

The Future of the Japanese-style Employment System

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1 Introduction

- 1.1 Japanese-style employment system is a composition of employment and labor practices oriented toward the long term; it was initially developed in large and/or manufacturing companies in Japan; it was a focus of labor researchers and policymakers until mid-1990s.
- 1.2 In the past two decades, research topics and policy agendas have been segmented.
- 1.3 However, it is still important to analyze the system because it affects the overall labor market and the society, not mention to its relationship with labor and employment laws.
- 1.4 This research traced the trajectories of its six elements to provide a basis to discuss future labor policies: (1) long-term employment practice; (2) seniority-based pay and promotion; (3) cooperative industrial relations; (4) wide-ranging OJT; (5) use of the “employment buffer” (such as non-regular employees); and (6) norms shared by employers, employees, and the general public regarding items 1–5 over the last 20 years or so.

2 Changes and continuities

2.1 Changes in the environment

- The collapse of the bubble economy (early 1990s); the Asian financial crisis (1997–1998); the bursting of the dot-com bubble (2000–2002); the global economic crisis (2008–2009) (**Fig. 1**)
- Shift from manufacturing to service industry; aging population; decreasing workforce

2.2 Remaining long-term employment for regular employees

- The ratio of “flow to stock” is stable in the long run (**Fig. 2**), although mid-career hiring is increasing in non-manufacturing sectors.
- Employers, labor unions, and general citizens prefer and desire long-term employment.

2.3 Shrinking and (forecasted) re-expansion of long-term employment

- The number and ratio of non-regular employees has increased in all industries.
- After the global financial crisis, some non-regular employees had their employment contracts terminated.
- Protests by non-regular employees more or less led to the revision of the Labor Contract Act.
- About 60–70% of employers plan to switch fixed-term contract employees to permanent ones, although these workers will not be the same as traditional regular employees.

2.4 Apparent changes in wage systems, patterns of promotion, and the workplace

- Seniority-based compensation has declined (**Fig. 3**). Prolonged retirement age is an important factor.
- Male college graduates can no longer expect steady promotion. Companies tend to introduce selective training programs for their future leaders (**Fig. 4**).
- Since workplaces have become diverse and employees more individualistic, it seems to be more difficult for bosses to be good advisers of their subordinates than before.

In sum, long-term employment practice has survived (and might re-expand), although other components of the system, such as seniority-based pay and promotion, employment buffers to protect regular employees, and on-the-job training have weakened.

3 Future challenges: Still productive? Can survive economic shocks? Able to create new orders within firms?

4 Limitations: How did (will) changes in family and gender relationships affect it? What can be concluded if it is described from an outsider’s point of view? Will it remain in the center or core of Japanese society?

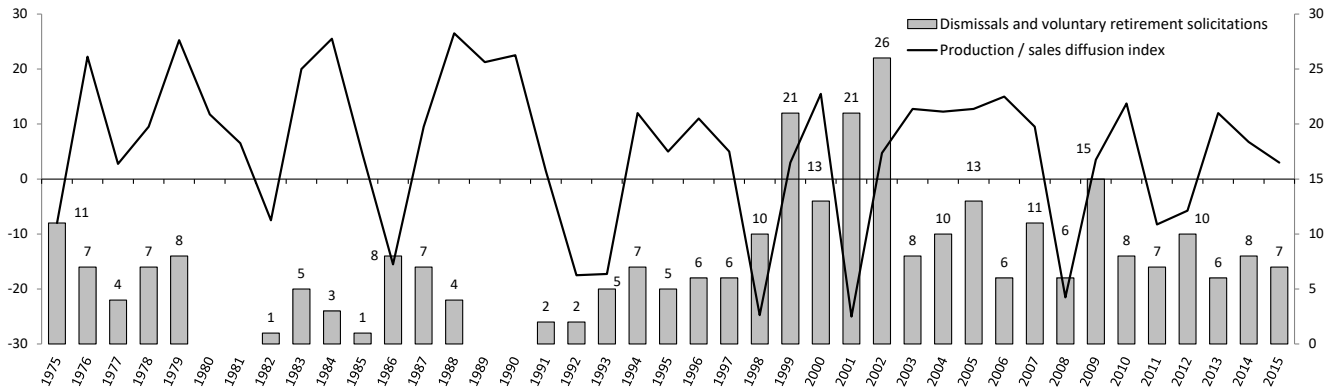


Fig. 1 Change in production/sales diffusion index (left axis: annual average score) and occurrence of “dismissals and voluntary retirement solicitations” (right axis: annual total score) for manufacturing industry (companies with 1,000 or more workers). Source: Ministry of Health, Labour and Welfare, *Survey on Labour Economy Trends*.



Fig. 2 Change in job entry and resignation ratio of ordinary workers (companies with 1,000 or more employees). Source: Ministry of Health, Labour and Welfare, *Survey on Employment Trends*.

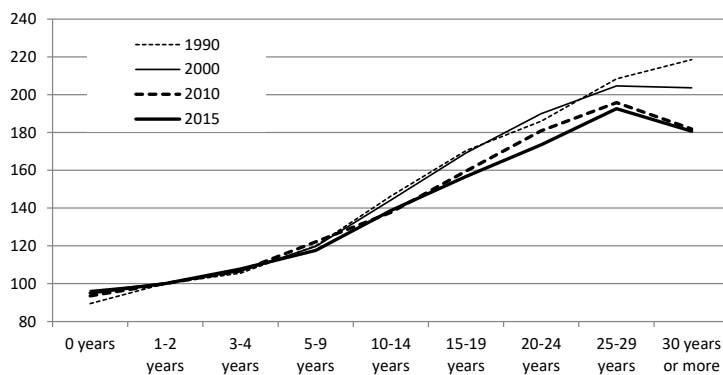


Fig. 3 Years of service / wage profile (1-2 years = 100) of male full-time workers (companies with 1,000 or more employees). Source: Ministry of Health, Labour and Welfare, *Basic Survey on wage Structure*.

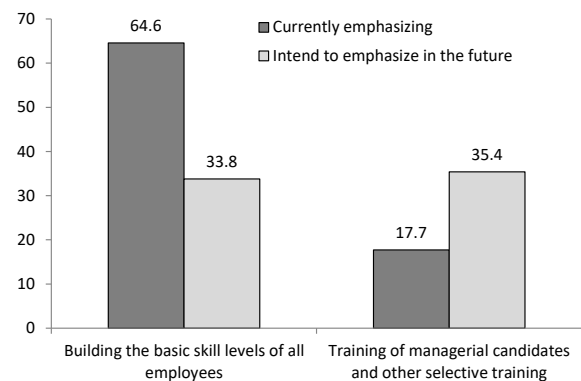


Fig. 4 Present and future priorities of training for regular employees (1,000 or more employees). Source: JILPT, *Survey on Company's In-house Training, Skill Development, and Career Management*.

Reference: Koji Takahashi (2018) “The Future of the Japanese-style Employment System: Continued Long-term Employment and the Challenges It Faces,” *Japan Labor Issues*, Vol.2, No. 6, pp. 6-15 (The Japan Institute for Labour Policy and Training).