on “Fixed-term probationary contracts” depending on whether they fully hire in cases of “Probation”. According to this, a relatively large 69.9% of companies that practice “Probation” and “Sometimes do not fully hire, including cases in the last 5 years” also “Sometimes do not fully hire, including cases in the last 5 years” in cases of “Fixed-term probationary contracts”. Similarly, a relatively large 58.0% of companies that practice “Probation” but “Never decide not to fully hire” also “Never decide not to fully hire” in cases of “Fixed-term probationary contracts”. In

other words, companies that practice “Probation” and have made decisions not to hire in the last 5 years also tend to make decisions not to hire in cases of “Fixed-term probationary contracts”. Conversely, 13.6% of companies that practice “Probation” but “Never decide not to fully hire” have made decisions not to hire when using “Fixed-term probationary contracts”, while more than half do not consider decisions not to hire from the company’s side.

In other words, companies that have actually made decisions not to hire even operate normal “Probation” rigorously, since they recognize the importance of ascertaining ability during the probationary period. As such, they appear prone to make decisions not to hire in cases of “Fixed-term probationary contracts” as well. Conversely, of companies that do not make decisions not to hire once an employee has been hired

under normal “Probation”, more than half appear not to consider decisions not to hire even in cases of “Fixed-term probationary contracts”. However, even among companies that do not make decisions not to hire in normal “Probation”, about 10% appear to have made decisions not to hire in cases of “Fixed-term probationary contracts”, and so compared to normal “Probation”, the suggestion is that probationary periods may be applied more rigorously in cases of “Fixed-term probationary contracts”.

Figure VII-13 compares “Probation” and “Fixed-term probationary contracts” in terms of the reasons for judgment when deciding against full hiring. According to this, hardly any difference between the two is seen in ratios of “Absenteeism”, “Behavior” and “State of health”, but the ratio for “Work-related knowledge and ability” is 72.8% for “Probation” and

**Table VII-11 Termination of Employment without Full Hiring at the End of the Probationary Period (Unit = %)**

	Probation for regular employees						Fixed-term probationary contracts					
	n	Sometimes do not fully hire, including cases in the last 5 years	Sometimes do not fully hire, but no cases in the last 5 years	Never decide not to fully hire	No response	Sometimes do not fully hire	n	Sometimes do not fully hire, including cases in the last 5 years	Sometimes do not fully hire, but no cases in the last 5 years	Never decide not to fully hire	No response	Sometimes do not fully hire
Total	5183	12.2	50.9	33.1	3.8	63.1	1498	20.4	48.7	16.6	14.4	69.1
(Industry)												
Construction	375	9.1	48.3	39.7	2.9	57.4	88	19.3	47.7	19.3	13.6	67.0
Manufacturing	1363	13.0	50.8	32.8	3.4	63.8	402	19.9	51.0	16.7	12.4	70.9
Information and communication	172	8.1	55.8	33.1	2.9	63.9	60	8.3	53.3	18.3	20.0	61.6
Transport and postal activities	488	11.5	54.5	29.3	4.7	66.0	136	19.9	52.2	11.8	16.2	72.1
Wholesale and retail trade	906	12.1	48.9	35.4	3.5	61.0	233	18.9	47.6	15.9	17.6	66.5
Finance and insurance	40	7.5	50.0	40.0	2.5	57.5	8	25.0	25.0	12.5	37.5	50.0
Real estate and goods rental and leasing	50	22.0	48.0	30.0	0.0	70.0	15	40.0	40.0	20.0	0.0	80.0
Services	1504	12.6	52.6	30.1	4.7	65.2	471	21.4	48.6	17.0	13.0	70.0
Others	116	12.1	39.7	47.4	0.9	51.8	27	25.9	29.6	22.2	22.2	55.5
(Scale of regular employees)												
Fewer than 100	3289	12.2	50.4	33.4	4.1	62.6	883	19.5	48.8	16.2	15.5	68.3
100-299	1310	12.6	51.5	33.1	2.8	64.1	429	20.5	49.9	17.7	11.9	70.4
300-999	324	11.7	54.6	29.9	3.7	66.3	105	21.9	53.3	11.4	13.3	75.2
1,000 or more	70	21.4	58.6	18.6	1.4	80.0	27	40.7	44.4	7.4	7.4	85.1

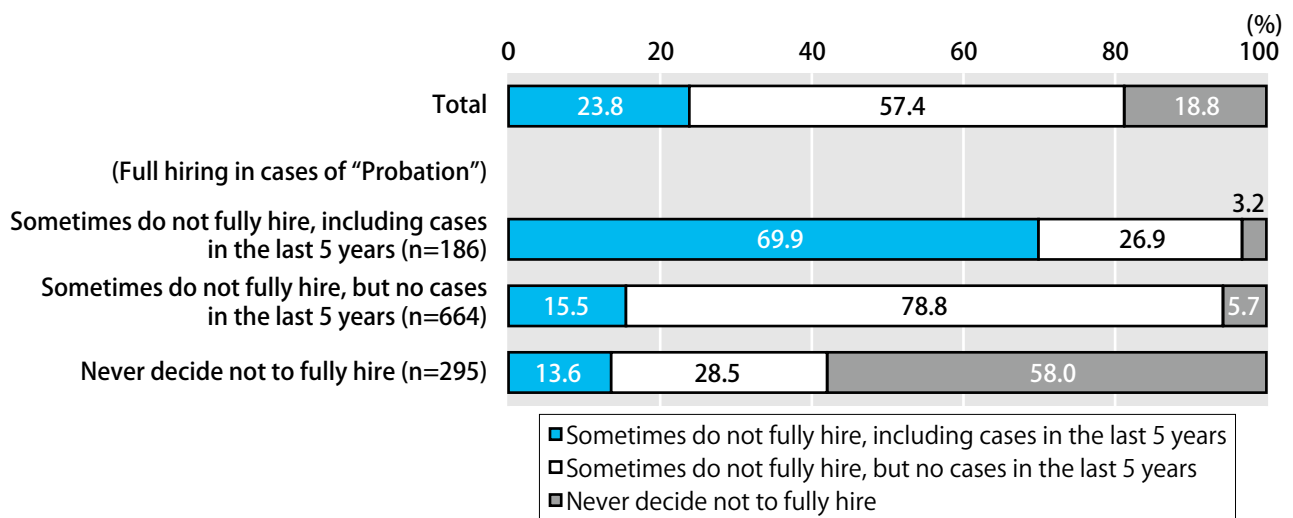
\* “Probation for regular employees” is aggregated from companies that say they set a probationary period when hiring employees. “Fixed-term probationary contracts” is aggregated from companies that say they practice fixed-term hiring for probationary purposes.

84.2% for “Fixed-term probationary contracts”, showing the latter to be higher. Compared to normal “Probation”, “Work-related knowledge and ability” appears to receive greater emphasis as a reason for judgment when terminating employment under “Fixed-term probationary contracts”.

In the survey, companies replying that they “Sometimes do not fully hire, including cases in the last 5 years” in either “Probation” or “Fixed-term

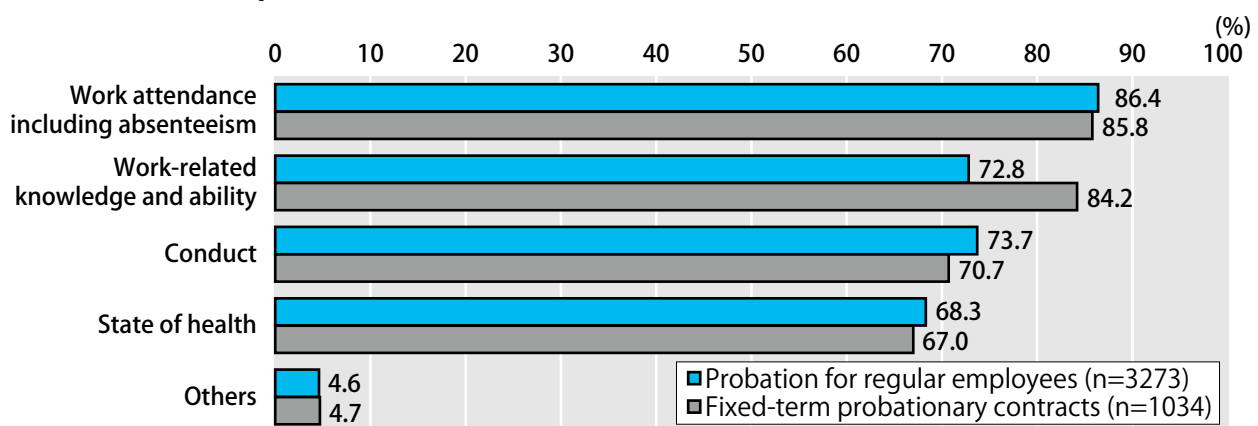
probationary contracts” were asked whether any problems had arisen with employees when deciding against full hiring. According to this, the ratio of positive (“Yes”) replies was 6.3% for “Probation” and 3.0% for “Fixed-term probationary contracts”, thus remaining at a low level for both (Figure VII-14).

**Figure VII-12 Termination of Employment without Full Hiring for Employees Hired under Fixed-term Probationary Contracts**



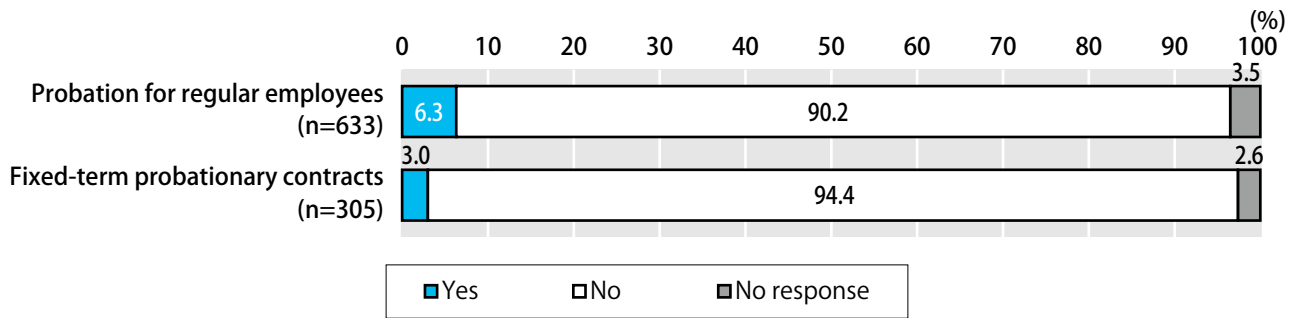
\* Aggregated from all except “No response”.

**Figure VII-13 Reasons for Judgment When Deciding against Full Hiring (Unit = %, Multiple Response)**



\* In cases of probation for regular employees and employees under fixed-term probationary contracts, aggregated from companies that “Sometimes do not fully hire, including cases in the last 5 years” and “Sometimes do not fully hire, but no cases in the last 5 years”.

**Figure VII-14 Timing of Notification to the Employee When Terminating Employment**



\* Aggregated from companies that replied “Sometimes do not fully hire, including cases in the last 5 years” in cases of probation for regular employees and fixed-term probationary contracts, respectively.

## Section 2 Systems and practices of employee discipline

In Section 2, after confirming the status of provisions on disciplinary action, we will examine how disciplinary procedures are carried out. Details of disciplinary action carried out over the last 5 years will also be given, as well as disputes and methods of resolving them.

### 1. Status of provisions on disciplinary action

Companies sometimes carry out disciplinary action as a sanction against breaches of discipline or violations of order, for the maintenance of employee discipline and corporate order. Disciplinary action is generally systemized in forms such as reprimands or warnings, submission of written apologies, pay cuts, suspension from work, guided dismissal and disciplinary dismissal.<sup>8</sup> Sugeno (2013) asserts that

“Disciplinary action is a special punishment quite distinct from normal means of dealing with violators of corporate order that are available to the employer based on labor contracts (normal dismissal, redeployment, claims for damages, lower assessment in bonuses, pay raises and promotions, etc.)”, and therefore that “If the employer utilizes such a special disciplinary sanction, the grounds for it and means of implementing it should be stated expressly in the rules of employment, and it should be established as a contract-related norm”. The fact that these are required to be made clear as relatively necessary matters for specification in Article 89 (ix) of the Labor Standards Act (matters that must be stated in the rules of employment without fail when implementing them as systematically) is also assumed to be for this purpose.

Table VII-15 shows the status of provisions on disciplinary action. According to this, 94.6% of

<sup>8</sup> “Reprimand” normally means a future warning together with a written apology submitted by the employee. By contrast, “admonition” is a warning not involving submission of a written apology. Neither imposes any substantial disadvantage on the employee, but both are sometimes considered as negative factors when assessing eligibility for pay raises, bonus payments, promotions, etc. “Pay cut” means that a fixed sum is deducted from the wage the worker should normally receive for labor services actually rendered. Pay cuts are governed by Article 91 of the Labor Standards Act, which states “the amount of decrease for a single occasion shall not exceed 50 percent of the daily average wage, and the total amount of decrease shall not exceed 10 percent of the total wages for a single pay period”. “Demotion”, meaning a reduction in managerial position, rank, professional qualification, etc., is sometimes applied as a disciplinary action. “Suspension from work” means that the worker is banned from attending work for a certain period although the labor contract remains valid, as a sanction against a breach of discipline. During a suspension, wages are generally not paid and the period of the suspension is not added to the worker’s service record. “Disciplinary dismissal” is dismissal based on disciplinary action. Normally, dismissal is immediate with no notice given or allowances paid, while all or part of the severance pay may be withheld. A characteristic common to disciplinary dismissal is the fact that the word “disciplinary” is used to indicate that the dismissal results from a sanction, presenting the worker with the disadvantage of a serious obstacle to finding re-employment. Some companies use “guided dismissal” as disciplinary action slightly watered down from disciplinary dismissal. This is sometimes known as “guided resignation”, where the worker is advised to submit a resignation letter or request. In these cases, severance pay may be partly or wholly withheld, or paid in accordance with normal voluntary termination (Sugeno (2013) p.490).

companies have provisions on disciplinary action (“Yes” replies). In other words, most companies have provisions on disciplinary action. By scale of regular employees, all companies with “1,000 employees or more” have set provisions.

Companies that have provisions (“Yes” replies) were asked the format of these provisions, to which

98.1% replied that they were provided in “rules of employment” (Table VII-16).

Table VII-17 shows the content of provisions on disciplinary action. According to this, the most common type is “Provisions that disciplinary action shall be taken when necessary” with a ratio of 75.7%, followed by “Types of disciplinary action” (69.9%)

**Table VII-15 Status of Provisions on Disciplinary Action (Unit = %)**

	n	Yes	No	No response
Total	5964	94.6	4.4	1.0
(Scale of regular employees)				
Fewer than 100	3828	93.5	5.5	0.9
100-299	1466	97.6	1.9	0.5
300-999	360	97.5	1.9	0.6
1,000 or more	76	100.0	0.0	0.0

**Table VII-16 Format of Provisions on Disciplinary Action (Unit = %, Multiple Response)**

	n	Rules of employment	Labor agreement	Other internal regulations	Others	No response
Total	5644	98.1	6.4	9.1	0.4	0.4
(Scale of regular employees)						
Fewer than 100	3580	98.2	4.6	7.7	0.3	0.3
100-299	1431	98.1	7.1	10.1	0.3	0.6
300-999	351	97.2	17.7	17.9	1.1	0.6
1,000 or more	76	98.7	22.4	19.7	1.3	0.0

\* Aggregated from companies that have provisions on disciplinary action (“Yes” replies).

**Table VII-17 Content of Provisions on Disciplinary Action (Unit = %, Multiple Response)**

	n	Provisions that disciplinary action shall be taken when necessary	Types of disciplinary action	Grounds for discipline	Grounds for each type of disciplinary action	Disciplinary procedures	Others	No response
Total	5644	75.7	69.9	61.9	45.6	35.2	0.9	13.2
(Scale of regular employees)								
Fewer than 100	3580	75.1	65.8	59.8	41.3	30.7	1.0	13.5
100-299	1431	76.4	77.0	65.7	52.6	42.0	0.7	12.7
300-999	351	83.2	84.9	72.6	60.7	53.0	0.9	9.1
1,000 or more	76	81.6	86.8	64.5	67.1	59.2	1.3	11.8

\* Aggregated from companies that have provisions on disciplinary action (“Yes” replies).



and “Grounds for discipline” (61.9%), among others. Viewing these by scale of regular employees, the ratios of “Types of disciplinary action”, “Grounds for each type of disciplinary action” and “Disciplinary procedures”, among others, are higher as the corporate scale increases.

Viewing ratios of companies replying that they use each system of disciplinary action (“Yes” replies), the highest ratio was scored by “Disciplinary dismissal” with 84.5%, followed by “Cautions, warnings and reprimands” (79.2%), “Submission of written apology” (78.0%), “Suspension from work” (72.6%), “Temporary pay cuts” (72.2%), “Guided

dismissal” (60.8%) and “Demotions and downgrading” (60.7%), in that order. By scale of regular employees, ratios of “Yes” replies generally decrease in all types of disciplinary action as the corporate scale grows smaller (Table VII-18).

Companies that deploy each type of disciplinary action were asked about their procedures for disciplinary action. Here, “Disclose the reason” scored around 80% in all types of disciplinary action, followed by “Give the employee an opportunity to explain” with around 70% and “Explain to or consult with employees’ representatives” with just under 20%. Moreover, the ratio of “Companies offering

**Table VII-18 Ratios of Companies Using Each Type of Disciplinary Action (Unit = %)**

	n	(1) Cautions, warnings and reprimands	(2) Submission of written apology	(3) Suspension from work	(4) Temporary pay cuts	(5) Demotions and downgrading	(6) Guided dismissal	(7) Disciplinary dismissal
Total	5964	79.2	78.0	72.6	72.2	60.7	60.8	84.5
(Scale of regular employees)								
Fewer than 100	3828	76.0	75.3	68.0	67.6	55.3	55.3	82.0
100-299	1466	86.0	84.2	81.8	81.3	71.4	70.8	90.2
300-999	360	90.3	82.8	88.9	89.4	77.5	78.6	93.3
1,000 or more	76	98.7	85.5	97.4	100.0	86.8	88.2	100.0

**Table VII-19 Procedures for Disciplinary Action (Unit = %, Multiple Response)**

	n	Disclose the reason	Give the employee an opportunity to explain	Explain to or consult with employees’ representatives	Explain to or consult with labor relations body	Explain to or consult with labor union	None of the procedures on the left	No response	Companies offering explanation or consultation
(1) Cautions, warnings and reprimands	4726	81.3	71.4	15.0	7.2	9.2	4.1	3.6	24.1
(2) Submission of written apology	4649	79.6	71.5	14.8	7.0	8.8	4.7	3.7	23.4
(3) Suspension from work	4329	81.5	72.2	17.4	8.5	11.5	4.2	3.6	28.6
(4) Temporary pay cuts	4306	81.2	72.3	17.2	8.5	11.2	4.2	3.8	28.1
(5) Demotions and downgrading	3623	82.7	73.7	18.2	8.7	11.7	3.3	3.2	29.5
(6) Guided dismissal	3624	83.6	75.4	20.2	10.2	13.1	3.1	2.7	32.9
(7) Disciplinary dismissal	5039	81.5	71.2	19.2	9.4	11.9	4.5	3.6	31.3

\* Aggregated from companies replying “Yes” to various types of disciplinary action. Here, “Companies offering explanation or consultation” are those that selected one of “Explain to or consult with employees’ representatives”, “Explain to or consult with labor relations body” or “Explain to or consult with labor union”.

explanation or consultation” (companies that selected one of “Explain to or consult with employees’ representatives”, “Explain to or consult with labor relations body” or “Explain to or consult with labor union”) was around 20-30% for all systems of disciplinary action. The ratio of “Companies offering explanation or consultation” tends to increase as the disciplinary action grows in severity, “Guided dismissal” registering 32.9% and “Disciplinary dismissal” 31.3% (Table VII-19).

## 2. Implementation of disciplinary action and disputes

As disciplinary action implemented over the last 5 years, 42.3% of the survey target companies cite “Submission of written apology”, followed by “Cautions, warnings and reprimands” (33.3%), “Temporary pay cuts” (19.0%), “Demotions and downgrading” (14.9%), “Disciplinary dismissal” (13.2%) and “Suspension from work” (12.3%), among others. “Do not undertake any disciplinary action” accounted for 39.0%. Seen by scale of regular employees, the ratios for all types of disciplinary action rise as the corporate scale increases. In companies on a scale of “1,000 employees or more”, in particular, “Cautions, warnings and reprimands” scored 89.5%, “Submission of written apology” 76.3%, “Temporary pay cuts” 65.8%, “Suspension from work” 63.2%, and “Disciplinary dismissal” and “Demotions and downgrading” each 56.6%, among others (Table VII-20).

In the survey, companies that implemented disciplinary action were asked about disputes with employees who had been subject to disciplinary action over the last 5 years. According to this, 8.6% of companies replied that disputes had arisen (“Yes” replies). Viewing these in terms of the type of disciplinary action implemented,<sup>9</sup> the ratio of “Yes” replies was 17.0% in “Companies implementing

disciplinary dismissal and guided dismissal” but only 4.2% in “Companies implementing other disciplinary action” (Table VII-21). This reveals that disputes are more prone to occur in cases of disciplinary action involving dismissal.

Companies that had experienced disputes with employees were asked about the situation of dispute resolution. The most common reply was “Resolved through dialog with the individual” with a ratio of 48.1%, followed by “Resolved in a court of law” (18.3%), “Resolved through an external dispute resolution body” (15.9%), and “Resolved through the labor tribunal system” (13.6%), among others. Viewing this by content of the disciplinary action, the ratios of “Resolved in a court of law (including reconciliation)”, “Resolved through an external dispute resolution body” and “Resolved through the labor tribunal system” were higher in “Companies implementing disciplinary dismissal and guided dismissal” than in “Companies implementing other disciplinary action” (Table VII-22). This suggests that, in disciplinary action involving dismissal, resolution within the company (direct dialog with the individual, resolution through a labor union, etc.) is difficult, and there is a higher likelihood of cases being entrusted to an external body (court of law, labor tribunal system, external dispute resolution body, etc.).

9 To see the difference between more serious types of disciplinary action (i.e. disciplinary dismissal and guided dismissal) and other disciplinary action, separate variables were created for companies that implemented either disciplinary dismissal or guided dismissal (abbreviated below to “Companies implementing disciplinary dismissal and guided dismissal” and those implementing other types of disciplinary action (one of “Cautions, warnings and reprimands”, “Submission of written apology”, “Suspension from work”, “Temporary pay cuts” and “Demotions and downgrading”) (abbreviated below to “Companies implementing other disciplinary action”).

**Table VII-20 Disciplinary Action Implemented over the last 5 years (Unit = %, Multiple Response)**

	n	Cautions, warnings and reprimands	Submission of written apology	Suspension from work	Temporary pay cuts	Demotions and downgrading	Guided dismissal	Disciplinary dismissal	Do not undertake any disciplinary action	No response
Total	5964	33.3	42.3	12.3	19.0	14.9	9.4	13.2	39.0	3.3
(Scale of regular employees)										
Fewer than 100	3828	27.0	37.2	8.0	13.8	10.6	6.8	10.2	44.9	3.7
100-299	1466	41.3	50.9	16.1	25.4	20.5	11.1	14.8	31.1	2.0
300-999	360	60.8	57.8	33.3	42.8	32.5	24.4	30.6	15.0	3.1
1,000 or more	76	89.5	76.3	63.2	65.8	56.6	47.4	56.6	0.0	1.3

**Table VII-21 Disputes with Employees Subject to Disciplinary Action over the Last 5 Years (Unit = %)**

	n	Yes	No	No response
Total	3441	8.6	89.4	2.0
(Content of disciplinary action)				
Companies implementing disciplinary dismissal and guided dismissal	1169	17.0	81.1	1.9
Companies implementing other disciplinary action	2272	4.2	93.7	2.1

\* Aggregated from companies that had implemented disciplinary action the previous 5 years (one of "Cautions, warnings and reprimands", "Submission of written apology", "Suspension from work", "Temporary pay cuts", "Demotions and downgrading", "Guided dismissal" and "Disciplinary dismissal").

**Table VII-22 Status of Resolution of Disputes with Employees Subject to Disciplinary Action (Unit = %, Multiple Response)**

	n	Resolved through dialog with the individual	Chose resolution through dialog with labor union	Resolved through internal complaints processing body	Resolved through an external dispute resolution body	Resolved through the labor tribunal system	Resolved in a court of law (including reconciliation)	Others	Unresolved (employee stopped working)	No response
Total	295	48.1	6.4	4.7	15.7	13.6	18.3	1.0	5.1	4.1
(Whether disciplinary action is implemented)										
Companies implementing disciplinary dismissal and guided dismissal	199	43.2	3.0	2.5	17.1	16.1	23.6	1.5	6.5	3.0
Companies implementing other disciplinary action	96	58.3	13.5	9.4	13.5	8.3	7.3	0.0	2.1	6.3

\* Aggregated from companies that had had disputes with employees subject to disciplinary action over the previous 5 years.

### Section 3 Dismissal

In Section 3, after confirming the status of legislation and case law principles concerning dismissal in Japan, the implementation status of dismissal and involuntary termination will be examined. The state of implementation in terms of procedures by companies implementing dismissal will also be enumerated, divided into normal dismissal and dismissal for the purposes of reorganization (“economic dismissal”). The situation of disputes related to dismissal will also be examined.

#### 1. Dismissal and involuntary termination

“Dismissal” refers to termination of a labor contract by the employer. In Japan, the Civil Code gives employers “freedom to dismiss”, meaning that they can dismiss workers at any time provided they give two weeks advance notice [Civil Code Article 627 paragraph 1 (Offer to Terminate Employment with Indefinite Term)]. As legal provisions that restrict the dismissal of workers, besides Article 20 of the Labor Standards Act (Advance Notice of Dismissal), Article 19 of the same Act (Restrictions on Dismissal of Workers) provides for restrictions on the dismissal of workers during a period of absence resulting from industrial accidents, or before and after childbirth. In other words, as far as the letter of the law is concerned, the content of regulations would appear close to freedom to dismissal. From the employers’ point of view, however, dismissal has long been seen as difficult in Japan. One cause of this is a growing perception of rules restricting dismissal of workers based on case law that has been built up by the courts through an accumulation of legal precedents (namely the principle of abuse of dismissal rights and the four requirements for economic dismissal).

In Japan, this principle on the abuse of dismissal rights was codified in the 2003 Amendment of the

Labor Standards Act and the enactment of the Labor Contract Act in 2007.<sup>10</sup> Article 16 of the Labor Contract Act states that “A dismissal shall, if it lacks objectively reasonable grounds and is not considered to be appropriate in general societal terms, be treated as an abuse of right and be invalid”.

To explain the case law principle on dismissal in brief, according to Sugeno (2013), “objectively reasonable grounds” in the legal principle of abuse of dismissal rights can be broadly divided into four categories. Namely, (1) the worker’s incompetence, or lack or loss of the skills or qualifications required for his or her job, (2) the worker’s breach of disciplinary rules, (3) reasons based on business necessity, and (4) a dismissal request by a union based on a union shop agreement.<sup>11</sup> But even when these “objectively reasonable grounds” are recognized, if a given dismissal “cannot be endorsed as appropriate in general societal terms” (the requirement of appropriateness), “courts generally recognize the appropriateness of dismissal only when the grounds for dismissal have reached a severe level, there are no other means of avoiding dismissal, and there are hardly any extenuating circumstances on the worker’s part”.

Meanwhile, the legal principle of economic dismissal has been built up through an accumulation of legal precedents when the 1st oil crisis in 1973 caused large-scale employment adjustments after long-term employment had become established in the era of high-level growth. For economic dismissal to be valid, four requirements are construed as necessary. These “four requirements for economic dismissal” are (1) the necessity of reducing the number of employees, (2) the employer’s fulfillment of the obligation to endeavor to avoid dismissal (i.e. that, even after exhausting other measures for personnel reduction including redeployment, secondment and voluntary termination, there is still a need to resort to economic dismissal), (3) the

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10 This provision was originally drafted by the Labour Conditions Subcommittee of the Labour Policy Council, Ministry of Health, Labour and Welfare, to be incorporated in the 2003 Amendment of the Labor Standards Act (former Labor Standards Act, Article 18–2). Later, with the enactment of the Labor Contract Act in 2007, it was transferred to Article 16 of the Act.

11 See Sugeno (2013) pp.556-449.

selection of persons to be dismissed must be based on objective standards, and (4) the procedures for dismissal including explanation and consultation must be based on objective standards.<sup>12</sup>

Legislation on the legal principle of economic dismissal was postponed with the 2007 enactment of the Labor Contract Act. Of course, it has been pointed out that “it is difficult for ordinary workers as well as owners of small and medium-sized enterprises, foreign-capital companies and others to be aware of the existence and content” of the legal principle of abuse of dismissal rights itself,<sup>13</sup> and it has been said that there is a difference in levels of awareness of the principle of legal precedent depending on corporate scale.

In the following, the situation of dismissal in Japan (except disciplinary dismissal) will be introduced in terms of both provisions and procedures. Meanwhile, as an issue associated with dismissal, involuntary termination will also be dealt with. Involuntary termination is an act whereby the employer recommends that a worker resigns, or recommends that the worker accepts an application for agreed termination. If based on agreed termination, involuntary termination is not dismissal, and is therefore not subject to regulations of dismissal under the Labor Standards Act or to provisions on the abuse of dismissal rights. Even if for purposes of staff reorganization, the four requirements for economic dismissal need not be satisfied<sup>14</sup> (for example, offering voluntary termination in the case of economic dismissal).<sup>15</sup> Particularly in the case of

economic dismissal, mentioned above, offering voluntary termination is included in the fulfillment of efforts to avoid dismissal, and is therefore important in terms of examining the situation of procedures.

## 2. Status of provisions on dismissal

Grounds for dismissal, like grounds for disciplinary action, are normally listed in the rules of employment. The 2003 Amendment of the Labor Standards Act provides that “grounds for dismissal” must be specified in the rules of employment as mandatory matters for inclusion (matters that must be stated in rules of employment without fail), obliging companies to clearly specify grounds for dismissal in advance (Labor Standards Act, Article 89 (iii)).

In the survey, 78.3% of companies replied that they “Have specified” procedures when dismissing employees, and 17.0% that they “Do not particularly specify, but handle case by case”, among others. Viewing this by scale of regular employees, the ratio of “Have specified” rises as the corporate scale increases. Companies that “Have specified” dismissal procedures were then asked where these procedures are specified, 97.9% responding “In the rules of employment”. In other words, most companies that have specified dismissal procedures specify them in their rules of employment. By presence or lack of a labor union, 22.1% of companies with a labor union specify dismissal procedures through labor agreements (Table VII-24).

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12 According to Araki (2013) pp.282-288, the legal principle of economic dismissal was until relatively recently understood to invalidate dismissals that fail to satisfy the “four requirements” (the “four requirements theory”), but recent court cases have come to adopt a position in which it is perceived as a typology of the main elements for judging whether there has been an abuse of rights (the four elements theory).

13 Sugeno (2013) p.557.

14 According to Sugeno (2013) pp.530-532, however, semi-coercive or persistent acts of involuntary termination in a manner that deviates from social appropriateness could constitute an illegal act and give rise to liability for damages towards the worker in question.

15 Koike (2012) says that dismissal involves the important issues of how many workers to dismiss and who to dismiss, and that the latter (selection of personnel) is particularly pivotal, but that because there are no good standards for selection in reality and “nominated dismissal” by the management would inevitably be arbitrary, the only remaining option is “offering voluntary termination”. And since voluntary termination also includes “shoulder tapping” (pressuring an employee to resign), it has been pointed out that this is also “dismissal at the company’s convenience” (however, he also asserts that “voluntary termination by shoulder tapping” is weaker in terms of selection by the management than nominated dismissal).

**Table VII-23 Status of Provisions on Procedures When Dismissing Employees (Unit = %)**

	n	Have specified	Not specified in writing but customary practice	Do not particularly specify, but handle case by case	No response
Total	5964	78.3	3.4	17.0	1.4
(Scale of regular employees)					
Fewer than 100	3828	76.8	3.2	18.7	1.3
100-299	1466	81.9	4.0	13.0	1.1
300-999	360	81.4	3.9	13.6	1.1
1,000 or more	76	85.5	3.9	10.5	0.0

**Table VII-24 Format of Provisions on Dismissal Procedures (Unit = %, Multiple Response)**

	n	Rules of employment	Labor agreement	Other internal regulations	Others	No response
Total	4,668	97.9	7.2	6.2	0.3	0.4
(Scale of regular employees)						
Fewer than 100	2,938	98.1	5.3	5.5	0.3	0.4
100-299	1,201	98.1	7.8	7.1	0.3	0.4
300-999	293	96.9	21.2	8.9	0.7	0.7
1,000 or more	65	95.4	26.2	6.2	0.0	0.0
(Whether labor union exists)						
Yes	1,107	96.9	22.1	6.9	0.4	0.8
No	3,446	98.3	2.4	5.9	0.3	0.3

\* Aggregated from companies that “Have specified” dismissal procedures.

### 3. Involuntary termination and dismissal

In Japan today, how is dismissal carried out, and what sort of procedures are used? Let us first look at involuntary termination (Table VII-25). In the survey, companies were asked whether they had imposed involuntary termination on any regular employee in the last 5 years. They were not asked the reasons or context lying behind the involuntary termination. According to the results, 16.6% of companies had imposed involuntary termination on individual regular employees (“Yes” replies). Viewing this by scale of regular employees, “Yes” replies increased in proportion to corporate scale. Viewed by change in

sales turnover in the last 5 years (as a way of assessing in terms of corporate performance),<sup>16</sup> the ratio is higher in companies whose sales turnover has “Decreased”. Hardly any difference in the ratio is seen based on whether companies have a labor union or not.

Next, the implementation status of dismissal is as shown in Table VII-26. In the survey, companies were asked whether they had dismissed regular employees (except disciplinary dismissal) in the last five years. According to the results, 16.2% of companies had implemented “Normal dismissal” and 8.7% “Economic dismissal”. By scale of regular employees, the ratio of normal dismissal rises as the

16 In this survey, companies were asked to give their last 5 years’ sales turnover, profit margins and other details on a 5-stage ordinal scale, as a question to show corporate performance. It should be noted that this is only based on a subjective judgement.



corporate scale increases. On the other hand, no difference based on corporate scale is seen in cases of economic dismissal. In terms of changes in sales turnover in the last 5 years, the ratio of economic dismissal was 5.6% and 5.1%, respectively, in companies where sales turnover “Increased” and “Stayed about the same”, but was more than double

(13.0%) for those whose sales turnover had “Decreased”. However, no difference is seen in the implementation ratios of normal dismissal based on changes in sales turnover. In terms of whether they have a labor union or not, companies with labor unions had lower ratios of both normal dismissal and economic dismissal.

**Table VII-25 Involuntary Termination Imposed on Individual Regular Employees over the Last 5 Years (Unit = %)**

	n	Yes	No
Total	5892	16.6	83.4
(Scale of regular employees)			
Fewer than 100	3785	15.5	84.5
100-299	1453	17.6	82.4
300-999	356	23.3	76.7
1,000 or more	75	30.7	69.3
(Change in sales turnover in the last 5 years)			
Increased	1865	12.2	87.8
Stayed about the same	1123	14.3	85.7
Decreased	2494	21.1	78.9
(Whether labor union exists)			
Yes	1295	15.8	84.2
No	4448	16.8	83.2

\* Aggregated from all except “No response”.

**Table VII-26 Regular Employees Dismissed over the Last 5 Years (Unit = %, Multiple Response)**

	n	Normal dismissal	Economic dismissal	No dismissal
Total	5879	16.2	8.7	79.0
(Scale of regular employees)				
Fewer than 100	3769	15.2	8.9	79.6
100-299	1453	17.1	7.9	78.7
300-999	356	21.9	9.0	74.4
1,000 or more	75	30.7	8.0	69.3
(Change in sales turnover in the last 5 years)				
Increased	1867	16.7	5.6	80.8
Stayed about the same	1117	15.0	5.1	83.0
Decreased	2483	17.3	13.0	74.7
(Whether labor union exists)				
Yes	1297	13.0	6.4	83.3
No	4428	17.2	9.2	77.8

\*Aggregated from all except “No response”.

#### 4. Status of consultation on dismissal with labor unions, etc., and length of dismissal notice

One of the four requirements for economic dismissal is the appropriateness of dismissal procedures. Here, labor-management consultation is an important element in helping to provide information and explanations to employees. In this connection, Table VII-27 shows the status of consultation with labor unions, etc., for both normal dismissal and economic dismissal. According to this, 65.1% of companies “Did not particularly engage in consultation” in cases of normal dismissal, but in cases of economic dismissal this ratio was 54.6%. In other words, the proportion of companies carrying out some kind of consultation was higher in cases of economic dismissal.

In terms of whether or not labor unions or labor-management consultation bodies exist, the ratio of “Did not particularly engage in consultation” was highest in “Companies that have neither” for both normal dismissal and economic dismissal, followed by “Labor-management consultation body only”, “Labor union only” and “Both labor union and labor-management consultation body” in descending order.

Looking specifically at economic dismissal, of companies replying “Both labor union and labor-management consultation body”, 80.4% say they

“Consulted with labor union”. Of those replying “Labor union only”, 63.2% “Consulted with labor union”, while 31.6% “Consulted with selected employee representatives”. Of those replying “Labor-management consultation body only”, 41.3% “Did not particularly engage in consultation”, but 38.4% “Consulted with selected employee representatives”. Even when there is a labor-management consultation body, a large proportion of companies “Consulted with selected employee representatives”. As for “Companies that have neither” a labor union nor a labor-management consultation body, 72.4% say they “Did not particularly engage in consultation”.

So, how much notice do companies give employees before dismissing them? Article 20 paragraph 1 of the Labor Standards Act states that, if an employer wishes to dismiss a worker, the employer must provide at least 30 days advance notice (an employer who does not give 30 days advance notice must pay the average wages for a period of not less than 30 days). According to Table VII-28, the highest ratio in cases of normal dismissal is 51.2% for “About 1 month”. The most common reply in cases of economic dismissal is also “About 1 month” with 38.7%. Although it is not known whether an advance notice allowance is payable in such cases, the period of notice for both normal dismissal and economic dismissal appears to focus on

**Table VII-27 Status of Consultation with Labor Unions, etc., When Dismissing Employees (Unit = %, Multiple Response)**

	Normal dismissal					Economic dismissal				
	n	Consulted with labor union	Consulted with labor-management consultation body	Consulted with selected employee representatives	Did not particularly engage in consultation	n	Consulted with labor union	Consulted with labor-management consultation body	Consulted with selected employee representatives	Did not particularly engage in consultation
Total	820	19.8	4.1	16.2	65.1	438	24.4	9.1	21.7	54.6
(Whether labor unions or labor-management consultation bodies exist)										
Both labor union and labor-management consultation body	109	68.8	11.0	8.3	26.6	56	80.4	16.1	7.1	12.5
Labor union only	42	35.7	0.0	16.7	52.4	19	63.2	5.3	31.6	21.1
Labor-management consultation body only	242	14.0	5.4	28.1	59.9	109	22.9	13.8	38.5	41.3
Companies that have neither	399	8.8	2.3	10.8	79.7	232	9.5	5.6	16.8	72.4

\* For normal dismissal, aggregated from all companies that had “Carried out normal dismissals” over the last 5 years, except “No response”. For economic dismissal, aggregated from all companies that had “Carried out economic dismissals” over the last 5 years, except “No response”.

**Table VII-28 Length of Dismissal Notice (Unit = %)**

	n	1 week or less	About 1-2 weeks	About 3 weeks	About 1 month	About 1-2 months	About 3-4 months	About 5-6 months	More than 6 months	1 month or less	More than 1 month
Normal dismissal	884	10.5	5.3	3.3	51.2	24.1	3.8	0.6	1.1	70.4	29.6
Economic dismissal	457	1.8	0.4	0.7	38.7	38.1	14.9	1.3	4.2	41.6	58.4

\* For normal dismissal, aggregated from all companies that had "Carried out normal dismissals" over the last 5 years, except "No response". For economic dismissal, aggregated from all companies that had "Carried out economic dismissals" over the last 5 years, except "No response". Here, "1 month or less" is the total of "1 week or less", "About 1-2 weeks", "About 3 weeks" and "About 1 month". "More than 1 month" is the total of "About 1-2 months", "About 3-4 months", "About 5-6 months" and "More than 6 months".

"About 1 month". The proportion of companies replying "More than 1 month" (the total of "About 1-2 months", "About 3-4 months", "About 5-6 months" and "More than 6 months") suggests that longer periods of notice are given for economic dismissal than for normal dismissal.

### 5. Dismissal avoidance measures in normal dismissal

Next, what kind of reasons lead to normal dismissal, and what kind of process does it follow (measures before resorting to dismissal)? Table VII-29 summarizes the reasons for normal dismissal.

The most commonly cited reason for normal dismissal was "Employee misconduct" with 42.7%, followed by "Lack of skills needed for work", "Disruption of workplace discipline" and "Frequent unauthorized absences", among others. By scale of regular employees, the ratios of companies citing reasons of "Employee misconduct" and "Expiration of leave" increase in proportion to corporate scale. Conversely, the ratios of companies citing reasons of "Lack of skills needed for work" increase in inverse proportion to corporate scale.<sup>17</sup> "Disruption of workplace discipline" scores around 30% in all

corporate scales.

In terms of different periods of advance notice for normal dismissal,<sup>18</sup> only in the case of "Employee misconduct" does dismissal notice of "About 3 weeks" account for a higher proportion than "More than 1 month". This suggests that the length of time until dismissal is shorter when cases of "Employee misconduct" arise.

In the survey, companies were asked what measures they take before resorting to normal dismissal. Table VII-30 shows whether companies give consideration to prospects of future improvement (warnings, Give opportunities for correction) when a case applicable to normal dismissal arises. This question included the option "Carried out involuntary termination". The purpose of this was to confirm whether measures to switch to voluntary termination (agreed termination) rather than normal dismissal are taken (in this, involuntary termination could also be seen as a dismissal avoidance measure).

According to this, the most commonly cited measure was "Warnings" with a ratio of 58.0%, followed by "Give opportunities for correction" (46.0%), "Carried out involuntary termination" (45.0%), and "Consider redeployment to another

17 This is because the ratio of normal dismissal on grounds of "Lack of skills needed for work" decreases as the corporate scale increases. According to Morishima and Ouchi (2013), dismissing workers because of a lack of skills is difficult in terms of judicial precedent. Behind this, they say, lies the assumption that Japanese companies hire and give vocational training to persons without professional experience (new graduates), causing the courts to view a lack of skills as a possible error in selection or training on the part of the company (in other words, some of the responsibility lies with the company).

18 Here, the aim is to highlight the difference between shorter lengths of dismissal notice, and so the period of notice for normal dismissal is divided into two groups, namely "About 3 weeks" (the total of "1 week or less", "About 1-2 weeks" and "About 3 weeks") and "More than 1 month" (the total of "About 1 month", "About 1-2 months", "About 3-4 months", "About 5-6 months" and "More than 6 months").

**Table VII-29 Reasons for Implementing Normal Dismissal (Unit = %, Multiple Response)**

	n	Employee misconduct	Frequent unauthorized absences	Disruption of workplace discipline	Lack of skills needed for work	Expiration of leave	Health problems	Others
Total	689	42.7	20.8	33.2	38.8	12.0	16.8	5.5
(Scale of regular employees)								
Fewer than 100	403	39.0	19.6	34.5	44.4	6.7	16.9	6.5
100-299	184	44.6	24.5	30.4	32.6	14.1	19.6	6.0
300 or more	83	53.0	19.3	32.5	24.1	33.7	10.8	1.2
(Notice period for normal dismissal)								
About 3 weeks	132	58.3	11.4	33.3	32.6	4.5	8.3	3.8
More than 1 month	519	38.7	22.9	33.7	41.2	14.1	19.3	5.4

\* Aggregated from all companies that had “Carried out normal dismissal” except “No response”. In the period of notice for normal dismissal, “About 3 weeks” is the total of “1 week or less”, “About 1-2 weeks” and “About 3 weeks”. “More than 1 month ago” is the total of “About 1 month”, “About 1-2 months”, “About 3-4 months”, “About 5-6 months” and “More than 6 months”.

**Table VII-30 Measures Taken before Normal Dismissal (Unit = %, Multiple Response)**

	n	Warnings	Give opportunities for correction	Consider redeployment to another department	Carried out involuntary termination	Others	None of these measures	Companies giving opportunities for improvement
Total	816	58.0	46.0	23.9	45.0	6.0	6.7	71.9
(Scale of regular employees)								
Fewer than 100	493	56.8	44.6	21.5	49.3	5.9	5.3	69.6
100-299	215	63.3	48.4	27.4	37.7	4.7	8.4	76.3
300 or more	86	57.0	45.3	30.2	38.4	9.3	9.3	76.7
(Labor-management consultation in cases of normal dismissal)								
Did not particularly engage in consultation	475	55.2	43.4	22.1	45.3	5.5	7.8	68.2
Engaged in some kind of consultation	244	63.9	52.5	23.8	45.9	7.0	6.1	77.9
(Reason for implementing normal dismissal)								
Employee misconduct	271	64.2	45.4	18.1	41.7	5.2	10.7	70.5
Frequent unauthorized absences	136	77.9	62.5	29.4	33.8	2.2	3.7	90.4
Disruption of workplace discipline	219	72.6	58.9	26.0	46.6	4.1	3.2	79.5
Lack of skills needed for work	261	65.1	61.3	33.3	47.9	3.1	1.5	83.9
Expiration of leave	79	54.4	41.8	38.0	31.6	7.6	7.6	78.5
Health problems	111	58.6	51.4	38.7	52.3	6.3	5.4	75.7

\* Aggregated from all companies that had “Carried out normal dismissal” except “No response”. Here, “Companies giving opportunities for improvement” are companies that selected at least one of “Warnings”, “Give opportunities for correction” and “Consider redeployment to another department”.

department” (23.9%), among others. In other words, about 40% of companies carry out involuntary termination when dismissing staff.

Here, on aggregating companies that selected one of “Warnings”, “Give opportunities for correction” and “Consider redeployment to another department” as “Companies giving opportunities for improvement”, the ratio was 71.9%. In other words, more than 70% of all companies give some kind of opportunity for improvement.

Seen by scale of regular employees, the ratio of “Consider redeployment to another department” and others generally rises as the corporate scale increases. This must mean that larger corporations have more options for changing sites of redeployment. In terms of whether labor-management consultation is carried out in cases of normal dismissal, companies that “Engaged in some kind of consultation” had higher ratios of “Warnings” and “Give opportunities for correction” than those that “Did not particularly engage in consultation”.

By reason for carrying out normal dismissal, the ratio of Companies giving opportunities for improvement was higher in the cases of “Frequent unauthorized absences” and “Lack of skills needed for work”.

## 6. Dismissal avoidance measures in economic dismissal

Meanwhile, Table VII-31 shows dismissal avoidance measures taken in cases of economic dismissal. According to this, the most common measure was “Reduce new graduate hiring” with 45.6%, followed by “Reduce or scrap unprofitable departments, close business sites” (43.3%), “Redeployment” (42.9%) and “Offer voluntary termination (including preferential treatment for early termination)” (29.7%), among others. Companies stating that they “Take no dismissal avoidance measures” accounted for a mere 7.6%. This reveals that most companies consider themselves to have taken dismissal avoidance measures.

By scale of regular employees, the proportion of companies citing dismissal avoidance measures of “Redeployment”, “Offer voluntary termination”, “Restrict overtime”, “Do not renew contracts of non-

regular employees” and “Do not renew contracts of agency workers and contract workers” increases in proportion to corporate scale. In terms of changes in sales turnover, the ratios of “Reduce wage increases”, “Reduce new hiring”, “Temporary closure”, “Wage cuts”, “Reduce or scrap unprofitable departments, close business sites”, “Cut bonuses” and “Offer voluntary termination”, among others, were higher in companies where sales turnover has “Decreased” than in those where it has “Increased or stayed level”.

In terms of whether a labor union exists, the ratios of “Offer voluntary termination”, “Cut bonuses”, “Do not renew contracts of non-regular employees”, “Do not renew contracts of agency workers and contract workers”, “Reduce new hiring” and “Reduce or scrap unprofitable departments, close business sites”, among others, are higher in companies with labor unions than in those without. Companies with labor unions appear to tend to “Offer voluntary termination”.

Meanwhile, in terms of whether labor-management consultation is carried out in cases of economic dismissal, companies that “Engaged in some kind of consultation” had a 33.2 point advantage in the ratio of “Offer voluntary termination” compared to companies that “Did not particularly engage in consultation”. Besides this, their ratios of “Reduce new hiring”, “Cut bonuses”, “Do not renew contracts of agency workers and contract workers”, “Temporary closure”, “Reduce or scrap unprofitable departments, close business sites” and “Do not renew contracts of non-regular employees” were also higher.

Next, Table VII-32 shows special measures taken for personnel targeted by economic dismissal. According to this, “Increase severance pay” accounted for the highest ratio with 34.3%, followed by “Mediate in re-employment”, “Special leave before termination” and “Entrust to job introduction agency”, among others. Companies that “Do not implement any measures” accounted for 24.7%.

Viewing this by scale of regular employees, the ratios of companies undertaking “Mediate in re-employment” and “Entrust to job introduction agency” increased in proportion to corporate scale. The ratio of companies that “Do not implement any

measures” was generally in inverse proportion to corporate scale. This reveals that there are differences depending on corporate scale. In terms of changes in sales turnover, the ratio of “Increase severance pay” was higher in companies whose sales turnover “Decreased” compared those in which it “Increased or stayed level”.

In terms of whether a labor union exists, companies with labor unions responded with higher ratios of “Increase severance pay”, “Entrust to job introduction agency” and “Mediate in re-employment” than those without labor unions. This suggests a trend for labor unions to focus energy in negotiating conditions such as increases in severance pay and mediation in re-employment.

Next, as to whether companies engage in labor-management consultation in cases of economic dismissal, companies that “Engaged in some kind of consultation” had higher ratios of “Increase severance

pay”, “Mediate in re-employment” and “Entrust to job introduction agency”, among others, than those that “Did not particularly engage in consultation”. On the other hand, companies that “Did not particularly engage in consultation” had a higher ratio of “Took no measures”.

In terms of whether voluntary termination is offered, companies that offer voluntary termination (“Yes” replies) scored higher ratios of “Increase severance pay”, “Entrust to job introduction agency” and “Mediate in re-employment” than those that do not offer voluntary termination (the former had particularly high ratios of “Increase severance pay”).

Table VII-33 shows the level of increases by companies that “Increase severance pay”. As the table shows, the most common response was “Add the equivalent of about six months’ wages” with 26.6%, followed by “Add the equivalent of a few months’ wages” and “Guarantee levels of severance

**Table VII-31 Dismissal Avoidance Measures before Resorting to Economic Dismissal (Unit = %, Multiple Response)**

	n	Reduce new hiring	Redeployment	Secondment, transfers	Cut bonuses	Reduce wage increases	Wage cuts	Temporary closure	Restrict overtime	Reduce or scrap unprofitable departments, close business sites	Do not renew contracts of non-regular employees	Do not renew contracts of agency workers and contract workers	Offer voluntary termination (including preferential treatment for early termination)	Others	Take no dismissal avoidance measures
Total	434	45.6	42.9	13.4	26.7	26.3	26.5	24.9	28.1	43.3	25.1	20.0	29.7	2.8	7.6
(Scale of regular employees)															
Fewer than 100	289	45.0	35.3	11.1	27.0	27.0	28.7	23.9	27.0	41.5	20.1	17.0	24.6	2.8	10.0
100-299	101	50.5	52.5	18.8	27.7	26.7	21.8	28.7	29.7	48.5	34.7	25.7	36.6	3.0	3.0
300 or more	29	48.3	75.9	20.7	27.6	24.1	13.8	20.7	34.5	51.7	44.8	34.5	62.1	3.4	0.0
(Change in sales turnover in the last 5 years)															
Increased or stayed about the same	125	39.2	48.0	15.2	22.4	18.4	20.0	19.2	24.8	38.4	24.8	20.8	25.6	4.0	8.8
Decreased	290	50.0	40.7	13.4	29.7	30.3	28.6	27.9	30.3	46.6	25.2	19.7	32.1	2.4	6.6
(Whether labor union exists)															
Yes	72	55.6	50.0	13.9	45.8	33.3	33.3	30.6	27.8	52.8	40.3	30.6	56.9	2.8	2.8
No	347	44.7	40.9	13.5	23.1	25.4	24.5	23.9	28.8	42.1	21.9	18.2	24.5	2.9	8.6
(Labor-management consultation in cases of economic dismissal)															
Did not particularly engage in consultation	211	42.2	40.8	11.8	22.3	26.1	28.0	20.9	27.5	41.2	22.3	14.7	15.6	3.3	7.6
Engaged in some kind of consultation	180	55.6	44.4	15.6	36.1	28.3	27.2	32.2	31.1	50.6	30.0	26.7	48.9	2.8	4.4

\* Aggregated from all companies that “Carried out economic dismissal” except “No response”.



pay upon mandatory retirement”, among others.<sup>19</sup>

Viewing “Add the equivalent of at least six months’ wages” (the total of “Add the equivalent of about six months’ wages”, “Add the equivalent of about a year’s wages”, “Add the equivalent of 2-3 years’ wages” and “More than that”) by scale of regular employees, the ratio was highest in companies with “300 employees or more”. In terms of changes in sales turnover, the ratio of “Add the equivalent of at least six months’ wages” was lower in companies whose sales turnover “Decreased” compared to those in which it “Increased or stayed level”. Levels of increase appear to differ depending on corporate

performance.

Meanwhile, in terms of whether a labor union exists, companies with a labor union had a higher ratio of “Add the equivalent of at least six months’ wages” than those without one. As for engagement in labor-management consultation in cases of economic dismissal, similarly, companies that “Engaged in some kind of consultation” had a higher ratio in this item than those that “Did not particularly engage in consultation”. Finally, in terms of whether voluntary termination is offered, the ratio was higher in companies that “Offer voluntary termination” than in those that “Do not offer voluntary termination”.

**Table VII-32 Special Measures for Personnel Targeted by Economic Dismissal (Unit = %, Multiple Response)**

	n	Increase severance pay	Special leave before termination	Mediate in re-employment	Entrust to job introduction agency	Others	Take none of these measures
Total	443	39.5	21.9	28.0	8.1	5.2	28.4
(Scale of regular employees)							
Fewer than 100	298	36.2	22.5	27.2	5.7	5.7	30.2
100-299	102	51.0	21.6	28.4	10.8	4.9	20.6
300 or more	28	46.4	21.4	42.9	28.6	0.0	25.0
(Changes in sales turnover in the last 5 years)							
Increased or stayed about the same	128	35.2	21.9	28.9	9.4	5.5	34.4
Decreased	296	41.6	22.6	27.4	8.1	5.1	26.0
(Whether labor union exists)							
Yes	74	59.5	20.3	32.4	18.9	1.4	17.6
No	354	36.2	22.3	27.4	6.2	5.9	29.9
(Labor-management consultation in cases of economic dismissal)							
Engaged in some kind of consultation	187	52.4	24.6	34.2	11.8	4.3	17.1
Did not particularly engage in consultation	211	29.9	19.4	22.3	4.7	6.6	36.0
(Whether voluntary termination is offered)							
No	299	28.1	21.4	23.7	4.0	5.4	35.8
Yes	128	66.4	22.7	35.9	18.0	4.7	11.7

\* Aggregated from all companies that “Carried out economic dismissal” except “No response”.

19 Although “Add the equivalent of a few months’ wages” was not included in the questionnaire options, it was later added to the options by after-coding from data entered freely under “Others”.

**Table VII-33 Levels of Increased Severance Pay in Measures for Economic Dismissal (Unit = %)**

	n	Guarantee levels of severance pay upon mandatory retirement	Add the equivalent of a few months' wages	Add the equivalent of about six months' wages	Add the equivalent of about a year's wages	Add the equivalent of 2-3 years' wages	More than that	Others	Add the equivalent of at least six months' wages
Total	169	13.0	21.9	26.6	11.8	4.1	0.0	22.5	42.6
(Scale of regular employees)									
Fewer than 100	105	15.2	28.6	18.1	13.3	2.9	0.0	21.9	34.3
100-299	49	12.2	8.2	42.9	4.1	4.1	0.0	28.6	51.0
300 or more	13	0.0	23.1	30.8	30.8	15.4	0.0	0.0	76.9
(Changes in sales turnover in the last 5 years)									
Increased or stayed about the same	44	13.6	15.9	27.3	15.9	6.8	0.0	20.5	50.0
Decreased	118	12.7	23.7	27.1	10.2	3.4	0.0	22.9	40.7
(Whether labor union exists)									
Yes	43	14.0	18.6	27.9	16.3	7.0	0.0	16.3	51.2
No	123	13.0	22.8	26.0	10.6	3.3	0.0	24.4	39.8
(Labor-management consultation in cases of economic dismissal)									
Engaged in some kind of consultation	96	13.5	20.8	27.1	13.5	7.3	0.0	17.7	47.9
Did not particularly engage in consultation	60	11.7	26.7	26.7	8.3	0.0	0.0	26.7	35.0
(Whether voluntary termination is offered)									
No	80	18.8	25.0	22.5	6.3	1.3	0.0	26.3	30.0
Yes	83	6.0	19.3	32.5	18.1	7.2	0.0	16.9	57.8

\* Aggregated from all companies that increased severance pay for personnel targeted by economic dismissal personnel targeted by economic dismissal, except “No response”. “Add the equivalent of at least six months' wages” is the total of “Add the equivalent of about six months' wages”, “Add the equivalent of about a year's wages”, “Add the equivalent of 2-3 years' wages” and “More than that”.

## 7. Dismissal procedures and status of dismissal disputes and resolutions

Table VII-34 shows procedures followed by companies when dismissing employees. For both normal dismissal and economic dismissal, the procedures most commonly cited by companies were “Indicating the reason for dismissal” and “Indicating the date of dismissal” with around 80%, followed by “Hearing opinions from the employees themselves” and “Indicating the amount and date of payment of severance pay”, among others. Comparing the two types of dismissal, procedures such as “Indicating the standards for selecting personnel to be dismissed”, “Indicating the amount and date of payment of severance pay”, “Indicating the date of dismissal” and “Consulting and building consensus with labor

unions, etc.” had a higher ratio of implementation in economic dismissal than in normal dismissal.

Now, let us look at normal dismissal and economic dismissal in terms of engagement in labor-management consultation. Firstly, in the case of normal dismissal, companies that “Engaged in some kind of consultation” had higher ratios of “Consulting and building consensus with labor unions, etc.”, “Indicating the standards for selecting personnel to be dismissed” and “Hearing opinions from the employees themselves”, among others, than those that “Did not particularly engage in consultation”. In cases of economic dismissal, too, companies that “Engaged in some kind of consultation” had higher ratios of “Consulting and building consensus with labor unions, etc.”, “Indicating the amount and date

of payment of severance pay”, “Indicating the standards for selecting personnel to be dismissed” and “Hearing opinions from the employees themselves”, etc., than those that “Did not particularly engage in consultation”. This suggests that engaging in consultation raises the implementation ratio of providing information and giving explanations, such as standards for selecting personnel to be dismissed and hearing opinions from the employees themselves.

In this survey, companies were asked whether they had had disputes with dismissed employees in cases of normal dismissal and economic dismissal, respectively. According to this, 16.1% of companies had had disputes with dismissed employees (“Yes” replies) in cases of normal dismissal and 11.4% in

economic dismissal, showing a slightly higher ratio for the former <sup>20</sup> (Figure VII-35). This means that, in both normal dismissal and economic dismissal, about 10% of the implementing companies experience disputes.

Companies that had had disputes with dismissed employees were asked about the status of dispute resolution, with the results shown in Table VII-36. In normal dismissal, “Resolved through dialog with the employee” polled the highest ratio with 45.5%, followed by “Resolved through an external dispute resolution body”, “Resolved in a court of law” and “Resolved through the labor tribunal system”, among others. In economic dismissal, again, the highest ratio was “Resolved through dialog with the employee” with 53.8%, followed by “Resolved in a court of law”,

**Table VII-34 Procedures When Dismissing Employees (Unit = %, Multiple Response)**

	n	Indicating the reason for dismissal	Indicating the date of dismissal	Indicating the amount and date of payment of severance pay	Indicating the standards for selecting personnel to be dismissed	Hearing opinions from the employees themselves	Paying an advance notice allowance	Consulting and building consensus with labor unions, etc.	Others	Follow none of these procedures	
Total	881	88.5	81.4	40.9	14.3	58.6	37.7	9.0	1.2	0.9	
Normal dismissal	(Labor-management consultation in cases of economic dismissal)										
	Did not particularly engage in consultation	528	88.4	83.3	39.0	9.5	55.7	37.3	0.2	0.9	1.3
	Engaged in some kind of consultation	280	89.6	80.0	45.4	24.6	65.7	38.6	27.9	1.8	0.0
Economic dismissal	(Labor-management consultation in cases of economic dismissal)										
	Did not particularly engage in consultation	233	91.0	89.3	43.8	26.6	51.5	31.8	0.0	1.3	0.4
	Engaged in some kind of consultation	194	88.7	91.2	66.0	42.8	61.3	30.4	32.0	0.5	0.0

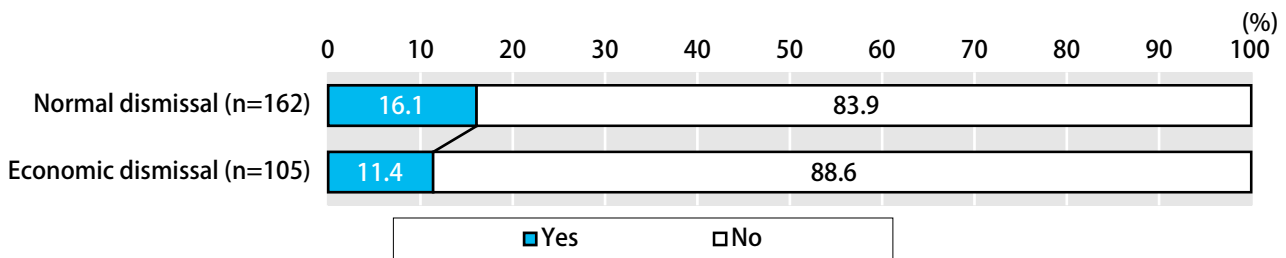
\* For normal dismissal, aggregated from all companies that had “Carried out normal dismissals” over the last 5 years, except “No response”. For economic dismissal, aggregated from all companies that had “Carried out economic dismissals” over the last 5 years, except “No response”.

<sup>20</sup> In the survey, companies that had consulted with labor unions when implementing normal dismissal and economic dismissal were asked whether this had led to disputes with the labor union. According to this, the ratio of companies experiencing disputes after consulting with the labor union (“Yes” replies) was 10.5% for normal dismissal and 14.3% for economic dismissal, showing a slightly higher probability that economic dismissal will result in disputes. In any case, this means that, in both normal dismissal and economic dismissal, about 10% of the implementing companies even experience disputes in collective labor relations.

“Resolved through an external dispute resolution body” and “Resolved in a labor tribunal”, among others. Although some companies resolved disputes in a court of law, a certain proportion did so through an external dispute resolution body, and the labor tribunal system is also being used. In cases of dismissal, it appears that resolution through dialog with the employee can sometimes be difficult because the path to continuity of employment is cut off, and in these cases the dispute becomes externalized toward resolution by external bodies.

In the survey, companies were asked about special measures for dispute resolution. According to this, for both normal dismissal and economic dismissal, the highest ratio was “Payment of settlement money” (49.2% and 63.0%, respectively). Besides this, in normal dismissal, about 20% (20.3%) of companies cited “Change in the reason for termination”. Companies that “Do not take any measures” accounted for 25.2% in normal dismissal and 17.3% in economic dismissal (Table VII-37).

**Figure VII-35 Disputes with Dismissed Employees**



\* For normal dismissal, aggregated from all companies that had “Carried out normal dismissals”. For economic dismissal, aggregated from all companies that had “Carried out economic dismissals”.

**Table VII-36 Status of Dispute Resolution with Employees over Dismissal (Unit = %, Multiple Response)**

	n	Resolved through dialog with the employee	Resolved through dialog with the labor union	Resolved through internal complaints processing body	Resolved through an external dispute resolution body (local Labour Bureau, etc.)	Resolved through the labor tribunal system	Resolved in a court of law (including reconciliation)	Others	Unresolved
Normal dismissal	138	47.1	0.7	2.2	23.2	10.9	18.8	0.7	7.2
Economic dismissal	49	57.1	0.0	6.1	22.4	8.2	24.5	0.0	0.0

\* For normal dismissal, aggregated from all companies that had “Carried out normal dismissals” and had had disputes with dismissed employees (“Yes” replies), except “No response”. For economic dismissal, aggregated from all companies that had “Carried out economic dismissals” and had had disputes with dismissed employees (“Yes” replies), except “No response”.

**Table VII-37 Special Measures for Resolution with Employees Related to Dismissal (Unit = %, Multiple Response)**

	n	Payment of settlement money	Change of reason for termination	Revocation of dismissal (reinstatement, etc.)	Others	Do not take any of these measures
Normal dismissal	128	49.2	22.7	5.5	5.5	28.1
Economic dismissal	46	63.0	10.9	6.5	4.3	19.6

\* For normal dismissal, aggregated from all companies that had "Carried out normal dismissals" and had had disputes with dismissed employees ("Yes" replies), except "No response". For economic dismissal, aggregated from all companies that had "Carried out economic dismissals" and had had disputes with dismissed employees ("Yes" replies), except "No response".

### III Conclusion

This paper has introduced survey results from JILPT's "Fact-finding Survey on Employee Hiring and Firing", with particular focus on hiring, discipline and dismissal.

In Section 1, we have confirmed the degree to which Japanese companies withdraw job offers and make decisions not to hire during probationary periods, in particular, with focus on their hiring of new graduates. Japanese companies hardly ever withdraw job offers, and disputes with prospective employees after withdrawing job offers are rare. However, problems are prone to occur when companies withdraw job offers for their own business reasons. Meanwhile, decisions not to hire prospective employees during probationary periods have been at a low level (about 10%) over the last 5 years. But this rises to around 20% in the case of fixed-term probationary contracts, a growing phenomenon in recent years, and there are now signs of probationary periods being applied more rigorously.

In Section 2, we first confirmed the situation of provisions on disciplinary action, then examined how procedures for disciplinary action are being applied. According to this, most companies provide for disciplinary action in their rules of employment. As procedures for applying the various types of disciplinary action, 80% of companies disclosed reasons for the action while 70% gave employees opportunities to explain. Around 20-30% of companies engaged in explanations and consultation with labor unions and others when taking disciplinary

action. As the type of action enters more severe areas such as disciplinary dismissal, the frequency of explanation and consultation with labor unions, etc., appears to increase slightly. As for types of disciplinary action implemented over the last 5 years, "Submission of written apology" and "Cautions, warnings and reprimands" were applied more frequently than other types. "Disciplinary dismissal", the most severe disciplinary action, was applied by 13.2% of companies and "Guided dismissal" by 9.4%. On disputes with employees targeted by disciplinary action, 17.0% of companies that implemented disciplinary dismissal and guided dismissal had experienced such disputes. Of the types of action, those related to dismissal, in particular, prove particularly prone to cause disputes. Another characteristic is that external bodies (courts, labor tribunal system, external dispute resolution bodies) are frequently involved in resolving disputes related to companies that implement disciplinary dismissal and guided dismissal.

In Section 3, we addressed the problems of involuntary termination and dismissal (normal dismissal and economic dismissal). The aggregated results show that, in cases of normal dismissal, most companies engage in measures to avoid dismissal. About 70% of companies give some kind of opportunity for improvement (warnings, opportunities for correction, consideration of redeployment to other departments), and about 40% practice involuntary termination. In economic dismissal, too, most companies attempt dismissal avoidance measures. In companies with labor unions and companies that have

engaged in labor-management consultation, dismissal avoidance measures in cases of economic dismissal most often involve offering voluntary termination. Companies that offer voluntary termination are more likely to increase severance pay, mediate in re-employment, or entrust cases to job introduction agencies. As for labor-management consultation concerning dismissal, 65.1% of companies implemented normal dismissal and 54.6% economic dismissal without labor-management consultation. This trend was particularly conspicuous in companies that have neither a labor union nor a labor-management consultation body. Organized support provided by labor unions and the like appears to be important as an outlet for workers' voices.

Generally speaking, moreover, problems related to dismissal (disciplinary dismissal, normal dismissal, economic dismissal) are prone to develop into individual labor-related disputes. In such cases, there appears to be a tendency to entrust resolution to external bodies (courts, external dispute resolution bodies, the labor tribunal system, etc.). In cases of dismissal, there may be difficulty in persuading the person concerned, due to the need for continuity of employment. In such cases, 49.2% of companies pay settlement money for normal dismissal and 63.0% for economic dismissal. Although the survey does not clarify the ins and outs of these payments or the amounts paid, it is clear that a method of resolution involving money does exist.

Finally, let us enumerate the problems with this survey. At the beginning of this paper, we stated that individual labor-related disputes are in an increasing trend. Even in this paper, it has become clear that disputes can easily arise, particularly in problems related to dismissal. However, although this survey has mainly investigated the procedures of companies that have actually implemented dismissals, it has been harder to grasp more intricate information on the number and attributes of dismissed employees, how reasonable the grounds for dismissal were, or how hard companies tried to implement dismissal avoidance measures or procedures. On this subject, it is thought necessary to assess the current situation by enhancing the survey method and gathering individual case studies in future. Moreover, this

survey has confirmed the existence of companies that adopt methods such as encouraging involuntary termination, offering voluntary termination and other forms of firing (agreed termination) rather than dismissal in the preliminary stages before dismissal. As well as ascertaining the realities of involuntary termination, in cases of both economic dismissal and normal dismissal, studies aimed at building consensus between labor and management on involuntary termination, dismissal and employment adjustment will be needed in future.

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First published in 2015

by THE JAPAN INSTITUTE FOR LABOUR POLICY AND TRAINING

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Original PDF Data on Website below:

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

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**Labor Situation in Japan and Its Analysis: Detailed Exposition 2014/2015**

(日本の労働事情と分析 各論版 2014/2015)

2015年2月第1刷発行

編集・発行 独立行政法人 労働政策研究・研修機構

〒177-8502 東京都練馬区上石神井4丁目8番23号

国際研究部 (編集)

電話：03-5903-6316 ファクシミリ：03-3594-1113

印刷・製本 富士プリント株式会社

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Printed in Japan



**The Japan Institute for Labour Policy and Training**