

Japan: Public policy

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Chestnut Hill, Mass.: Sloan Center on Aging & Work at Boston College, 2009

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JAPAN

Public Policy

Masa Higo and Atsuhiko Yamada

I. INTRODUCTION

This policy brief discusses public policies in Japan, including regulatory laws and other forms of public measures, which moderate each of the eight dimensions of the quality-of-employment framework. Rather than discussing all public policies concerning employment in the country, this policy brief will highlight and concisely discuss the most significant legislation in order to provide a general introduction to current policies pertinent to quality of employment in contemporary Japan.

This policy brief includes four sections:

- An in-country policy context introducing the reader to Japan's past and current national contexts surrounding employment-related public policy. This section includes current labor market dynamics, changes to demography, and public policy legacies, all of which directly affect the ways that public policies affect quality of employment of all categories of employees in Japan.
- A discussion of eight dimensions of quality employment, providing an overview of the major public policies affecting each dimension of the quality-of-employment matrix shown below. This section will consist of information and discussion about three forms of public policies affecting quality of employment. The first form is mandate laws with formal penalties for noncompliance, and the second is legislation that merely places employers and/or employees under duties to endeavor to meet certain expectations. The third is administrative measures, including government-initiated campaigns or promotions, which often provide financial incentives to encourage certain labor market behaviors.
- A contextual focus on the Law Concerning Stabilization of Employment of Older Persons, highlighting some specific policy measures taken under this legislation in order to illustrate one of the most important policy objectives in Japan today—promoting employment of older people.
- A brief conclusion on the implications of policy for current and future quality of employment in Japan.

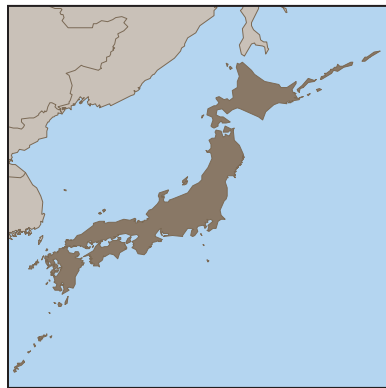


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This brief uses the quality-of-employment framework to discuss the effect of public policies in Japan.

IN-COUNTRY POLICY CONTEXT

Good jobs and bad jobs—growing labor market segmentation

The Japanese economy today is experiencing a “distorted recovery” from the prolonged post-bubble economy recession of the 1990s.¹ The country’s once-heightened unemployment rates have been lowered, and GDP per capita has steadily increased since 2002. Japan still remains one of the largest and the most influential players in the 21st century global economy.²

Parallel to this recovery, Japan’s labor market has been increasingly characterized by a widening gap between good jobs and bad jobs. Similar to some other industrialized nations (most notably South Korea, Spain, and Italy),³ Japan’s labor market has observed a growing duality in wages, work hours, and job security between two segments of the workforce: in the OECD’s classification, regular and nonregular employees. Regular employees refer mainly to those who are employed on full-time and presumably lifetime bases, whereas the nonregular, or contingent, ones are part-time or fixed-term employees.¹ In Japan, where lifetime employment still remains a prevalent employment institution, labor-market duality has been seen particularly between those inside the institution (regular employees) and those outside of it (nonregular employees).² Although part-time and fixed-term workers are always part of the workforce, their share within the country’s workforce has rapidly increased, from 20.2% in 1990 to 33.7% in 2007, concentrated particularly among young employees.⁴ As of 2006, Japan’s minimum wage recorded the 3rd lowest among OECD countries (following South Korea and Turkey).¹ To the government’s concern, such widening labor market segmentation will weaken the mobility between the two segments of the workforce—nonregular employees seem trapped in job insecurity, financial insecurity, and lack of opportunities to develop job skills because they do not benefit fully from firm-based training.²

Aging of the workforce and workforce shortage in the decade ahead

Japan has also experienced the world’s fastest population aging and anticipates a severe workforce shortage in the decade ahead.⁵ Boosted mainly by steadily increasing life expectancy, falling childbirth rates, and the aging of the Baby Boom generation, since 2007, Japan has been defined by the United Nations as the world’s first “super-aging society,” in which those aged 65 and older account for more than 21% of the total population.⁵ If no major changes in immigration

policy occur, the 65+ population is projected to account for about 40% of the total population by 2050.⁶ In FY2007, Japan’s national debt recorded about 150% of the GDP, by far the highest in the history of the country.¹ Providing pension and health-care benefits to the growing number of retirees will further strain the already strapped national economy.¹ Moreover, the decrease in the future working-age population is projected to shrink the country’s economic vitality in the increasingly competitive global economy.⁷

Public policies and quality of employment

In the face of such looming economic and demographic challenges, it has come to be more imperative than ever before for Japan’s public policy to promote quality of employment.⁸ Since 1999, the International Labor Organization has promoted decent work to the global community.⁹ Following this initiative, the national government of Japan declared the years between 2005 and 2015 as the “the decade for promoting decent work environments for all employees.”¹⁰ It still remains a main policy objective to continually maintain or even increase quantity of employment—increasing employment rates and decreasing unemployment rates of the national workforce. Furthermore, with scarce natural resources, widening labor-market duality, and an anticipated workforce shortage, the future of Japan hinges largely on how effectively public policies moderate current employment institutions and improve quality of employment, particularly for disadvantaged segments of the population.¹¹

Throughout the post-war era, many of the employment-related public policies in Japan have been based on the “three pillars of labor laws”—the Labor Standard Law (Law No. 49 of April 7, 1947), the Labor Relations Adjustment Law (Law No. 25 of September 27, 1946), and the Trade Union Law (Law No. 174 of June 1, 1949)—which were originally codified under the guidance of the Allied Powers during the Allied Occupation of Japan (1945–1952).¹² The three pillars of labor law were based mainly on a developmental purpose in that the laws fundamentally aimed to develop the country’s social and economic infrastructure as part of the effort to reconstruct the country after WWII.¹³ Facing looming challenges in the midst of the current global economic downturn, the government in Japan is challenged to meet two objectives: promoting quality employment for all workers and continually facilitating the country’s economic competitiveness at large.¹³

POLICY OVERVIEW

DIMENSIONS OF QUALITY EMPLOYMENT



➔ Indicators of Fair, Attractive, and Competitive Compensation & Benefits

Employees' basic economic needs are secured, and fair and equitable distribution of compensation and benefits among employees is promoted.

Overview

To date, public policy for this dimension of quality of employment has focused mainly on securing the minimum safety net for workers' economic needs as the labor supplier. Promoting fair and equitable distribution of wages and other compensation and benefits has remained largely a secondary objective.¹⁴ Over the last few years, however, an increasing wage gap between regular and nonregular employees has come to be a growing national concern and has thus become an urgent policy agenda.

Securing employees' basic economic needs

In 1959, the government enacted the Minimum Wage Law (Law No. 137 of April 15, 1959) with the stated purpose of contributing to the nation's economic development by securing basic economic needs of workers so as to stimulate competitive and yet fair balance between the demand (employer) and supply (employee) sectors of the labor market.¹⁴ To date, this law regulates minimum standards only for wages, not including other forms of compensation (i.e., fringe benefits, overtime pay). Under the Law Concerning Ensuring Wage Payment (Law No. 34 of May 27, 1976), the government and employers are responsible for ensuring wage payment to employees in case of such circumstances as an employer's bankruptcy, a poor national economic trend, and major structural changes in an industry.¹⁵

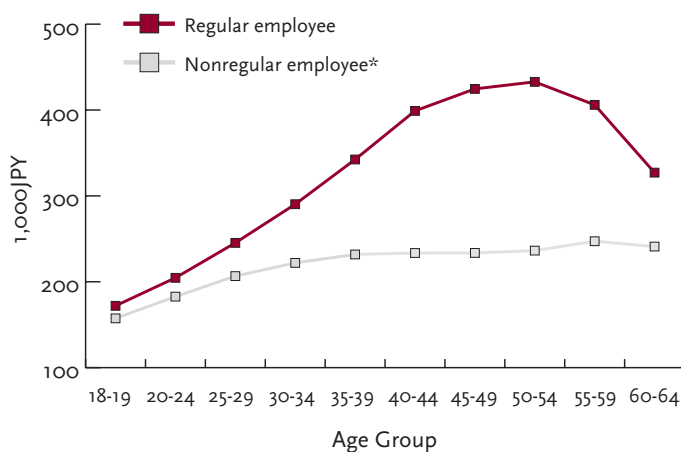
Strengthening employee protection

Under the Minimum Wage Law, each of the 47 prefectures comprising Japan is authorized to fix minimum wages through its Prefectural Wage Committee. Each prefecture fixes minimum wages by industrial sector.¹² As of 2008, for instance, Tokyo and Kanagawa prefectures fixed the country's highest minimum wage (766 JPY/8.76 USD), and Kagoshima, Miyazaki, and Okinawa prefectures fixed the lowest (627 JPY/6.87 USD).¹⁶ Within Tokyo, the highest minimum wage (822 JPY/9.14 USD) was fixed for the iron and steel mining industrial sector, and the lowest one (799 JPY/8.88 USD) was fixed for the retail sector.¹⁶ Under this law, employers are mandated to pay at least these minimum wages to all employees regardless of their employment status (full-time, part-time, short-term, etc.).¹²

Over the past few years, the increasing wage gap—a form of labor market segmentation—has come to be a major policy concern. In 2006, for instance, while a male regular employee's average monthly wage was 348,500 JPY (about 3,899.30 USD), that of nonregular employees, including part-time and fixed-term, was 240,300 JPY (about 2,688.67 USD).¹⁷ On average, male, nonregular employees earned only about 64% of the regular employees' wage. As part of the policy effort to mitigate this trend, the government has begun closely monitoring employers' compliance with the law. The government revised the Minimum Wage Law on November 28, 2007,¹⁸ which drastically increased the penalties for noncompliant employers who fail to pay the minimum wages; from 20,000 JPY (about 222.37 USD) to 500,000 JPY (about 5,559.38 USD) per employee.¹

As Figure 1 suggests, the wage gap (gaps in scheduled cash earnings) between regular and nonregular employees in Japan exists across all age groups. The gap is moderate among those in their 20s. For regular employees of the 20–24 and 25–29 age groups, a monthly average scheduled cash earning in 2008 was 204,600 JPY (about 2,276.87 USD) and 245,300 JPY (about 2,729.08 USD), respectively. For nonregular employees of the same age groups, the figures were 182,700 JPY (about 2,033.16 USD) and 206,600 JPY (about 2,299.13 USD), respectively. The gap increases particularly among those aged 30 and older. The gap is widest among the 50–54 age group. For this age group, a monthly average scheduled cash earning in 2008 was 432,800 JPY (about 4,815.15 USD) for regular employees and 236,300 JPY (about 2,629.64 USD) for nonregular employees.

Figure 1: Labor market segmentation—gap in monthly scheduled cash earnings¹⁹ between regular and nonregular employees, as of 2008, by age group.



*“Nonregular employee” includes part-time and fixed-term employees such as temporary, contracted, and entrusted workers.

Source: Ministry of Health, Labor, and Welfare, Government of Japan (2009c).



Indicators of Opportunities for Development, Learning, & Advancement

Job skill development and advancement are promoted for employees of as many industrial sectors, employment statuses, and life/career stages as possible.

Overview

The institution of lifetime employment, a long-held human resource management practice in post-war Japan, has rendered employers a primary provider of job skills training and development mainly for regular employees in exchange for their long-term loyalty to their employers.⁸ To date, the government role in this dimension of quality of employment has been limited largely to job seekers.⁴ By international standards, therefore, Japan’s public spending for this

dimension has remained very modest.²²

Promoting national standards for job skill qualities

With the enactment of the Law Concerning Human Resources Development Promotion (Law No. 64 of July 18, 1969),²¹ the government began developing the job skills of the national workforce. The stated overarching goal of this law was to contribute to the country’s economic productivity by developing and allocating the appropriate quality and quantity of occupational skills for as many industrial sectors as possible.²⁰

A measure enacted under this law was the National Technical Qualification System, a government-administered system to license or qualify workers to perform certain specialized services. This system aimed to first standardize quality of job skills and then to promote social recognition of qualified job skills so as to stimulate the growth of the country’s occupational skills at large.²⁰ As of 2008, the government qualified 297 categories of specialized occupations, including medical doctor, worksite safety consultant, management accountant, etc.²⁰

Active labor market programs for job-training and development

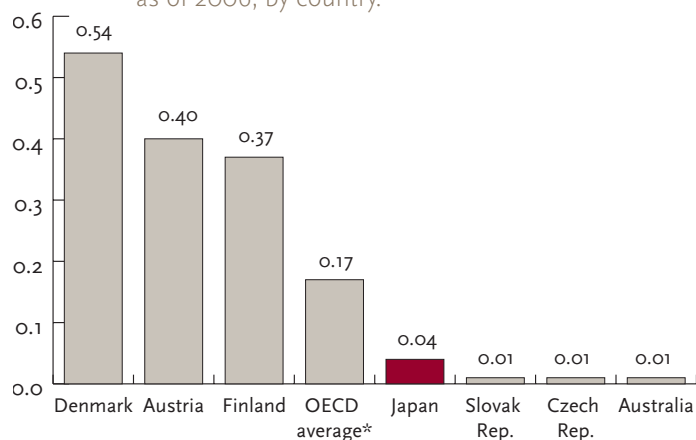
Under the same law, the government has also implemented active labor-market programs designed to provide job training and education mainly for those job seekers who can not find jobs due to a lack of occupational skills in demand.

The main active labor-market job-training programs are Public Vocational Training Facilities and Poly-Tech Centers. The former currently has 288 facilities nationwide and provides mainly skill training for manual jobs such as automobile repairs. The latter has 60 facilities and mainly targets job seekers who are interested in developing clerical job skills, including accounting and computer skills. These programs are subsidized by the national and municipal governments, and participants receive training free of charge under certain conditions.¹⁸

By international standards, Japan has spent much less in public resources for job skills training and development, which may reflect the long-term reliance on employers as the primary provider of job training mainly for regular employees.²¹

As the information presented in Figure 2 suggests, in 2006, Japan reported spending about 0.04% of the year's GDP for active labor-market programs aiming specifically for job-training purposes. This percentage is substantially below that of the OECD average (0.17% of GDP). Among OECD countries, Denmark (0.54%), Austria (0.40%), and Finland (0.37%) spent a greater share of public expenditures for job training than the other OECD countries. Australia (0.01), the Czech Republic (0.01%), and the Slovak Republic (0.01%) spent the smallest share of their GDP of all OECD countries.

Figure 2: Percent public expenditure for active labor-market programs for job training as a percentage of GDP, as of 2006, by country.



*Data for Iceland and Turkey are not available.

Source: Organization for Economic Co-Operation and Development (2009).



Indicators of Wellness, Health, & Safety Protections

Protection of employees' safety and health at their worksite is mandated, and their physical and mental well-being is promoted. In case of job-related injury or illness, compensation or other forms of social protection are offered in an accessible manner.

Overview

The government has promoted this dimension of quality of employment mainly through two major policy venues: compensatory and preventive. With the former, the government mandates that most employers participate in a national occupational insurance scheme for all their types of employees. With the latter, employers are placed under obligation to endeavor to implement specific workplace measures to prevent occurrence of injuries and illnesses at work.²⁴

Mandatory insurance for all employees' injury and illness

Since the enactment of the Law Concerning Workers' Accident Compensation Insurance (Law No. 50 of April 7, 1947), the government has mandated that employers participate in Industrial Accident Compensation Insurance, a government-administered occupational insurance scheme.²⁴ Participation in this insurance policy is mandatory for employers, with only a few exceptions, regardless of the number of employees at their worksite and their employment statuses. Under this insurance policy, anyone who earns wages is defined as a beneficiary.²⁴

This law mandates that employers alone contribute the insurance premiums to the insurance scheme. Employers pay 0.45 to 11.8% of each employee's total monthly earnings; this premium rate varies by the industry sector.²⁵ For instance, for an employee working at an energy-generating facility (i.e., thermal and electronic power

stations), the employer has to pay 11.8% of his/her total monthly earnings. The Merit System applies—the premium rate is subject to change depending on the workplace’s past record of injury occurrence.²⁵

Preventing work-related injuries and illnesses

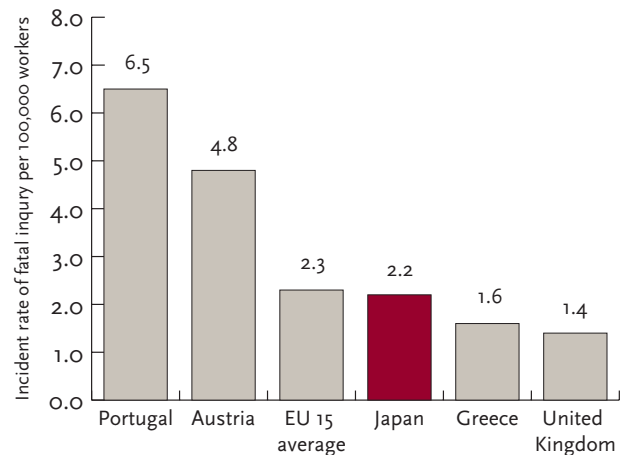
The government has also enacted the Law Concerning Industrial Safety and Health (Law No. 57 of June 8, 1972) to place employers under obligation to endeavor to develop and implement specific workplace measures aiming to promote a safe and healthy work environment for their employees.²⁵

Part of the obligation is to have (newly hired or elected from among current employees) at least one safety maintenance manager—a person qualified by the Ministry of Health, Labor, and Welfare to be responsible for maintaining worksite safety and health—in their companies. Since October 2006, the law has formally mandated that employers in certain industrial sectors (i.e., mining, manufacturing, transportation, etc.) with 50 or more employees hire at least one qualified safety maintenance manager.¹⁸

As far as physical safety is concerned, Japan’s workplaces seem to have maintained safety equivalent to many other industrialized countries (especially European countries). Nonetheless, measuring other important aspects of occupational health, such as mental well-being, is inherently difficult, particularly in a cross-national comparative manner. Thus, the overall quality of this dimension of employment in Japan still remains difficult to assess.

The information presented in Figure 3 indicates the incidence rate of fatal occupational injuries per 100,000 workers as of 2005. This rate excludes incidence of road traffic and transport accidents. Japan reported that, as of 2005, about 2.2 fatal injuries at work occurred per 100,000 workers, which is about the same rate as the average of 12 European Union countries. In the same year, the United Kingdom and Greece reported the lowest incidence rates among OECD countries (1.4 and 1.6, respectively). Portugal and Austria reported the highest incidence rates (6.5 and 4.8, respectively).

Figure 3: Incident rate of fatal injuries at work per 100,000 workers, as of 2005, by country.



Source: Bureau of Labor Statistics (2009),²⁵ Health and Safety Executive (2009),²⁶ and Japan Industrial Safety & Health Association (2009).²⁷



➤ Indicators of Opportunities for Meaningful Work

Opportunities for meaningful or fulfilling employment are promoted through facilitating appropriate job-skill matches, self-realization through occupation, or community participation away from routine work.

Overview

Over the last few years, while not a central policy objective, promotion of meaningfulness in employment has emerged as part of the government's focus.²⁹ Toward this goal, the government has provided financial incentives for employers to provide job seekers with job-skill-interest match trials and promoted employers' offering special leave programs aiming specifically to offer employees opportunities to refresh from daily routines. To date, the impact of the government role on this dimension of employment has remained minimal.

Reducing job mismatch through a trial program

Since the early 1970s, the government has offered the Subsidy for Workplace-Adjustment Trial, a subsidy program to promote employers' conducting trial employment of job seekers interested in the employer's workplace, occupation, or industry.¹⁸ This subsidy is available for employers in most industrial sectors with 30 employees or more. While this subsidy aims to assist interested job seekers' smooth adjustment to employment, it also provides substantial opportunities for job seekers to experience whether particular jobs really match the job seeker's interests, skills, and other backgrounds.¹⁸

In this subsidy program, employers can conduct trial employment up to 3 months and receive a monthly subsidy of 24,000 JPY (about 268.31 USD) per trial employee.¹⁸ As of FY2007, the government allocated 32,000,000 JPY (about 358,510.19 USD) for this subsidy program. Yet, only a quarter of the budget—8,000,000 JPY (about 89,435.47 USD)—was spent. A much smaller number of employers actually utilized this public resource than expected.¹⁸

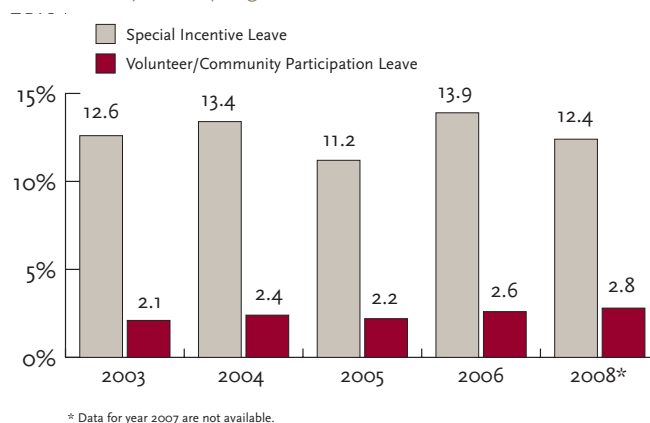
Promoting special leave for meaningful working lives

Since 2002, the government has encouraged employers to make available Special Incentive Leave—a form of leave program aiming to provide employees with opportunities for better work-family balance and to help increase work motivation through physical and mental refreshment.³⁰ If made available, this particular leave program has to be offered as paid leave, as do other legally mandated leave programs such as child-care leave.³⁰ The availability of this leave program must be clearly written in the employment terms and conditions.

Since the same year, the government has also encouraged employers to make available Volunteer/Community Participation Leave.³⁰ At the time of the Hanshin Earthquake in 1995, some employers voluntarily offered paid leave for their employees to engage in volunteer activities to serve the victims. Inspired largely by this employer-initiated leave, the government has aimed to promote this leave nationwide. Through utilization of this leave program, the government aims to encourage employees' voluntary contributions to the community as community members.³⁰

Figure 4 presents information about trends for the percentage of employers in Japan (across all industrial sectors and company sizes) who made available two special leave programs, Special Incentive Leave and Volunteer/Community Participation Leave programs, from 2003 through 2008. About 13% of employers made available the former program since the government initiative in 2002. The figure has not changed significantly. For the latter program, less than 3% of employers have made it available to their employees since 2003. A very small share of the workforce has been offered both forms of special leave program aiming to promote meaningful employment lives.

Figure 4: Trends for percentage of employers who made available special leave programs for employees' meaningful working lives, 2003–2008, by leave program.



Source: Ministry of Health, Labor, and Welfare, Government of Japan (2009).



➤ Indicators of Provisions for Employment Security & Predictability

Stable provision of employment opportunities for job seekers is promoted, clear communication of terms of employment is facilitated, and protecting job security of the employed is a policy objective.

Overview

The government has made efforts to promote employment security mainly through two venues: assisting job seekers to find employment and promoting job security of those who are employed.³¹ Compared to other industrialized countries, Japan's efforts through the former venues remain modest. Facing demographic challenges, much government effort has been made for the latter venue, particularly for older workers facing mandatory retirement rules at their workplaces.³¹

Public employment services for job seekers

The government enacted the Employment Security Law (Law No. 141 of November 30, 1947) in order to "contribute to the social and economic development of the country through facilitating stable employment opportunities for all job seekers and allocating labor supply to all industries in need of workforce." One measure implemented under this law is an establishment of the Hello Work program, a nationwide, public employment security agency that assists job seekers to find employment opportunities. With the enactment of the Employment Insurance Law (Law No. 116 of December 28, 1947), the government has also established a national unemployment insurance policy, which provides benefits to the unemployed, public job-training programs, employment promotion benefits, etc.³²

Under this law, as of 2009, both employers and employees together are required to contribute 0.15–0.18% of an employee's pretaxed monthly earning as their premiums to the insurance policy. An employee is responsible for paying 0.09–0.11% of his/her monthly earnings, and an employer pays 0.06–0.07% of the employee's monthly earnings.³²

Japan's policy endeavors for employment services for job seekers are more modest than those of some other industrialized countries. As of 2004, the Hello Work program established 592 local offices nationwide, and the worker-per-office rate was 112,601. In 2002, the rate for France (Agence Nationale Pour l'Emploi) and Germany (Bundesagentur für Arbeit) was 35,644 and 47,851, respectively.³²

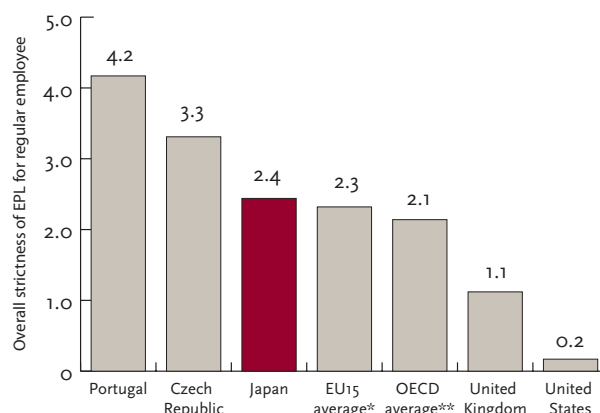
Promoting job security among older workers in an aging workforce

The main policy endeavor to protect job security among the employed in Japan can be seen in the government's continuous efforts since the early 1970s to protect the employment of older workers through the Law Concerning Stabilization of Employment of Older Persons (Law No. 68 of May 25, 1971).³³ Coupled with the lifetime employment institution, mandatory retirement rules are still in effect in the country's workplace. For employers, on the one hand, mandatory retirement rules have been an important human resource management practice due primarily to older workers' high wages relative to what employers perceive as their actual productivity. To the government, on the other hand, promoting longer employment of older workers beyond the conventional mandatory retirement ages is one of the major policy measures to mitigate a severe workforce shortage projected in the decade ahead due to population aging.⁸

Through the 1971 law, the government mandated that employers change the age criteria for their mandatory retirement rules from 55 to at least at 60 in 1994. Under the latest revision of the law, amended in 2004, employers have been mandated to increase mandatory retirement age to at least age 65 by April 2013 (or to fully abolish mandatory retirement rules).⁸ Furthermore, since May 2008, the government has conducted a new national campaign providing incentives, including award and subsidy programs, for employers that keep their workers employed at least until age 70.³⁴

The information presented in Figure 5 indicates OECD countries' overall strictness of legislation to protect regular (full-time and presumably lifetime) employees from dismissal. The strictness is measured based on an OECD cross-national comparative indicator. The value assigned to Japan is 2.44, indicating that strictness of legislation in Japan is measured to be more protective than that of the average of 15 European Union countries (2.32) and that of OECD countries (2.14). According to this indicator, among OECD countries, the United States (0.17) and the United Kingdom (1.12) are assessed as having the weakest protection, and Portugal (4.17) and the Czech Republic (3.31) are assessed as having the strongest protection.

Figure 5: Strictness of employment protection legislation (EPL) for regular employment, as of 2003, by country (an OECD indicator).



*Data for Luxembourg are not available.

**Data for Iceland and Luxembourg are not available.

Source: Organization for Economic Co-operation and Development (2009).



➡ Indicators of Workplace Flexibility

Availability and utilization of flexible work options are promoted for employees of various life stages through increasing their control over work hours, locations, and other work conditions.

Overview

Facilitating flexible work options has been one of the public policy objectives since the late 1980s, reflecting growing public concerns about work and life balance. The government has particularly attempted to increase employees' choices over work hours and work locations. To date, public efforts have yielded much less effect on this dimension of quality of employment than expected.³⁵

Promoting flexible work hours

With the 1987 amendment of the aforementioned Labor Standard Law (Law No. 49 of April 7, 1947), the government placed employers under obligation to endeavor to make available flexible work-hour options, including

compressed work hour and flextime work hour options.³⁵ This amendment of the law was based largely on a growing national concern about the very long work hours among employees in the country's workforce compared to the international standard. In 1992, the government enacted the Law Concerning the Welfare of Workers Who Take Care of Children or Other Family Members, Including Child-Care and Family-Care Leave (Law No. 76 of May 15, 1991) in response to growing public concerns about work and life balance among employees and the decrease in the childbirth rate of the country.⁴ The main purpose of this law was to facilitate, while not legally mandating, employers' voluntarily offering flexible work-hour options. It placed employers under obligation to develop workplace measures to comprehensively support employees' better work and life balance. Under this law, employers are also placed under duties to accept employees' requests for care-related leave upon request.³⁶

The share of employers that actually make available flexible work-hour options in the country has remained very small and increased very little over roughly the last decade. As of 2008, only 6.2% of employers in Japan reported offering a flextime work-hour option. In contrast, in 2004, about 71.2% of employers in the United States, about 29.3% of those in Germany, and 24.3% of those in the United Kingdom reported offering flextime work-hour arrangements.³⁶

From 2007 through 2014, the government is also scheduled to implement the Subsidy for Supporting Child-Care at Small and Medium-Sized Enterprises (SMEs).³⁵ This program provides financial support for those SME employers (with 100 employees or fewer) who provide any child-care-related

flexible work-hour options for the first time. For FY2007, the government allocated a budget of 1,181,000,000 JPY (13,207,439 USD) for this particular subsidy program; however, only 6,000,000 JPY (67,099.6 USD) was used due to the lack of publicity of this program.³⁵

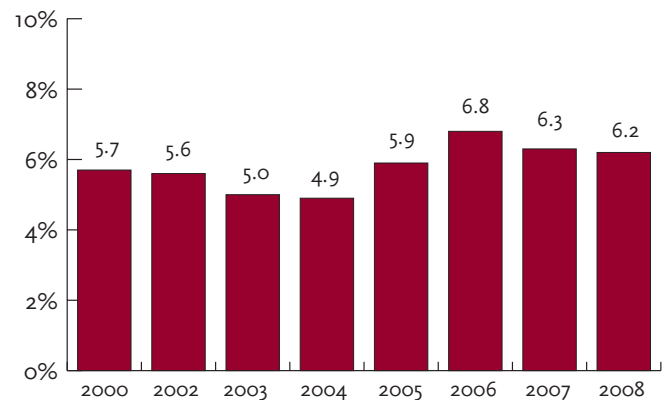
Promoting flexible work locations

Over the last decade, the government has also attempted to increase flexible work options for the country's workforce by increasing employees' choice over work locations.³⁷ Promoting teleworking practices is the main public measure to achieve this objective. Teleworking substitutes telecommunication technologies for work-related commutes and travels, often through reliance on videoconferencing, mobile phones, or laptops with high-speed Internet connections or through relocation of workers to local satellite offices closer to their homes.³⁷

Even among the industrialized countries, Japan has a strong incentive to promote teleworking practices to increase flexible work options for locations.³⁸ Since the mid 1990s, Japan's GDP devoted to investment in IT industries has sharply risen, and the contribution of total factor productivity growth from the IT sector in the country has rapidly increased.³⁹ In 2003, the government established a semi-official bureau, the IT Strategic Headquarters, which aims to take initiative to increase the ratio of teleworkers to 20% of the total working population by 2010. As of 2007, about 14% of employers in Japan offered teleworking options for their employees, and only 6.4% of workers reported practicing teleworking.³⁹

As suggested by the information presented in Figure 6, between 2000 and 2008, the percentage of employers in Japan that made available flextime work-hour programs remained substantially unchanged. In 2000, about 5.7% of employers reported that they made the program available, and that figure had even slightly decreased to 4.9% by 2004. In 2006, about 6.8% of employers reported that they made the program available; however, the figure again decreased to 6.2% by 2008.

Figure 6: Percentage employers making available flextime work-hour options, 2000–2008, by company size.



Source: Ministry of Health, Labor, and Welfare, Government of Japan (2009).



➤ Indicators of Culture of Respect, Inclusion, & Equity

Diversity in the workforce and inclusion of less-advantaged populations are promoted, and equity in work conditions is pursued.

Overview

In pursuing this dimension of quality of employment in today's labor market in Japan, the government has been dealing with two major agendas: old and new. The former is to continually promote inclusion of women in the workforce.⁴⁰ By international standards, the gender discrepancy in the employment rate in Japan still remains wide. The latter is to improve comprehensive work conditions for an increasing number of nonregular workers, particularly part-time employees.¹

Improving the gender discrepancy in employment rates

Similar to many other industrialized countries, promotion of women's employment has been part of the policy objective in Japan since the early 1970s.⁴⁰ The government enacted the Law on Securing Equal Opportunity and Treatment between Men and Women, originally referred to as the Equal Employment Opportunity Law (Law No. 103 of July 1, 1972), in 1985. The law requests that employers make an effort to improve work conditions for women, particularly in terms of their treatment in dismissals and mandatory retirement rules.⁴¹ However, this law did not codify any substantial penalties for discriminatory treatment for hiring. This law was enacted partly because of the necessity to keep up with an international standard of the time, meeting criteria promised by United Nations' Convention on the Elimination of All Forms of Discrimination against Women; the year 1985 was the last year of the Women's 10-Year campaign.⁴¹

Due mainly to the aforementioned concern about workforce shortages anticipated in the decade ahead, promotion of women's employment has come to be an object of the government's serious commitment. The 1999 amendment

of the aforementioned law has prohibited employers from discriminating against women in terms of recruitment, hiring, promotion, training opportunities, and fringe benefits, as well as their treatment concerning mandatory retirement and firing. This time, these have become legal requirements, not just duties for which to endeavor anymore.⁴⁰

In the same year, 1999, the government launched the Gender Equality Bureau with the passage of the Basic Law for a Gender-Equal Society (Law No. 78 of November 23, 1999).⁴⁰ Through the Bureau, the government has conducted a national campaign to improve the number and status of women in the workforce. The Basic Law for a Gender-Equal Society has mandated that employers increase the share of female employees in managerial positions in their workplaces to at least 30% by 2020.³⁰ Since 1999, the employment rate of women in Japan has gradually increased, from 60.9% in 1999 to 62.5% by 2005 and to 64.4% by 2007. Nonetheless, by international standards, the gender gap in the employment rate in Japan still remains much greater than that in other industrialized countries.³⁰

Equitable treatment for the growing number of part-time employees

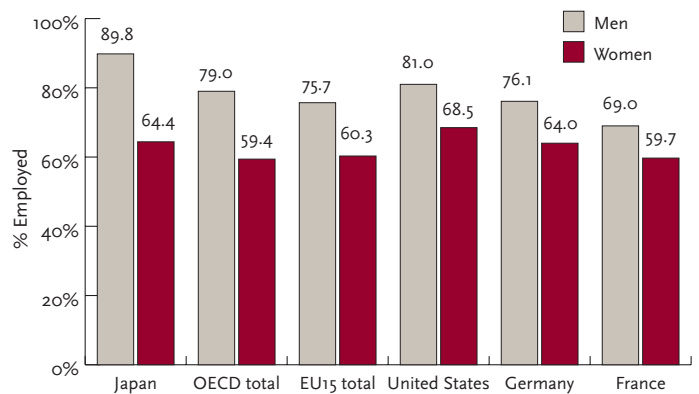
Facing the growing labor-market duality, the government has also engaged in improving work conditions of nonregular workers, particularly those of the rapidly increasing number of part-time employees, to be as equitable to those of regular employees as possible.¹ In 1994, the government enacted the Law Concerning the Improvement of Employment Management of Part-Time Workers (Law No. 76 of June 18, 1993).¹ This law merely placed employers under obligation to endeavor to provide part-time employees with opportunities for training and development, job security, and fringe benefits equitable to those of the regular employees. While the Netherlands and Australia have higher ratios of part-time employees in their workforces, equitable treatment among those employees is ensured.²

In response to growing public concerns about securing decent work conditions for part-time employees, the aforementioned law was amended in 2008 and scheduled to take effect in April 2009.¹⁸ The 2008 amendment of the law will strictly prohibit discrimination in wage, education, training opportunities, or any other area against part-time workers on the basis of their part-time status. It will also put employers under duty to endeavor to provide chances for part-time employees to become regular employees.¹ Some positive effects of the 2008 amendment of the aforementioned law are expected. The legal provision

is, however, projected to apply only to 4% of part-time workers in the country's workforce because it concerns only those part-time workers whose "contents of work and the responsibilities involved" are the same as those of regular workers and who "have concluded labor contracts without fixed terms."⁴¹

The information presented in Figure 7 indicates employment rates in OECD countries by gender as of 2007. For the average of OECD countries, the employment rate in this year was 79.0% for men and 59.4% for women; the gender gap was about 19.6%. Japan's gender gap in employment rate was wider than that of the OECD average—for Japan, the employment rate was 89.8% for men and 64.4% for women; the gender gap was 25.4%. Japan's gender gap in the employment rate was substantially wider than that of the average of 15 European Union countries (15.4%), the United States (12.5%), Germany (12.15), and France (9.3%).

Figure 7: Percent employment rate as of 2007 by country and gender.



Source: Organization for Economic Co-operation and Development (2009).



➡ Indicators of Promotion of Constructive Relationships at Work

Employer-employee frictions and conflicts are mitigated, and constructive workplace relations are facilitated.

Overview

Until 2001, generally, public endeavors to promote constructive employer-employee relations had aimed primarily at facilitating smooth economic development of the national economy by stabilizing relations between the demand and supply sides of labor.⁴² Over the last few years, however, due perhaps to the growing number of unwilling nonregular employees, the number of employment-related disputes reported by employees has steadily increased.

Facilitating constructive employer-employee relations for economic development

Two of the aforementioned three pillars of labor laws—the Labor Relations Adjustment Law (Law No. 25 of September 27, 1946) and the Trade Union Law (Law No. 174 of June 1, 1949)—had governed and regulated Japan's employer-employee relations since the late 1940s. The two laws' main focus was to lay general regulatory frameworks to control the country's employer-employee relations in general.⁴²

The stated purpose of the former law was to "promote the fair adjustment of labor relations and to prevent or settle labor disputes and thereby contribute to the maintenance of industrial peace and economic development." In case of the occurrence of a large-scale strike or lockout that might affect the rest of the society, this law requires that the Central Labor Relations Commission take charge of moderating and settling the conflicts.⁴² Under this law, the commission is required to consist of representatives from employers and employees. The latter law was legislated with a stated purpose of "establishing equal standing for workers and employers in bargaining and in reaching agreement regarding working conditions." This law specifies two channels for formal communication between employers and employees; first, collective bargaining and collective agreements, and, second, employment rules.⁴²

Responding to individualized employer-employee disputes today

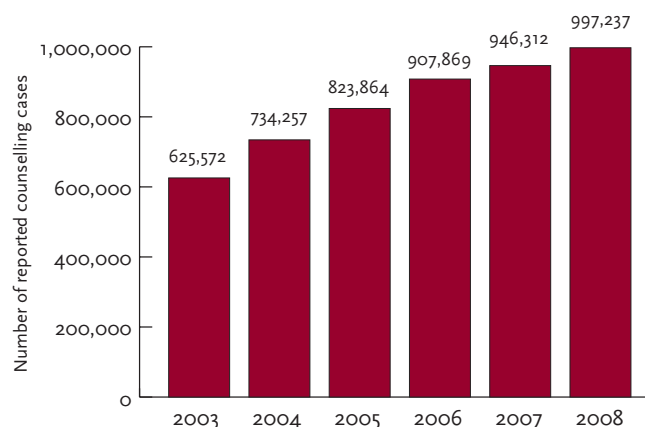
Due partly to the widening labor-market duality, the number of reported labor disputes has steadily increased over the past few years.⁴³ In response, in 2001, the government enacted the Law for Promoting the Resolution of Individual Labor Disputes (Law No. 112 of July 11, 2001), under which local Labor Bureaus and the related administrative bodies are authorized to take part in the resolution of such disputes. The Director of the Bureau may establish a dispute adjustment committee that consists of entrusted expert members to offer conciliation as requested. The dispute adjustment committee may propose a settlement plan, but the parties remain free to reject it. This procedure is completely voluntary.¹⁸

Over the past few years, not only has the number of labor disputes increased, but the contents of the disputes have become individualized—conventional, general legal regulations based on the aforementioned Labor Relations Adjustment Law and the Trade Union Law alone are not effective.¹⁸ In this context, in 2008, the government enacted the Labor Contract Law (Law No. 128 of February 5, 2008) in order to develop and implement public measures to respond to such individualized disputes on a case-by-case basis.¹⁸

Under the aforementioned Individual Labor Dispute Law, since October 2002, the government established employee walk-in consultation services—a comprehensive labor-trouble counseling service with 300 locations nationwide. Reflecting growing public concerns about the increasing number of unwilling nonregular employees, the number of labor disputes has steadily increased over the last 5 years.¹⁸

The information presented in Figure 8 indicates the trends for the number of employment-related trouble cases reported by employees to employee walk-in consultation services since the first year of this service from 2003 through 2008. The number of the reported cases has steadily increased through 2008. In 2003, 625,572 cases were reported; the reported case number increased to 823,864 in 2005 and 997,237 in 2008.

Figure 8: Trend for number of reported employment-related troubles, 2003-2008.



Source: Ministry of Health, Labor, and Welfare (2009).

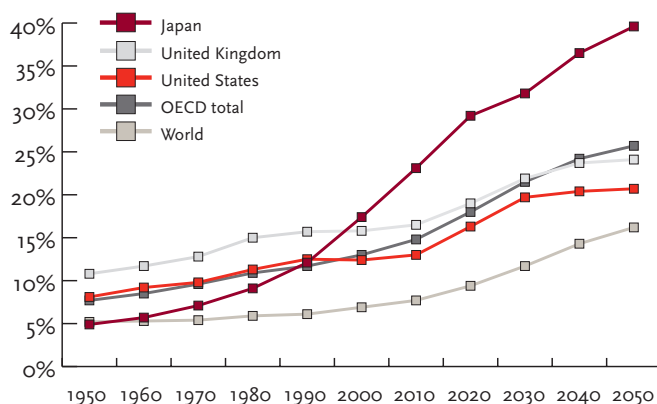
CONTEXTUAL FOCUS:

THE LAW CONCERNING STABILIZATION OF EMPLOYMENT OF OLDER PERSONS

Overview

As one of the current main public policy issues in the country context of Japan, this paper focuses on the public policy effort to prolong the working lives of older workers. Facing the aging of the population and the workforce, policy makers in most industrial countries have been challenged to develop effective measures aimed at supporting older workers' remaining in the labor force beyond their current retirement ages.³¹ In this context, from a public policy perspective, extending older workers' working lives would improve their financial security in retirement, ease anticipated insolvencies of public pension schemes, potentially reduce public spending on health-care programs, and mitigate forecast labor force shortages so as to maintain their countries' economic vitality in an increasingly competitive global economy.⁴⁰ Currently, Japanese older workers remain in the labor force longer than those of most other industrial countries.³¹ In the decade ahead, however, the country anticipates one of the severest labor force shortages in the world, mainly because of the steady decline of childbirth rates and the increase in life expectancy. Furthermore, the upcoming retirement of the Baby Boom generation⁴⁴ is projected to accelerate the shrinking of the already aged workforce.³¹

Figure 9: Historical trend and projection, ratio of population aged 65 and over to the total population, by country, 1950–2050.



Source: Organization for Economic Co-operation and Development (2009).

The information presented in Figure 9 indicates that in the middle of the 20th century, the ratio of the population aged 65 and over to the total population in Japan was similar to that of the world average. However, it has become higher

than that of other industrialized countries, including the United Kingdom and the United States, as of today (2009). The information also suggests that over the next five decades, Japan's ratio is projected to dramatically increase; in 2050, the ratio is projected to reach about 40%, which would make Japan much older than other industrialized countries in terms of the ratio of population aged 65 and over to the total population.

The Law Concerning Stabilization of Employment of Older Persons

Roughly over the last four decades, Japan has enacted a number of administrative and legislative initiatives designed both to (1) support continued employment of older workers in the labor force, and (2) to promote employment opportunities for older people who are seeking jobs. In both policy areas, the aforementioned Law Concerning Stabilization of Employment of Older Persons (Law No. 68 of May 25, 1971; the Stabilization Law, hereafter) has served as “the most significant public policy around which the Japanese government's continuous endeavors for older workers' employment have revolved up until today.”⁴⁶ Since first enacted in 1971, the Stabilization Law has fostered a variety of policy measures designed to comprehensively extend the working lives of older citizens. To date, it has been partially amended and fully revised, continually increasing the mandatory retirement age and further supporting unemployed workers for whom it is necessary to reenter the labor force.³¹

1. Supporting older employees' continued employment:

Mandatory retirement rules are still accepted in most of Japan's workplaces.⁴⁵ Therefore, much of Japan's policy effort for older workers' employment is not so much about protecting older workers from ever being forced to retire from their career jobs. Rather, the public policy has aimed to prolong older workers' working lives as much as possible by intervening in the labor market. A main strategy for this objective is to mandate that employers gradually increase the age criteria set for mandatory retirement rules.⁸

When first enacted in 1971, the Stabilization Law put employers under an obligation to prepare for increasing the minimum age for mandatory retirement from 55 to 60. In 1986, the age increase for mandatory retirement (from 55 to 60) became a formal legal requirement for employers.³⁴ Through the 1994 partial revision, the Stabilization Law fully mandated that employers set the minimum mandatory retirement age at 60 or older and simultaneously issued administrative guidance for employers to endeavor to reform existing workplace policies and practices so as to prepare to further increase the minimum age to 65.³⁴

The latest revision of the Stabilization Law, enacted in April 2006, has mandated that employers implement at least one of the following three measures by April 2013:⁸

- (a) Fully abolish mandatory retirement rules in the workplace,
- (b) Set the minimum age for mandatory retirement at 65 or older, or
- (c) Introduce employment policies aimed to continue employing older workers aged 65 or older.

As of today, few employers have abolished mandatory retirement rules (measure a) due primarily to older workers' high wages relative to what employers perceive as their actual productivity at work.¹⁸ With the second option (measure b), employers would have to continue to employ older workers without changing their employment status, job contents, or wages at least until age 65.¹⁸ The last option (measure c) does not mandate that employers unconditionally guarantee secure employment of older workers until age 65; rather, it merely requests that employers introduce measures that are aimed to provide their older workers with opportunities to remain employed at least until age 65.¹⁸ "In balancing the pressure to reduce costs associated with human resources in today's competitive economy and the legal requirements of the latest revision of the Stabilization Law,"⁴⁶ most employers in Japan have chosen the last option and have re-employed workers who have reached age 60 in temporary or part-time positions with reduced wages and responsibilities.⁸

Specifically for those employers who elect to adopt the last measure (measure c), the Employment Continuation Benefit for the Aged is available.¹⁸ Originally implemented in 1995, this *de facto* subsidy program has aimed to mitigate employers' financial burdens of continually employing older workers beyond the current mandatory retirement age at least until age 65. This "in-work" benefit compensates workers aged 60–64 who experience a wage reduction of more than 25% after reaching the age criterion for mandatory retirement. In FY2007, the government spent about 267,000,000 JPY on this benefit program.³¹

2. Promoting employment opportunities for older job seekers

In Japan, public policy in the times of aging workforce has also focused on older people who are currently outside the workforce and are able and willing to enter or re-enter the workforce. In this context, the Silver Human Resource

Center (hereafter, SHRC) program has been a major venue for the public policy's continuous implementation of various active labor-market programs to promote employment opportunities for older job seekers.³¹ Similar to the Senior Community Service Employment Program (SCESP) in the United States, the SHRC program in Japan is a nationwide public program designed to provide local residents age 60 and older with opportunities for regular employment as well as such nonregular employment as temporary, contract, part-time, or other forms of paid work. Registered members of the program receive free skills training, education, counseling services for job matching, and job interview preparation, with the cooperation of a variety of business owners' associations and public employment security institutions.³¹

The SHRC program was first envisioned under the first enactment of the Stabilization Law in 1971.⁸ Since the 1986 amendment of the Stabilization Law, the SHRC program has been fully subsidized by the national government in collaboration with municipal governments. Beyond a mere public employment service for the aged, today, the SHRC program has served as a nationwide program for the overall well-being of the older people of the country.³¹ Since a 2002 amendment of the Stabilization Law, the SHRC program has evolved under the slogan of "active aging society" into a comprehensive public-welfare program for older citizens.³⁴ It was developed not only to help older job seekers find employment opportunities, but also to allocate resources for elders' social networking and community integration by linking them with nonprofit recreational and community service programs available nationwide.³¹

Since its formal establishment, the SHRC program has steadily been developed. Compared to the aforementioned SCESP program in the United States, the SHRC program in Japan reports that:

- (a) The total annual spending in FY2006 was approximately \$3.2 billion (versus about \$436 million for the U.S. SCESP program),⁴⁷
- (b) The total enrollment for the Japanese program grew to 775,468 by 2006 (versus about 61,000 members in the same year for the U.S. SCESP program),⁴⁷ and
- (c) The employment rate through the program, measured as the percentage of program participants who remained employed 3 months after initial program participation, was reported to be about 84% (versus about 32% through the U.S. SCESP program).⁴⁷

IMPLICATIONS FOR QUALITY OF EMPLOYMENT

To public policy in Japan today, it is more imperative than ever before to fully engage in promoting both quantity and quality of employment of the country's workforce. First, in the midst of the global economic downturns today, public policy needs to facilitate the country's economic productivity and competitiveness by increasing the size of the workforce despite its current gradual shrinkage. Second, and simultaneously, improving the quality of employment would improve the well-being of the country's workforce, particularly that of part-time, fixed-term, female, and older employees. This would, in turn, help increase the quantity of employment by encouraging more workers to stay employed or to be re-employed.⁴⁸

On the level of employment-related public policy, today, the founding purpose of the three pillars of labor laws has come to be the center of Japan's primary policy priority—contributing to the country's economic development by increasing the quantity of employment. In the face of severe workforce shortages in the decade ahead in today's increasingly competitive global economy, a situation similar to that of the reconstruction era shortly after WWII, maintaining the economic development of the country has become the top national priority.

Nonetheless, achieving such developmental purposes in the country's workforce today requires far more than merely making minor adjustments in to existing public policies based on the three pillars of labor laws. The information and

discussion presented in this policy brief suggest that, while maintaining in the process of achieving this core purpose, Japan's public policy is also challenged to address and improve the quality of employment by engaging in restructuring with great care the long-held social norms, employment institutions, and cultural values that have long shaped the working lives of the country's population throughout the post-war history. Thus, public policy of necessity faces the need not to shift its policy objective from quantity to quality of employment, but to cope with and balance both demands as dual policy objectives in order to navigate in the 21st century global economy and aging world.⁴⁸

The policy challenges in moderating the quality of employment of for Japan's workforce are unprecedented; as one of the most aged countries, characterized by a growing labor-market duality and workforce shortages in the decade ahead, the government has very little in the way of preceding models from which to draw lessons. Despite the major economic crisis during the post-bubble economy era in the 1990s and in the midst of today's looming global economic downturn, Japan stands as the most powerful economic trendsetter in Asia and the second largest economy in the world behind only the United States in terms of the GDP and scale of foreign reserves. Rather, the present and future experiences of Japan may yield significant policy lessons, both positive and negative, in terms of balancing the quantity and quality of employment in their workforces.

ACKNOWLEDGEMENTS:

Established in 2007 by the Center on Aging & Work, the Global Perspectives Institute is an international collaboration of scholars and employers committed to the expansion of the quality of employment available to the 21st century multi-generational workforce in countries around the world.

The Global Perspectives Institute focuses on innovative and promising practices that might be adopted by employers and policy-makers.

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- a deeper understanding of the employment experiences and career aspirations of employees of different ages who work in countries around the world;
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The Sloan Center on Aging & Work is grateful for the continued support of the Alfred P. Sloan Foundation.

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ACKNOWLEDGEMENTS

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The Center on Aging & Work is grateful for the continued support of the Alfred P. Sloan Foundation.

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