Jobs for Youth

JAPAN

Des emplois pour les jeunes

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Jobs for Youth
(Des emplois pour les jeunes)

Japan

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FOREWORD

The OECD's Employment, Labour and Social Affairs Committee has decided to carry out a thematic review of policies to facilitate the transition from school to work and improve the career perspectives of youth. This review is a key part of the implementation of the Reassessed OECD Jobs Strategy.

Sixteen countries (Australia, Belgium, Canada, Denmark, France, Greece, Japan, Korea, the Netherlands, New Zealand, Norway, Poland, Slovak Republic, Spain, the United Kingdom and the United States) have decided to participate in this review which began in 2006 and will be completed in 2009. Once all these countries have been reviewed, a synthesis report will be prepared highlighting the main issues and policy recommendations which will be discussed subsequently by OECD Employment and Labour Ministers.

In this thematic review, the term youth encompasses "teenagers" (*i.e.* youth aged 15/16-19), as well as "young adults" (aged 20-24 and 25-29).

This report on Japan was prepared by Chang-Hun Han with statistical assistance provided by Sylvie Cimper and Thomas Manfredi. It is the tenth such country report prepared in the context of this thematic review supervised by Stefano Scarpetta (Head of Division) and Anne Sonnet (Project Leader). A draft of this report was presented at a seminar which was organised in Tokyo on 16 July 2008 by the Ministry of Health, Labour and Welfare. Discussants at the seminar included representatives of the public authorities and the social partners, as well as academics.

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SUMMARY AND MAIN RECOMMENDATIONS

Despite some progress in recent years, young people face significant challenges in the labour market

The youth labour market in Japan has gone through major upheavals over the past two decades. Until the early 1990s, it was characterised by a rapid transition of school leavers into stable employment, low unemployment and low job turnover. These patterns were explained by a combination of strong labour demand and a unique school-to-work transition system in which schools were directly linked to firms and provided placement services to most of their students. In a context of generalised lifetime employment practices, firms hired new staff upon school completion with the prospect of long-term employment and provided intensive on-the-job training to new hires.

This picture changed radically in the "lost" decade of the 1990s, when the overall contraction of labour demand resulting from the prolonged recession made it more difficult for many young Japanese to gain a secure foothold in the labour market and move up the career ladder. The youth unemployment rate rose to 10% in 2003, compared with a steady 4-5% in the early 1990s. The incidence of long-term unemployment for youth also more than doubled between the early 1990s and the early 2000s, exceeding the OECD average.

The prolonged economic recovery which started in 2002 has brought some relief to the youth labour market, and the overall job prospect for youth has been improving. The youth unemployment rate dropped to 7.7% in 2007, and was accompanied by a significant decline in long-term unemployment. These recent improvements also reflect the demographic context in Japan, as the first baby-boomers started to reach the retirement age around 2007, thereby increasing firms' demands for young workers to replace them.

However, some major legacies of the *lost decade* in the youth labour market seem to persist. One important source of concern is that of growing

labour market dualism primarily affecting young people in Japan. In 2007, more than 31% of young workers aged 15-24, excluding students, were in various non-regular forms of employment, *i.e.* temporary, part-time and temporary work agency jobs (for all young workers including students, the share exceeded 46%).[1] These jobs provide low income, limited career prospects and fewer skill development opportunities. There is also a substantial gap in social insurance coverage (*i.e.* unemployment insurance, public health insurance and employee pension) between young regular workers and young non-regular workers. Meanwhile, the degree of *vertical* mobility – the probability of transition from non-regular employment to regular employment – is very limited, thus leaving many young people trapped in precarious jobs. In this context, young people with lower educational attainment seem to face more severe difficulties in their school-to-work transition, with higher incidence of unemployment, job turnover and insecure employment. Although the share of school drop-outs, defined as young people leaving school without upper secondary qualifications, is relatively low in Japan by international comparison (4.5%), it still represents around 0.3 million youth aged 15-24.

This situation appears to reflect several structural factors. First, the declining importance of lifetime employment and company-based training have brought to the fore the weaknesses of the existing education and training systems in Japan: a relative inability of the education system to meet labour market requirements, given a high reliance on general education; limited work experience before students enter the labour market; and under-developed vocational training structures. Second, employment protection regulations, which have traditionally been geared to lifetime employment, might have created a wedge between regular and non-regular contracts. At the same time, some hiring and employment practices in the workplace, based on age and gender, might also have reinforced rigidity in the youth labour market. Third, despite some recent reforms, many young people do not benefit from adequate public support – *i.e.* access to active labour market programmes and income security – during their transition from school to work and the early phases of work life.

In sum, despite some improvements in recent years, the Japanese youth labour market experienced significant problems, similar to those observed in some other OECD countries. Japan's traditional system of swift school-to-work transition, which guaranteed a quick settlement of school leavers into secure employment, is now facing challenges, at a moment when Japanese lifetime employment practices are also under strain. To address these youth labour market problems and, in particular, the rising number of young

1. In Japan, young people in non-regular jobs are often called "freeters".

non-regular workers, the Japanese government has introduced a wide range of reforms since the early 2000s, including a policy package for youth employment, efforts by the educational authorities to help facilitate the school-to-work transition, and reforms of employment regulations.

Recent reforms in response to the youth labour market challenges

In 2003, the government formulated a comprehensive *Independence and Challenge Plan for Young People*, with the aim of reducing the number of *freeters* and facilitating a smoother school-to-work transition. This plan includes various innovative measures, such as the introduction of the *Japanese Dual System* (a kind of vocational training programme for *freeters* and unemployed youth) and the establishment of both *Job Cafés* (a one-stop service centre for young jobseekers) and *Independence Camps for Youth* (a residential camp targeting discouraged youth).

In connection with this plan, the Japanese government has stepped up its efforts to enhance the linkage between education and the labour market and to strengthen the delivery of career guidance at all levels of education. For example, the *Career Exploration Programme* was adopted to offer special lectures by guest lecturers to secondary school students on the world of work. The government is also encouraging internships for tertiary students, by *e.g.* providing financial support to universities/colleges.

Furthermore, the government introduced another ambitious initiative, the *Job Card System*, in April 2008. These cards provide details on the holders' education, training and employment history, together with their vocational qualifications. Unemployed young people or *freeters* can be issued the card after receiving career counselling at the Public Employment Security Offices or other job-placement agencies. *Job Card* holders can then be invited to participate in one of the *Vocational Ability Development Programmes,* upon completion of which the *Vocational Ability Evaluation Sheet* will be issued by employers and recorded in the *Job Card*. The card will mainly be used in the job-seeking process and to start further training. The government expects to issue 1 million *Job Cards* during the next five years and expects that this new system will help promote both practical vocational training and career development for youth.

These initiatives have been accompanied by some reforms of the employment regulations. According to a 2007 government survey, 36% of job announcements by firms contained age limits. The government introduced a ban on age limits in recruitment and hiring by revising the Employment Measure Law in 2007. The Law on Part-time Workers was also revised in 2007 (and implemented in April 2008) in order to improve the working conditions of a growing number of part-time workers. The revised law

requires employers to ensure a proportionate treatment of all part-time workers relative to regular workers. In particular, the revised law prohibits discriminatory treatment of a small group of part-time workers who have the same job description, indefinite contract and transferability as regular workers (estimated to account for around 4-5% of all part-time workers).

Recommendations for further reforms

These recent reforms represent a step towards improving the labour market situation of young people. However, the experiences in the Japanese youth labour market since the mid-1990s appear to reflect a fundamental and irreversible shift in the business environment, characterised by increasing competition, changes in industrial structure and in corporate governance. Thus, it seems essential that the government steps up its efforts in three main areas: *i)* ensuring a smoother transition from school to work; *ii)* tackling demand-side obstacles to youth employment; and *iii)* reinforcing employment support and income security measures.

Ensuring a smoother transition from school to work

The education system in Japan has performed very well for several decades, with a high level of educational attainment and low disparities among its young population. This translated into good results in international tests such as the OECD Programme for International Student Assessment (PISA). There was a clear division of roles between school-based initial education and company-based training. The former was in charge of general academic education, while the latter provided vocational and company-specific skills to young workers, in a context of lifetime employment arrangements.

The increasingly complicated business environment cited above has led to a declining commitment on the part of firms to long-term employment and company-based training. This has triggered demand for schools and universities to make greater efforts to equip young people with skills that can be immediately used by firms. But, vocational education is not well developed within the Japanese secondary education system. It is predominantly school-based, and its curricula do not seem to be adequately linked to the needs of the labour market. There is also evidence of skill mismatch in the labour market. For example, many graduates from tertiary education tend to occupy positions where they do not use the knowledge and skills they acquired in their field of study.

Students in Japan tend to have limited opportunities to benefit from work experience. International evidence shows that working a moderate number of hours helps young people gain work experience that will facilitate their

successful transition, without compromising their scholastic achievement. Promisingly, the Japanese government is currently encouraging internships. But this welcome initiative needs to be further developed.

On the other hand, Japanese firms reduced expenditure on training during the recession period of the 1990s. While this was a natural response to depressed product demand, it also heralded a more structural shift in firms' behaviour. And this translated into less training opportunities offered by firms, particularly for young, non-regular, workers. A recent survey by the Ministry of Health, Labour and Welfare revealed that 72% of Japanese firms offered off-the-job training to their regular employees, while only 38% of firms offered similar training to non-regular employees in fiscal year 2005. It should be stressed that these developments intervene in a context where publicly-provided youth training programmes are still relatively limited in Japan.

All these challenges mean that a better and smoother school-to-work transition system in Japan will require renewed and stronger efforts by the government. It is particularly important to develop closer links between initial education and work and to provide young people with adequate skills to meet the fast-changing labour market requirements. To achieve these goals, the following measures could be envisaged:

- *Further strengthen the links between education and the labour market.* Given that the majority of young Japanese today enter the labour market with a tertiary education degree, it is essential that tertiary education institutions, especially universities that enrol the greatest proportion of students, establish close ties with the labour market. The government has launched measures to improve the education-industry link recently, through, for example, "joint industry-academia education programmes" to train entrepreneurs and professionals. To further systematise these linkages, it is desirable that a greater role be given to labour market participants, such as business and industry representatives, in shaping the curricula, pedagogy, staff profiles, and the skills of graduates. This might be encouraged by, for example, developing a formal structure to promote communication and collaboration between universities and business or industry associations (*e.g.* the Business, Industry and Higher Education Collaboration Council and the Business and Higher Education Round Table in Australia could serve as possible models).

- *Promote vocational secondary education.* In a context of a high demand for tertiary education and vertical hierarchy of upper secondary institutions, vocational secondary education is relatively rare by international comparison and carries a low prestige in Japan.

There is also a large perceived gap between vocational curricula and labour demand. Vocational secondary education should be made more attractive to students and firms. This could be done by, for example, making in-work training available to all students attending vocational education. This will certainly require a strong commitment and involvement from the part of employers. Strengthening pathways between secondary vocational education and tertiary education would be another option to promote vocational secondary education and raise its status in Japanese society.

- *Provide more work experience to tertiary students*. As an effective way to provide work experience to students and hence facilitate the school-to-work transition, internship programmes need to be further promoted through coordinated efforts by educational institutions, businesses and the government, and inter-ministerial co-operation within the government. The different options include raising financial incentives to participating firms (for example, through a subsidy for wages/allowances). Another option might be to encourage universities/colleges to expand internship requirements in their curricula and to promote stronger agreements or partnerships between businesses and universities/colleges.

- *Expand public vocational training for young people through, e.g. a successful promotion of the Job Card System.* The government's Job Card initiative, in connection with the Vocational Ability Development Programme, is a promising step in so far as it could not only help to enhance the vocational ability of young people but also promote job seeking activities and career development. The success of the new system will largely depend on the extent of business participation in providing practical training opportunities. Thus, an appropriate financial incentive scheme to participating firms (*i.e.* in the form of wage subsidy) might be necessary. Meanwhile, if Japan wants to further boost overall investment in training, it would also be desirable for the government, together with the social partners, to build social consensus on how to share the burden of financing training between firms, workers and the public purse and between public funds – *i.e.* general budgets and the Employment Insurance fund.

- *Improve the data collection on the school-to-work transition.* Many governments in OECD countries collect and disseminate data on school-to-work transitions systematically. These data, especially those with a longitudinal dimension, are invaluable in helping decision-makers to identify problems and formulate good policy

strategies. Given the growing complexity of the school-to-work transition and the problems youth face in the labour markets, Japan should consider as a high priority launching more youth-specific surveys, including a longitudinal survey on school leavers.

Tackling demand-side obstacles to youth employment

Some employment regulations as well as employment and wage-setting practices still present in Japan were built around the lifetime employment concept. In the new emerging environment with less reliance on lifetime employment, these regulations may create increasing obstacles to youth employment. Concerning the employment protection legislation (EPL), Japan has, by international comparison, very different EPL regimes for regular and non-regular workers. Regulations for non-regular workers are rather lax, but those for regular workers are very strict and coupled by court case laws and social norms. In the past, internal flexibility (hours worked and wages) allowed firms to respond to demand fluctuations, but this is more difficult under today's more dynamic environment in which they operate. Indeed, employers are now more reluctant to hire young employees on regular contracts if they are not sure to keep them permanently, and instead prefer to hire non-regular workers. The recent reform on part-time work is a rather moderate first step toward reducing the gap in wages and working conditions between regular and non-regular workers. However, more reforms in EPL need to be pursued to reduce the gap in effective protection between these two groups of workers.

Indeed, growing labour market dualism and the waning significance of lifetime employment practices seem to warrant a serious re-orientation of labour market as well as social policies. Reforms of employment regulations might need to be preceded by the provision of more generous unemployment benefits and other social insurance systems based on workplaces, as well as enhanced active labour market policies (ALMP) to improve the functioning of the external labour market. The challenge is to find ways of enhancing both *security* and *flexibility* in the labour market, so as to focus more on *employment security* rather than on *job security* and to develop the external labour market. In this regard, the *flexicurity* approach, *i.e.* combining moderate EPL with a well-designed and generous system of income support and strong ALMP measures, applied under a mutual obligations approach, which is currently much discussed in Europe, might also contain several relevant elements for Japan. However, flexicurity schemes tend to be costly and require well-functioning labour market institutions.

Other traditional hiring and employment practices in the workplace, largely based on age and gender, might also create barriers to upward mobility of youth, thus hindering the transition from non-regular employment to

regular employment. The 2007 revision of the Employment Measure Law banning age-based conditionality in recruitment is a welcome development which could help enhance hiring prospects in the youth labour market.

The employment rate for women aged 25-29 in Japan has continued to rise during the past two decades, recently surpassing the OECD average (at 71% in 2007, compared with an OECD average at 69%). However, the employment rate of young mothers with a child under the age of two remains very low at 29%, compared with 52% for the OECD average. Furthermore, most returning mothers work in precarious jobs, and many Japanese people take it for granted that a part-time job is appropriate for married women. Although this situation reflects several key elements of the Japanese labour market and attitudes towards working mothers, there is no doubt that the relatively limited availability of public childcare facilities and of paid maternity leave entitlements also tend to aggravate the situation. Thus, it is important to help young mothers continue to work through well-designed family-friendly policies.

On the other hand, wages and non-wage labour costs do not appear to create a major obstacle to youth employment in Japan. Wages for young regular workers start at a relatively low level in the seniority-wage system, and for young regular workers, the relatively lower wage is expected to be compensated by the prospects of rising wages with seniority in the firm. However, Japanese employers now appear to try to seek for more flexibility in wages through increased use of non-regular employment, as well as of performance-related pay. Japanese employers cite the need to contain labour costs as the primary reason to hire non-regular workers, and there is a substantial gap in wages between regular and non-regular workers, even if this gap is smaller for young workers.

To cope with increasing labour market duality and to help boost the demand for young workers, the following measures could be considered:

- *Reduce the gap in effective protection between regular and non-regular workers while at the same time enhancing flexicurity.* This would include better protecting fixed-term workers, part-time workers and temporary agency workers, while easing the strictness of EPL for workers in regular contracts. One option for the latter would be to introduce a clearer, more predictable and speedier procedure for dismissal settlements for workers under regular contracts, rather than the current procedure that mainly depends on legal rulings. It would be desirable that these reform measures be developed and implemented together with broader measures to enhance both security and flexibility in the labour market, and, as a rule, through consensus building among the social partners.

- *Tackle discriminatory differentials in wages and benefits.* Reducing discriminatory practices related to wages and other employee benefits – for example, by implementing anti-discrimination legislation – would weaken the incentive to hire non-regular workers. Increasing the coverage of non-regular workers in social security systems based on the workplace (*i.e.* unemployment insurance, public health insurance and employee pension) would also be important. On the other hand, encouraging and facilitating greater use of performance-related pay might help reduce the earnings gap between regular and non-regular young workers.

- *Continue to address discriminatory employment practices based on age.* Given the strong importance put on age in Japanese employment practices, the recently adopted law banning age limits in recruitment needs to be implemented in a consistent and systematic way, so as to ensure that actual hiring decisions by firms are not based simply on age.

- *Remove obstacles faced by young mothers to keep working.* It is essential to encourage the social partners to make workplace more family-friendly, while focusing on making working-time practices more compatible with workers' family commitment. A high priority also needs to be placed on increasing availability of affordable and conveniently located public childcare facilities.

Reinforcing employment support and income security measures

The development of ALMPs for youth in Japan is a fairly recent trend compared with what has been done for a long time in other OECD countries. This is partially explained by the fact that, until recently, youth labour market problems were rather limited. Although the government has introduced various labour market measures together with measures to enhance students' awareness of the world of work since the early 2000s, so far public spending on youth ALMPs (as well as on overall ALMPs) has been relatively low by international comparison. Not surprisingly, the number of participants to these programmes has been limited. Given the fast changing context of the school-to-work transition in Japan and the growing number of young people facing difficulties in settling into secure employment, there is a strong case for greater emphasis to be placed on high quality job-search assistance, training and other employment support programmes. For the existing programmes, more needs to be done towards better targeting the lower educated group. Finally, it is essential to carry out thorough evaluations of the outcomes of the programmes to establish what works and what does not.

Around 7.8 million young people aged under 30 were insured by the Employment Insurance system in March 2007, compared with 12 million employed young people in the corresponding age group, according to the labour force survey. Meanwhile, the ratio of the average number of unemployment benefit recipients to the number of unemployed youth in the age group 15-29 is low and has been declining slightly during the past decade. Strict eligibility conditions and the short duration of unemployment benefits might explain this situation. Thus, most young unemployed Japanese have to depend on their parents to secure their livelihood. The issue in Japan, therefore, is not one of benefit dependency *per se*, but how to ensure that young people have more access to high-quality employment services and unemployment benefits, within a mutual obligations framework.

In this connection, the following measures could be envisaged:

- *Further strengthen youth ALMPs, with a stronger targeting towards the less educated group of youth.* Some existing programmes appear to be too small in size to respond adequately to the needs of the high numbers of young people at risk or in precarious jobs, as discussed above. Therefore, the government needs to consider allocating more public resources to ALMPs for youth, in line with efforts to enhance the overall flexicurity in the labour market. Also, stronger emphasis and more resources should be directed towards less educated young people.
- *Promote more precise targeting of youth ALMPs.* The existing youth ALMPs have mostly targeted freeters or non-employed people aged 15-34, rather indistinctively. It would be more effective to try to identify the specific needs of some subgroups – *i.e.* by age and by educational attainment – and design programmes that are likely to serve them better. For instance, one option might be to refocus the Youth Trial Employment on the lower educated group.
- *Undertake thorough evaluations of existing programmes.* Independent (external) evaluation of existing youth policy measures is very weak in Japan, in part due to the lack of related data and information available to researchers. Thus, more thorough evaluations of these programmes, both internally and externally, are required, especially for employment subsidies, such as the Youth Trial Employment, which international evidence would suggest that they are often subject to deadweight loss and substitution effects.
- *Expand the coverage of unemployed youth by the Employment Insurance system, while implementing a mutual obligations approach.* First, the government might need to ensure that more young workers, especially non-regular workers, are insured by the

EI by, for example, expanding the eligibility for the EI or raising the compliance of firms and workers with paying EI contributions, in close consultation with the social partners. Second, the government might also consider raising the share of unemployed youth who receive unemployment benefits. This could be done by, for example, easing the benefit eligibility conditions. These measures to expand EI benefit coverage should go hand-in-hand with implementing a "mutual obligations" approach to provide strong incentives for the young unemployed to actively search for a job.

RÉSUMÉ ET PRINCIPALES RECOMMANDATIONS

En dépit d'une certaine amélioration ces dernières années, les jeunes sont confrontés à d'importants défis sur le marché du travail

Au Japon, le marché du travail des jeunes a connu d'importants bouleversements au cours des deux dernières décennies. Jusqu'au début des années 90, il présentait les caractéristiques suivantes : une transition rapide des jeunes vers un emploi stable à l'issue de leur scolarité ; un chômage faible ; et une faible rotation des emplois. Cette situation s'expliquait par une forte demande de main-d'œuvre conjuguée à un système, unique en son genre, de transition de l'école à l'emploi, dans lequel les établissements scolaires étaient directement liés avec les entreprises et proposaient des services de placement à la plupart de leurs élèves. Alors que l'emploi à vie était une pratique généralisée, les entreprises recrutaient de nouveaux effectifs à l'issue de leurs études dans l'idée de leur assurer un emploi à long terme et dispensaient une formation intensive sur le tas aux nouvelles recrues.

Cette situation a changé radicalement durant la décennie « perdue » des années 90. Du fait, durant cette période, de la contraction globale de la demande de main-d'œuvre résultant de la récession prolongée, de nombreux jeunes Japonais ont eu plus de mal à s'insérer durablement sur le marché du travail et à connaître une progression de carrière. Le taux de chômage des jeunes a atteint 10 % en 2003, alors qu'il était régulièrement de 4-5 % au début des années 90. L'incidence du chômage de longue durée des jeunes a également plus que doublé entre le début des années 90 et le début des années 2000, dépassant la moyenne de l'OCDE.

La longue reprise économique qui a démarré en 2002 a quelque peu soulagé le marché du travail des jeunes dont les perspectives d'emploi globales se sont améliorées. Le taux de chômage des jeunes est tombé à 7.7 % en 2007 et parallèlement leur chômage de longue durée a considérablement baissé. Ces récentes améliorations reflètent également le contexte démographique au Japon puisque la première génération du

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baby boom a commencé d'atteindre l'âge de la retraite vers 2007, ce qui a amené les entreprises à accroître leur demande de jeunes travailleurs pour les remplacer.

Toutefois, certaines conséquences importantes de la décennie perdue, dont le marché du travail des jeunes a hérité, semblent persister. Un grand sujet de préoccupation au Japon tient à la dualité du marché du travail, qui s'accentue et touche principalement les jeunes. En 2007, plus de 31 % des jeunes travailleurs âgés de 15 à 24 ans, à l'exclusion des étudiants, occupaient diverses formes d'emplois non réguliers, autrement dit des emplois temporaires, des emplois à temps partiel et des emplois fournis par des agences d'intérim (si l'on inclut les étudiants, le pourcentage dépasse 46 %).[2] Ces emplois sont assortis d'un revenu faible, de perspectives d'évolutions professionnelles limitées et de possibilités de perfectionnement des compétences plutôt rares. Les jeunes travailleurs occupant un emploi régulier et ceux dont l'emploi est non régulier présentent aussi des disparités considérables du point de vue de la protection sociale (c'est-à-dire l'assurance chômage, l'assurance maladie et la pension de salarié). Par ailleurs, le degré de mobilité verticale – autrement dit la probabilité de passer d'un emploi non régulier à un emploi régulier – est très limité, et de nombreux jeunes se trouvent donc piégés dans des emplois précaires. Dans ces conditions, les jeunes dont le niveau de formation est relativement faible se heurtent, semble-t-il, à des difficultés plus graves lors de leur transition de l'école à l'emploi, puisqu'il est plus fréquent dans leur cas d'être au chômage, de changer d'emploi ou d'occuper un emploi précaire. S'il est vrai que la part de jeunes déscolarisés, qui désignent les jeunes quittant l'école sans diplôme d'études secondaires du deuxième cycle, est relativement faible au Japon (4.5 %) par rapport aux autres pays, elle représente néanmoins environ 0.3 million de jeunes âgés de 15 à 24 ans.

Cette situation paraît refléter plusieurs facteurs structurels. Premièrement, le recul de l'emploi à vie et de la formation en entreprise a mis en évidence les insuffisances du système d'enseignement et de formation existant au Japon : le système éducatif révèle une incapacité relative à répondre aux exigences du marché du travail dans la mesure où il accorde une large place à l'enseignement général ; les étudiants acquièrent une expérience professionnelle pratique limitée avant d'accéder au marché du travail ; et les structures de formation professionnelle sont

2. Au Japon, les jeunes occupant des emplois non réguliers sont souvent appelés *freeters*.

insuffisamment développées. Deuxièmement, les réglementations en matière de protection de l'emploi, qui étaient traditionnellement ciblées sur l'emploi à vie, ont pu créer des distorsions entre les contrats de travail régulier et non régulier. Parallèlement, certaines pratiques des entreprises en matière de recrutement et d'emploi, fondées sur l'âge et le sexe, ont peut-être aussi renforcé la rigidité du marché du travail des jeunes. Troisièmement, en dépit de certaines réformes récentes, nombreux sont les jeunes qui ne bénéficient pas d'un soutien adéquat de l'État – concernant l'accès aux programmes actifs du marché du travail et à la garantie de ressources – durant leur transition de l'école à l'emploi et durant les premières phases de leur vie professionnelle.

En somme, en dépit de certaines améliorations ces dernières années, le marché du travail des jeunes au Japon a rencontré des difficultés considérables analogues à celles observées dans d'autres pays de l'OCDE. Le système de transition rapide de l'école à l'emploi, qui était traditionnel au Japon et garantissait aux jeunes arrivant en fin de scolarité de trouver rapidement un emploi stable, est à présent confronté à des défis à un moment où la pratique japonaise de l'emploi à vie est elle aussi mise à rude épreuve. Pour résoudre les problèmes que rencontrent les jeunes sur le marché du travail et, en particulier, ceux qui occupent des emplois non réguliers, le gouvernement japonais a adopté un vaste train de réformes depuis le début des années 2000, y compris un ensemble de mesures en faveur de l'emploi des jeunes, des efforts déployés par les autorités scolaires pour faciliter la transition de l'école à l'emploi et des réformes de la réglementation de l'emploi.

Réformes récentes en réponse aux défis du marché du travail des jeunes

En 2003, le gouvernement a élaboré un plan d'action exhaustif axé sur l'autonomie et les défis des jeunes, dont le but est de réduire le nombre de jeunes occupant des emplois précaires (*freeters*) et de faciliter la transition de l'école à l'emploi. Ce plan prévoit diverses mesures novatrices notamment la mise en place d'un dispositif de formation en alternance (programme de formation professionnelle s'adressant aux *freeters* et aux jeunes au chômage) et la création à la fois de « cafés de l'emploi » (centres multiservices s'adressant aux jeunes demandeurs d'emploi) et de camps d'accès à l'autonomie pour les jeunes (internats accueillant des jeunes démotivés).

En liaison avec ce plan, le gouvernement du Japon a redoublé d'efforts pour renforcer les liens entre l'enseignement et le marché du

travail et intensifier l'offre de services d'orientation professionnelle à tous les niveaux du système éducatif. Ainsi, le programme d'exploration des métiers a été adopté pour proposer aux élèves du secondaire des conférences spéciales sur le monde du travail, assurées par des spécialistes. Le gouvernement favorise aussi les stages en entreprise des étudiants du supérieur, notamment en fournissant des aides financières aux universités et autres établissements d'enseignement supérieur.

Par ailleurs, le gouvernement a adopté en avril 2008 une autre mesure ambitieuse, le système des cartes d'emploi. Ces cartes comprennent des précisions sur le parcours scolaire, la formation et les emplois antérieurs de leurs titulaires et sur leurs qualifications professionnelles. Les jeunes au chômage ou les *freeters* peuvent obtenir cette carte après avoir reçu des conseils en gestion de carrière auprès des services publics de sécurité de l'emploi ou dans d'autres agences de placement. Les titulaires de cette carte peuvent ensuite être invités à participer à l'un des programmes de valorisation des compétences professionnelles, à l'issue desquels les employeurs leur délivrent un bilan de compétences professionnelles lui-même consigné dans la carte d'emploi. Cette carte sera principalement utilisée dans les démarches de recherche d'emploi et pour entamer une formation complémentaire. Les pouvoirs publics comptent émettre 1 million de cartes d'emploi au cours des cinq prochaines années et pense que ce nouveau système aidera à promouvoir la formation professionnelle pratique des jeunes et leurs perspectives de carrière.

Ces diverses mesures ont été de pair avec quelques réformes de la réglementation relative à l'emploi. Selon une enquête menée par le gouvernement en 2007, 36 % des offres d'emploi des entreprises prévoyaient une limite d'âge. Les pouvoirs publics ont révisé la Loi sur l'emploi en 2007 afin d'interdire toute limite d'âge dans le recrutement et l'embauche. La Loi sur les travailleurs à temps partiel a également été révisée cette année-là (et mise en application en avril 2008) afin d'améliorer les conditions de travail du nombre grandissant de travailleurs à temps partiel. Le texte de loi révisé oblige les employeurs à assurer à tous les travailleurs à temps partiel le même traitement qu'aux travailleurs réguliers. En particulier, ce texte interdit toute discrimination à l'égard d'un petit groupe de travailleurs à temps partiel dont la situation à divers égards – définition de poste, contrat à durée indéterminée et transférabilité des compétences – est la même que celle des travailleurs réguliers (ce groupe représente selon les estimations 4 % à 5 % de l'ensemble des travailleurs à temps partiel).

Recommandations pour de futures réformes

Ces réformes récentes représentent une première étape vers l'amélioration de la situation des jeunes sur le marché du travail. Toutefois, les expériences observées au Japon sur le marché du travail des jeunes depuis le milieu des années 90 paraissent refléter une évolution fondamentale et irréversible dans le monde économique, caractérisée par une concurrence croissante, des changements dans la structure industrielle et dans la gouvernance des entreprises. Il semble donc essentiel que les pouvoirs publics intensifient leurs efforts dans trois principaux domaines : *i)* assurer une transition plus souple de l'école à l'emploi ; *ii)* s'attaquer aux obstacles à l'emploi des jeunes liés à la demande ; et *iii)* renforcer les mesures de soutien de l'emploi et de garantie de ressources.

Assurer une transition plus souple de l'école à l'emploi

Le système éducatif au Japon a affiché de très bonnes performances pendant plusieurs décennies, les jeunes atteignant un niveau élevé de formation et révélant de faibles disparités entre eux. Cette situation s'est traduite par de bons résultats aux évaluations internationales telles que le Programme international de l'OCDE pour l'évaluation des acquis des élèves (PISA). Les missions étaient clairement réparties entre la formation initiale en milieu scolaire et la formation assurée en entreprise. Il appartenait à l'école de dispenser un enseignement général théorique et à l'entreprise d'inculquer aux jeunes travailleurs des savoir-faire professionnels, et des compétences spécifiques à l'entreprise dans un contexte d'emploi à vie.

La complexité grandissante du monde économique, dont il a été question plus haut, a conduit les entreprises à diminuer leur engagement à l'égard de l'emploi à long terme et de la formation interne à l'entreprise. Les établissements scolaires et les universités ont donc été appelés à déployer de plus grands efforts pour doter les jeunes des compétences qui peuvent être utilisées immédiatement par les entreprises. Or, la formation professionnelle n'est pas très développée dans le système d'enseignement secondaire au Japon. Cette formation est pour l'essentiel dispensée en milieu scolaire et les programmes ne semblent pas être adéquatement liés aux besoins du marché du travail. Il y a également des indications d'inadéquation de l'offre et de la demande de qualifications sur le marché du travail. Les diplômés du supérieur sont, par exemple, nombreux à occuper des fonctions dans lesquelles ils n'utilisent ni les connaissances ni les savoir-faire qu'ils ont acquis dans leur domaine d'études.

Au Japon, les étudiants n'ont guère la possibilité de bénéficier d'expériences professionnelles pratiques. D'après les données recueillies à l'échelle internationale, le fait de travailler un nombre limité d'heures aide les jeunes à acquérir une expérience professionnelle qui facilite le succès de la transition sans pour autant compromettre la réussite des études. Le gouvernement du Japon favorise actuellement les stages en entreprise, ce qui est de bon augure, mais il reste à étendre cette initiative.

Quant aux entreprises japonaises, elles ont réduit leurs dépenses de formation au cours de la récession des années 90. Certes, cette mesure était logique face à la faible demande de produits mais elle annonçait également une transformation plus structurelle du comportement des entreprises. Cette mesure s'est traduite par une diminution des possibilités de formation offertes par les entreprises, en particulier aux travailleurs jeunes non réguliers. Selon une enquête récente du ministère de la Santé, du Travail et de la Protection sociale, 72 % des entreprises japonaises ont offert une formation hors poste de travail à leurs salariés réguliers durant l'exercice budgétaire 2005 tandis que 38 % seulement ont fait de même pour les salariés non réguliers. Il convient de souligner que cette évolution intervient alors que les programmes de formation des jeunes assurés par l'État sont encore relativement limités au Japon.

Compte tenu de tous ces défis, l'amélioration du système de transition de l'école à l'emploi au Japon exigera des efforts renouvelés de la part du gouvernement. Il est particulièrement important de resserrer les liens entre la formation initiale et l'emploi et de doter les jeunes des compétences voulues pour s'adapter à l'évolution rapide des exigences du marché du travail. Pour atteindre ces objectifs, les mesures suivantes pourraient être envisagées :

- *Renforcer encore les liens entre la formation initiale et le marché du travail*. Étant donné que la majorité des jeunes Japonais accèdent aujourd'hui au marché du travail dotés d'un diplôme d'études supérieures, il est essentiel que les établissements d'enseignement à ce niveau, en particulier les universités qui accueillent la plus forte proportion d'étudiants, instaurent des liens étroits avec le marché du travail. Le gouvernement a récemment pris des mesures pour améliorer les liens formation-entreprise en mettant en place, par exemple, des programmes mixtes de formation entreprises-universités destinés à former les entrepreneurs et les spécialistes. Afin de systématiser davantage ces liens, il est souhaitable d'accroître le rôle que les acteurs du marché du travail, notamment les représentants patronaux et syndicaux, jouent dans la détermination des programmes d'enseignement, la

pédagogie, le profil des personnels et les compétences des diplômés. Cette évolution pourrait être favorisée par la création d'une structure destinée à promouvoir la communication et la collaboration entre les universités et les associations de professionnels (le Business, Industry and Higher Education Collaboration Council et le Business and Higher Education Round Table de l'Australie pourraient par exemple servir de modèles).

- *Promouvoir l'enseignement professionnel dans le secondaire*. Compte tenu de la forte demande d'enseignement supérieur et de la hiérarchie verticale propre aux établissements d'enseignement secondaire du deuxième cycle, l'enseignement professionnel dans le secondaire est relativement rare au Japon comparé aux autres pays et jouit dans ce pays d'un faible prestige. On observe également un grand décalage entre les programmes d'enseignement professionnel et la demande de main-d'œuvre. Il faudrait accroître l'attrait de l'enseignement secondaire professionnel pour les élèves et pour les entreprises. A cette fin, on pourrait par exemple permettre à tous les élèves suivant un enseignement professionnel d'accéder à une formation en entreprise. L'engagement ferme et la participation étroite des employeurs seront certainement nécessaires à cette fin. Le renforcement des voies d'accès de l'enseignement professionnel secondaire à l'enseignement supérieur serait une autre option pour favoriser l'enseignement professionnel dans le secondaire et faire en sorte qu'il jouisse d'une plus grande considération dans la société japonaise.
- *Multiplier les expériences professionnelles des étudiants du supérieur*. Afin de fournir effectivement une expérience professionnelle aux étudiants et par-là même de faciliter la transition de l'école à l'emploi, les programmes de stages en entreprise doivent être encore plus favorisés grâce à la coordination des efforts déployés par les établissements d'enseignement, les entreprises et le gouvernement, et au sein de ce dernier, grâce à une coopération interministérielle. Différentes options s'offrent pour atteindre ces objectifs parmi lesquels, augmenter les incitations financières aux entreprises participantes (sous forme, par exemple, de subventions salariales). Une autre option pourrait être d'encourager les universités/établissements d'enseignement supérieur à prévoir davantage de stages obligatoires dans leurs cursus, ou encore de renforcer les accords ou les partenariats entre les entreprises et les universités/établissements d'enseignement supérieur.

- *Développer la formation professionnelle par l'État à l'intention des jeunes notamment par la mise en œuvre effective du système des cartes d'emploi.* Le système des cartes d'emploi mis en place par le gouvernement, en liaison avec le programme de valorisation des compétences professionnelles, est une mesure qui offre des perspectives encourageantes dans la mesure où elle pourrait non seulement renforcer les compétences professionnelles des jeunes mais aussi promouvoir les activités de recherche d'emploi et le développement de carrière. La réussite de ce nouveau système dépendra dans une large mesure de l'ampleur des possibilités de formation pratique que les entreprises fourniront. Aussi pourrait-il être nécessaire de mettre en place un système approprié d'incitations financières à l'intention des entreprises participantes (notamment sous forme de subventions salariales). En attendant, si le Japon souhaite dynamiser encore l'investissement global dans la formation, il serait également souhaitable que l'État, de concert avec les partenaires sociaux, arrive à un consensus sur la façon de répartir le coût de la formation entre les entreprises, les travailleurs et le contribuable ainsi qu'entre les différentes sources de financement public – autrement dit le budget général et le Fonds d'assurance chômage.

- *Améliorer la collecte de données sur la transition de l'école à l'emploi.* Nombreuses sont les administrations publiques dans les pays de l'OCDE qui recueillent et diffusent systématiquement des données sur les transitions de l'école à l'emploi. Ces données, notamment celles qui ont un caractère longitudinal, sont précieuses pour aider les décideurs publics à repérer les problèmes et formuler des stratégies efficaces d'action. Étant donné la complexité grandissante de la transition de l'école à l'emploi et les problèmes auxquels les jeunes sont confrontés sur le marché du travail, le Japon devrait envisager, parmi ses priorités, de lancer plus d'enquêtes portant sur les jeunes, y compris une enquête longitudinale sur les jeunes qui sortent du système scolaire.

S'attaquer aux obstacles à l'emploi des jeunes liés à la demande

Certaines réglementations relatives à l'emploi ainsi que certaines pratiques en matière d'emploi et de fixation des salaires encore en vigueur au Japon s'articulent autour du concept de l'emploi à vie. Dans la situation nouvelle marquée par un recul de cette pratique, ces réglementations peuvent créer des obstacles croissants à l'emploi des jeunes. S'agissant de la législation en matière de protection de l'emploi, le

Japon, comparé aux autres pays, applique des régimes très différents aux travailleurs réguliers et non réguliers. Les réglementations qui visent les seconds sont assez souples mais celles qui concernent les premiers sont très strictes et assorties de textes de jurisprudence et de normes sociales. Autrefois, grâce à la flexibilité interne (heures travaillées et salaires), les entreprises avaient la possibilité de s'adapter aux fluctuations de la demande mais elles ont plus de mal à le faire aujourd'hui en raison de l'environnement plus complexe dans lequel elles opèrent. De fait, les employeurs hésitent à présent davantage à donner des contrats réguliers aux jeunes salariés qu'ils recrutent s'ils n'ont pas la certitude de les garder de façon permanente et préfèrent plutôt embaucher des travailleurs non réguliers. La récente réforme portant sur le temps partiel est une première étape, assez modeste, vers la réduction de l'écart de salaire et de conditions de travail entre les travailleurs réguliers et non réguliers. Toutefois, d'autres réformes doivent être engagées dans le cadre de la législation sur la protection de l'emploi afin de diminuer les différences effectives en la matière entre ces deux groupes de travailleurs.

De fait, la dualité croissante du marché du travail et le recul des pratiques d'emploi à vie semblent justifier une réelle réorientation des politiques du marché du travail ainsi que des politiques sociales. Avant de réformer la réglementation de l'emploi, il pourrait être nécessaire de prévoir des indemnités de chômage plus généreuses et d'autres systèmes d'assurance sociale basés sur l'activité salariée ainsi que le renforcement des politiques actives du marché du travail (PAMT) afin d'améliorer le fonctionnement du marché du travail externe. Toute la difficulté est de trouver des moyens de renforcer à la fois la sécurité et la flexibilité sur le marché du travail, de façon à être focalisé plus sur la sécurité de l'emploi que sur le maintien dans le poste de travail et à développer le marché du travail externe. A cet égard, la flexicurité, qui fait actuellement l'objet d'un large débat en Europe, pourrait également contenir plusieurs éléments pertinents pour le Japon : ce dispositif conjugue une législation souple en matière de protection de l'emploi avec un système bien conçu et généreux de garantie de ressources et des mesures strictes au titre des PAMT et est appliquée dans le cadre d'obligations réciproques. Toutefois, les dispositifs de flexicurité sont en général coûteux et exigent que les institutions du marché du travail fonctionnent bien.

D'autres pratiques traditionnelles en matière de recrutement et d'emploi en vigueur dans les entreprises, largement fondées sur l'âge et le sexe, pourraient également créer des obstacles à la promotion des jeunes, entravant par-là même le passage d'un emploi non régulier à un emploi régulier. La révision en 2007 de la Loi sur l'emploi, qui interdit de

subordonner le recrutement à l'âge, est une mesure bienvenue qui pourrait contribuer à renforcer les perspectives d'embauche sur le marché du travail des jeunes.

Au Japon, le taux d'emploi des femmes âgées de 25 à 29 ans n'a cessé de progresser au cours de deux dernières décennies, dépassant récemment la moyenne de l'OCDE (71 % en 2007, contre une moyenne de l'OCDE de 69 %). Toutefois, le taux d'emploi des femmes ayant un enfant de moins de deux ans reste très faible (29 %, contre la moyenne de l'OCDE de 52 %). En outre, les mères qui reviennent sur le marché du travail occupent pour la plupart des emplois précaires et nombreux sont les Japonais qui estiment normal qu'une femme mariée occupe un emploi à temps partiel. S'il est vrai que cette situation reflète plusieurs aspects fondamentaux du marché du travail japonais et de la mentalité japonaise à l'égard des mères actives, il ne fait aucun doute qu'elle est aussi en général aggravée par l'offre relativement limitée de structures publiques d'accueil de jeunes enfants et de droits à un congé maternité rémunéré. Il importe par conséquent d'aider les jeunes mères à poursuivre leur activité professionnelle grâce à des politiques bien conçues, favorables à la famille.

En revanche, les coûts de main-d'œuvre salariaux et non salariaux ne semblent pas créer d'obstacles majeurs à l'emploi des jeunes au Japon. Dans ce système salarial basé sur l'ancienneté, les jeunes travailleurs réguliers touchent au départ un salaire relativement faible qui doit normalement être compensé par la perspective d'une progression au même rythme que celle de l'ancienneté dans l'entreprise. Toutefois, les employeurs japonais semblent maintenant rechercher une plus grande souplesse dans les salaires en recourant davantage à l'emploi non régulier ainsi qu'aux rémunérations en fonction des performances. Ils invoquent souvent la nécessité de maîtriser les coûts salariaux comme principale raison de recruter des travailleurs non réguliers et on observe un écart de salaire considérable entre les travailleurs réguliers et non réguliers même si cet écart est plus faible chez les jeunes.

Pour faire face à cette dualité croissante du marché du travail et contribuer à dynamiser la demande de jeunes travailleurs, les mesures suivantes pourraient être envisagées :

- *Réduire les différences de protection effective entre les travailleurs réguliers et non réguliers tout en encourageant la flexicurité*. Cela pourrait consister à améliorer la protection des travailleurs ayant un contrat de durée déterminée, des travailleurs à temps partiel et des travailleurs passant par des agences d'intérim et en parallèle à atténuer la rigueur de la Loi

sur la protection de l'emploi concernant les travailleurs ayant un contrat régulier. Une option dans le cas de ces derniers serait d'adopter une procédure de règlement des licenciements plus claire, plus prévisible et plus rapide à la place de la procédure actuelle qui relève principalement de décisions de justice. Il serait souhaitable d'élaborer et de mettre en œuvre ces réformes en même temps que des mesures de portée plus vaste visant à renforcer à la fois la sécurité et la flexibilité sur le marché du travail et, en règle générale, d'instaurer un consensus entre les partenaires sociaux.

- *S'attaquer aux différences discriminatoires dans les salaires et les indemnités*. La réduction des pratiques discriminatoires relatives aux salaires et autres prestations liées à l'emploi – en mettant en application une législation de lutte contre la discrimination par exemple – atténuerait l'incitation à recruter des travailleurs non réguliers. Il serait également important d'accroître la couverture des travailleurs non réguliers dans les systèmes de sécurité sociale basés sur l'activité salariée (notamment l'assurance chômage, l'assurance maladie publique et les pensions de retraite). Par ailleurs, le fait d'encourager et de faciliter un recours plus grand à la rémunération en fonction des performances pourrait contribuer à réduire l'écart de salaire entre les jeunes travailleurs réguliers et non réguliers.

- *Continuer à lutter contre la discrimination dans l'emploi basée sur l'âge.* Étant donné l'importance considérable que l'âge revêt dans les pratiques d'emploi au Japon, la loi récemment adoptée, qui interdit les limites d'âge dans les recrutements, doit être mise en application d'une façon cohérente et systématique pour que les décisions de recrutement effectives des entreprises ne soient pas fondées simplement sur l'âge.

- *Éliminer les obstacles auxquels les mères de jeunes enfants se trouvent confrontées pour continuer à travailler*. Il est essentiel d'encourager les partenaires sociaux à faire en sorte que l'entreprise soit plus favorable à la famille tout en s'employant à rendre l'aménagement du temps de travail plus compatible avec les obligations familiales des travailleurs. Il y a également lieu d'accorder un rang élevé de priorité à l'accroissement de l'offre, à un coût abordable, de structures publiques d'accueil des jeunes enfants bien situées.

Renforcer les mesures de soutien de l'emploi et de garantie de ressources

L'élaboration de politiques actives du marché du travail (PAMT) à l'intention des jeunes est une disposition assez récente au Japon comparé à d'autres pays de l'OCDE où cette pratique existe depuis longtemps. Ce décalage tient en partie au fait que jusqu'à une date récente, le marché du travail des jeunes soulevait assez peu de problèmes. Bien que depuis le début des années 2000, le gouvernement ait adopté diverses mesures en faveur du marché du travail ainsi que d'autres visant à mieux sensibiliser les étudiants au monde du travail, jusqu'à présent les dépenses publiques au titre des PAMT en faveur des jeunes (de même qu'au titre des PAMT en général) ont été relativement faibles au Japon comparé aux autres pays. Il n'est pas étonnant que le nombre de participants à ces programmes ait été limité. Étant donné l'évolution rapide du contexte dans lequel se déroule la transition de l'école à l'emploi au Japon et le nombre croissant de jeunes qui ont du mal à obtenir un emploi stable, il est tout à fait justifié de donner une plus grande place à des programmes de qualité d'aide à la recherche d'un emploi, de formation et autres dispositifs de soutien de l'emploi. S'agissant des programmes existants, il faut s'employer davantage à mieux cibler les groupes de population les moins instruits. Enfin, il est essentiel de procéder à des évaluations approfondies des résultats de ces programmes pour déterminer ce qui marche et ce qui ne marche pas.

Selon l'enquête sur la population active, en mars 2007 environ 7.8 millions de jeunes âgés de moins de 30 ans étaient couverts par le régime d'assurance chômage alors que 12 millions de jeunes du même groupe d'âge étaient salariés. Le rapport entre le nombre moyen de bénéficiaires d'indemnités de chômage et le nombre de jeunes chômeurs appartenant au groupe d'âges de 15 à 29 ans est faible et a légèrement baissé au cours de la décennie passée. Les conditions strictes d'admission au bénéfice de ces indemnités et la courte durée de la prestation pourraient expliquer cette situation. Ainsi, les jeunes Japonais au chômage doivent pour la plupart dépendre de leurs parents pour assurer leur subsistance. La question qui se pose au Japon par conséquent n'est pas celle en soi de la dépendance à l'égard des indemnités mais celle de savoir comment faire en sorte que les jeunes aient davantage accès à des services de l'emploi de qualité et à des indemnités de chômage dans un cadre d'obligations réciproques.

A cet égard, les mesures suivantes pourraient être envisagées :

- *Renforcer encore les politiques actives du marché du travail (PAMT) pour les jeunes en ciblant davantage les groupes de jeunes les moins instruits*. Certains programmes existants paraissent avoir une envergure trop petite pour répondre de façon adéquate aux besoins du grand nombre de jeunes à risque ou occupant des emplois précaires, comme on l'a montré plus haut. Le gouvernement doit par conséquent envisager d'allouer des ressources publiques plus importantes aux PAMT destinées aux jeunes, dans la logique des efforts déployés pour intensifier la flexicurité globale sur le marché du travail. Par ailleurs, il convient d'accorder plus d'attention et plus de ressources aux jeunes moins instruits.

- *Cibler plus précisément les PAMT destinées aux jeunes*. Les PAMT actuelles en faveur des jeunes sont pour l'essentiel ciblées, de façon globale, sur les personnes occupant des emplois précaires (*freeters*) ou sur les sans-emploi âgés de 15 à 34 ans. Il serait plus efficace de tenter de repérer les besoins spécifiques de certains sous-groupes – c'est-à-dire en fonction de l'âge ou du niveau de formation – et de concevoir des programmes susceptibles de mieux les aider. Par exemple, une option pourrait consister à centrer le programme d'emploi à l'essai des jeunes sur les groupes relativement peu instruits.

- *Entreprendre une évaluation approfondie des programmes existants*. Au Japon, les évaluations indépendantes (externes) des mesures existantes en faveur des jeunes sont très rares en partie du fait que les chercheurs disposent de très peu de données et d'informations dans ce domaine. Il est donc impératif de soumettre les PAMT, notamment en vue de l'octroi des subventions à l'emploi, en particulier le programme d'emploi à l'essai des jeunes, à des évaluations approfondies, à la fois internes et externes, qui, d'après les données recueillies à l'échelle internationale, font souvent l'objet d'effets d'aubaine et de substitution.

- *Élargir la couverture de jeunes chômeurs bénéficiant du système d'assurance chômage tout en mettant en œuvre un dispositif d'obligations réciproques*. Premièrement, le gouvernement devra peut-être s'assurer qu'un plus grand nombre de jeunes travailleurs, en particulier non réguliers, bénéficient de

l'assurance chômage par exemple en élargissant les conditions d'admission au bénéfice de cette prestation ou en intensifiant l'assujettissement des entreprises et des travailleurs au versement des cotisations d'assurance chômage, en consultation étroite avec les partenaires sociaux. Deuxièmement, le gouvernement pourrait également envisager d'accroître la proportion de jeunes chômeurs qui bénéficient d'indemnités de chômage. Il pourrait à cette fin faciliter les conditions d'admission au bénéfice de ces prestations. Ces mesures visant à élargir la couverture des prestations d'assurance chômage devraient aller de pair avec la mise en œuvre d'un dispositif d'obligations réciproques afin d'inciter fermement les jeunes chômeurs à rechercher activement un emploi.

INTRODUCTION

Japan traditionally maintained a solid school-to-work transition system in connection with its lifetime employment system. Most school leavers used to find a stable job as soon as they graduated from school, due to a long-standing link between the school and the firm. Thus, unemployment rates, as well as long-term unemployment rates for youth, tended to be substantially lower than in most other OECD countries.

However, the picture changed during the so-called *lost decade* of the 1990s when the economic recession hit the youth labour market particularly hard. With the declining importance of lifetime employment and school-firm linkages in the transition process, youth unemployment rose between the mid-1990s and the early 2000s, and the incidence of long-term unemployment for youth also more than doubled during this period. Furthermore, with the rise of labour market dualism, more and more young people in Japan are being forced to take precarious temporary jobs, for which firms are less likely to provide on-the-job training.

To improve labour market outcomes for youth, the Japanese government has launched various measures since the early 2000s. The prolonged economic recovery that started in 2002 has brought some relief to the youth labour market, though the recent slowdown may well reverse some of these gains. In addition, if some of the problems that arose during the past decade in the youth labour market reflect a fundamental and irreversible shift, a more comprehensive strategy by the government is called for.

The purpose of this report is to: *i)* analyse the school-to-work transition in Japan; and *ii)* discuss policy options to address problems associated with this transition for some youth, on the basis of government measures already implemented. More specifically, Chapter 1 presents basic facts about the situation of youth in the Japanese labour market. The effects of education and training on the supply side are analysed in Chapter 2. The demand-side barriers to youth employment are explored in Chapter 3. Finally, Chapter 4 analyses the role of active and passive labour market policies and public employment services in supporting young people in need.

CHAPTER 1

THE CHALLENGE AHEAD

This chapter examines youth labour market performance over the past decade in Japan, and assesses the problems faced by today's young people. It presents traditional labour market indicators as well as new ones, such as NEET rates (neither in employment nor in education or training, Section 1). Then, it examines the school-to-work transition process, *i.e.* the road from school to the first job, the mobility of young workers, and their early career stages. The effect of labour market dualism on youth employment is also analysed in Section 2.

1. Demographics and labour market outcomes

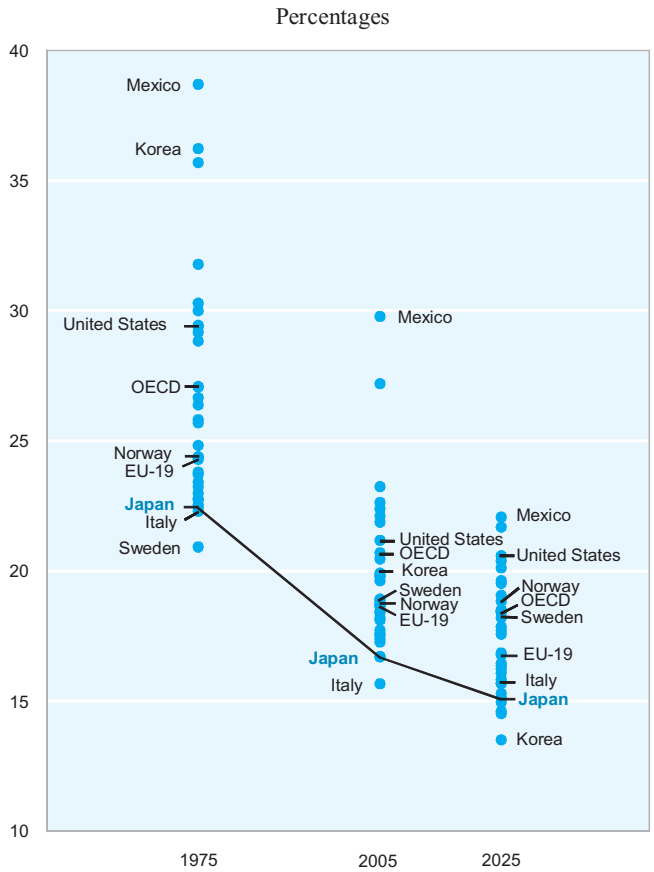
A. The share of youth in the working-age population is declining continuously

Japan has one of the oldest populations in the world. The share of youth (15-24) in the working-age population has been among the lowest across the OECD since the 1970s (Figure 1.1). The total fertility rate in Japan was 1.29 in 2004, well below the OECD average of 1.62 (OECD, 2006a). Over the next two decades, this share of youth is projected to further decline slightly to 15%.

Amid a contraction in the overall working-age population, the numbers of young workers who enter the labour market are projected to continue to decline in the coming decade (as can be inferred from Figure 1.2). Meanwhile, two peak age groups highlighted in the demographic picture (Figure 1.2), which represent the first and the second wave of baby-boomers, significantly affect the Japanese labour market. The first peak in the age distribution of the population is accounted for by the second baby-boom generation, born in the early 1970s. They entered the labour market in the mid-1990s at the beginning of the prolonged recession, which had a strong negative impact on job prospects for youth. More recently, the first

baby-boomers, born in the late 1940s, started to reach the ordinary retirement age of 60 around 2007, increasing firms' demands for young workers to replace those retirees.[3]

Figure 1.1. **Decreasing share of youth in working-age population in OECD countries, 1975-2025**[a]

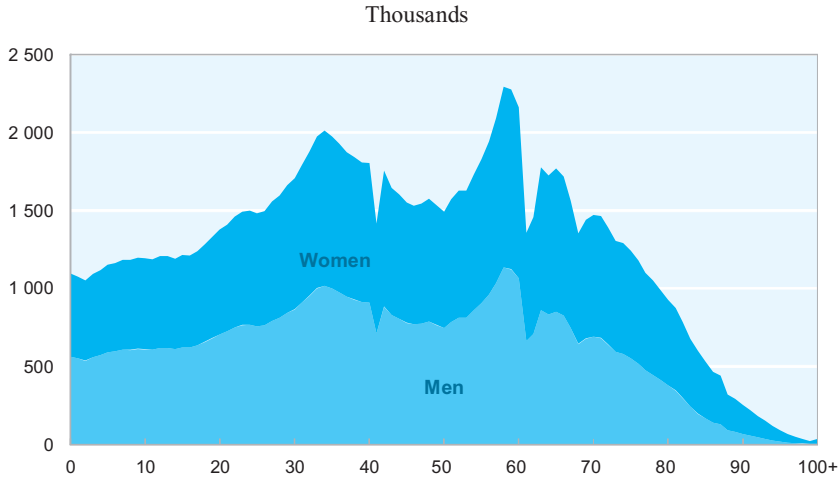


a) Ratio of the population aged 15-24 to the population aged 15-64.

Source: National Projections and United Nations projections for 2006 for Australia, Denmark, New Zealand and Spain; 2004 for Luxembourg; and 2005 for all other countries.

3. Notwithstanding the seriousness of population ageing and shrinking, the share of immigrant population is very low in Japan. Even though the registered foreign population has increased from 1 million in 1990 to around 2 million in 2004 (JILPT, 2006a), it comprises a mere 1.5% of the whole population.

Figure 1.2. **Population of Japan by single year of age and gender, October 2007**



Source: Ministry of Internal Affairs and Communications, population estimates as of 1st October 2007.

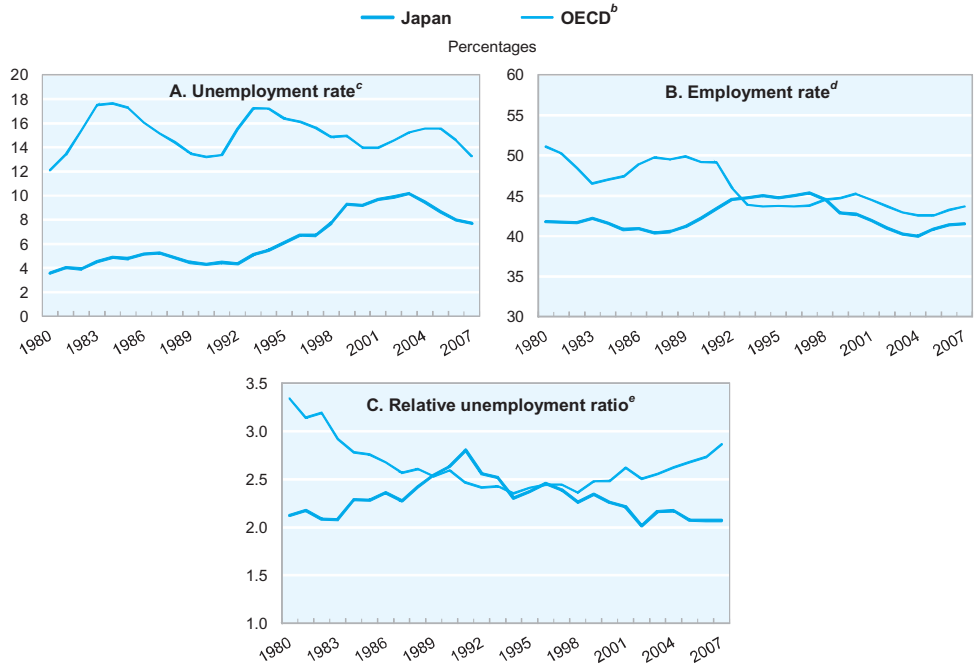
A declining share of youth in the working-age population makes it all the more important to promote higher employment and stronger involvement of young people in the labour market (Bredgaard and Larsen, 2007).

B. Youth employment and unemployment rates

Youth unemployment rates in Japan have historically been much below the OECD average (Figures 1.3 and 1.4). However, the rates (15-24 years of age) have risen rapidly since the mid-1990s and exceeded 10% in the early 2000s. Since then, the rates declined to 7.7% in 2007, as a result of the generalised improvement in labour market conditions. The youth unemployment rate relative to that of prime-age workers has been below the OECD average during the past decade (the ratio was 2.1 in 2007 compared with the OECD average of 2.9).

As is the case in most OECD countries, unemployment is higher among the low-educated young people (Figure 1.5). However, the relative unemployment of low-educated youth (upper secondary education only) to their high-educated counterpart (university degree or higher) is 2.2, the third highest among the 24 OECD countries for which comparable data are available. In fact, the unemployment rate for university graduates in Japan is the fourth lowest within the OECD, but the rate for upper secondary graduates is in the median range.

Figure 1.3. **Youth[a] unemployment and employment indicators, Japan and OECD, 1980-2007**

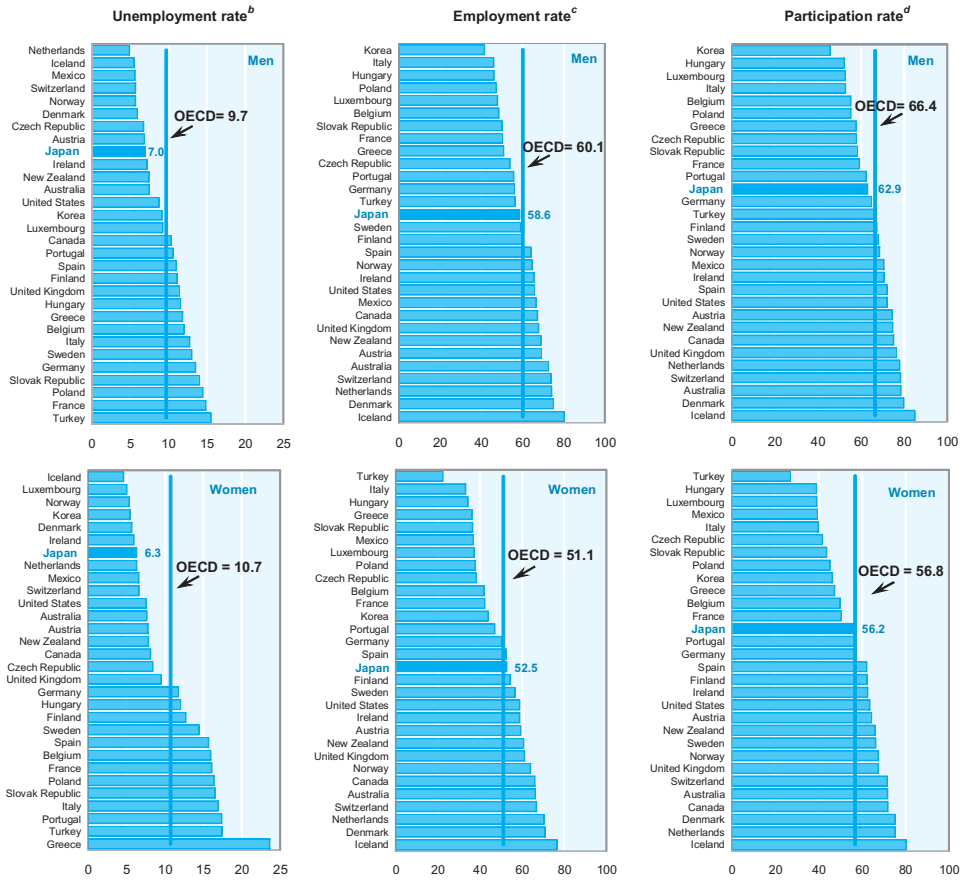


a) Youth aged 16-24 for Iceland, Norway (until 2006), Spain, Sweden, the United Kingdom and the United States; youth aged 15-24 for Japan and all other countries in the OECD average.
b) Unweighted averages.
c) Unemployed as a percentage of the labour force in the age group.
d) Employed as a percentage of the population in the age group.
e) Unemployment rate of youth (15/16-24)/unemployment rate of adults (25-54).

Source: National labour force surveys.

Figure 1.4. **Youth[a] unemployment and employment indicators, by gender, OECD countries, 2007**

Percentages

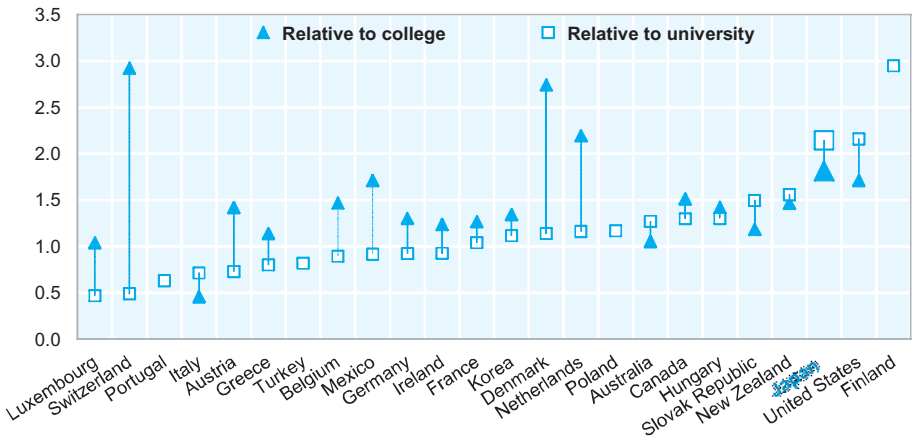


a) Youth aged 16-29 for Iceland, Spain, Sweden, the United Kingdom and the United States; youth aged 15-29 for Japan and all other countries.
b) Unemployed as a percentage of the labour force in the age group.
c) Employed as a percentage of the population in the age group.
d) Labour force as a percentage of the population in the age group.

Source: National labour force surveys.

Figure 1.5. **Youth[a] unemployment rate of upper secondary graduates relative to college and university graduates, selected OECD countries, 2005**

Percentage of the labour force in the age group



Countries are ranked from left to right in ascending order of the relative unemployment of upper secondary graduate to university graduates ratio.

a) Youth aged 16-24 for the United States; youth aged 15-24 for Japan and all other countries.

Source: OECD (2007a), *Education at a Glance*.

Another source of concern in the Japanese youth labour market is the prolonged duration of unemployment. Youth long-term unemployment, which was around 10% of total youth unemployment until the mid-1990s, increased sharply to 25% in 2004, before dropping to 21% in 2007. This trend in long-term unemployment in Japan is in sharp contrast with the situation in most OECD countries, where the rate has substantially declined during the past decade (Figure 1.6).

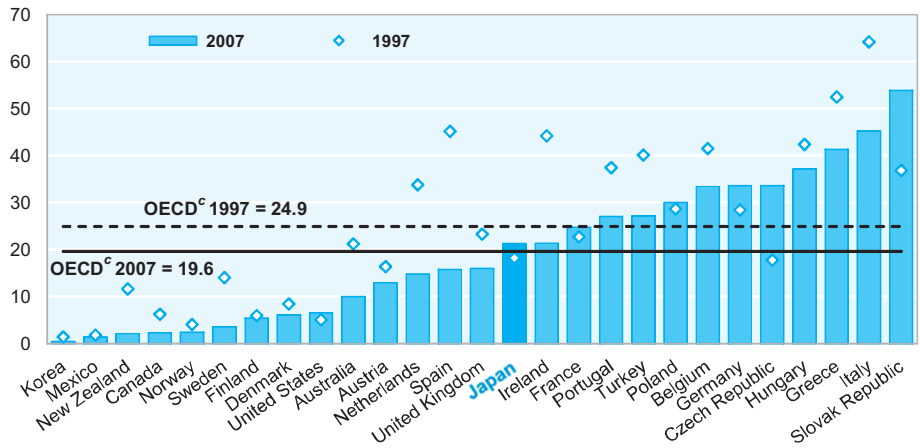
Meanwhile, the youth employment rate has dropped to 41.5% in 2007, from 45.3% a decade ago, lower than the OECD average (43.6% in 2007; Figure 1.3). Figure 1.7 illustrates changes in employment rates by gender and age group for people aged 15-34.[4] Overall employment rates for the 15-34 age groups have dropped among men, while the rates have increased among women during the past decade. Employment rates for Japanese

4. In Japan, "youth" usually refers to those aged 15-34, both in the research and policy circles. This is intended to reflect a situation of a prolonged school-to-work transition period for young people in Japan. Therefore, this report will cover the age group of 15-29 or 15-34 wherever appropriate in addition to the age group of 15-24.

teenagers have been much lower than the OECD average, presumably reflecting higher enrolments in tertiary education as well as a lower incidence of student work in Japan. It is also noteworthy that, among young women aged 20-24, the rates have been much higher than the OECD average and also higher than their male counterparts in Japan. Part of the explanation may have to do with the lower enrolment rates of Japanese women in university education, compared with Japanese men as well as young women in other OECD countries (an issue discussed in Chapter 2). The employment rates for women aged 25-34 have continued to rise during the past decade. In particular, the rates for women aged 25-29 surpassed recently the OECD average, as well as the rates for young women aged 20-24 in Japan. This is likely to mirror the changing roles and attitudes of young women in Japan, together with the practices of deferred marriage and childbearing.

Figure 1.6. **Incidence of long-term[a] unemployment among youth,[b] OECD countries, 1997 and 2007**

Percentage of unemployed youth



Countries are ranked from left to right in ascending order of the incidence of long-term youth unemployment in 2007.

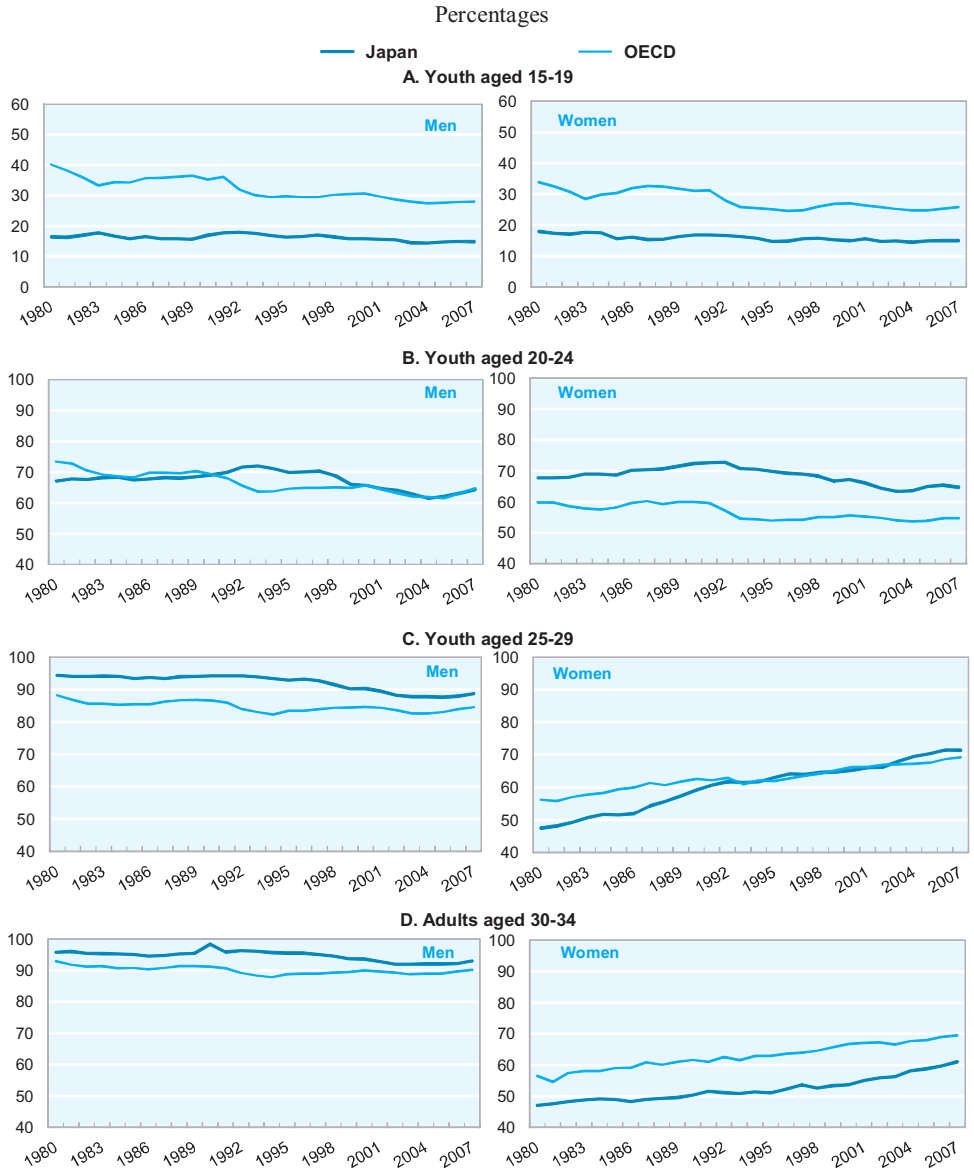
a) Twelve months and over.

b) Youth aged 16-24 for Norway (for 1997 only), Spain, Sweden, the United Kingdom and the United States; youth aged 15-24 for Japan and all other countries.

c) Data for Iceland and Luxembourg are not statistically reliable; for Switzerland, they are not available. Unweighted average of countries shown.

Source: National labour force surveys.

Figure 1.7. **Employment rates by age and gender, Japan and OECD, 1980-2007**



Source: National labour force surveys.

C. Youth neither in employment nor in education or training (NEET)

The youth unemployment rate, a conventional indicator of youth labour market performance, does not take into account the fact that more young people are now in education. In addition, given the lack of unemployment benefits for youth, young people often opt to exit from the labour market when they face difficulties in finding a job.

In such a context, the proportion of people in the youth population neither in employment nor in education or training (NEET rate) serves as another useful indicator for assessing the labour market performance of youth (Quintini *et al.*, 2007; OECD, 2007a; and Box 1.1).

Box 1.1. **The NEET and the "*NEET people*", a Japanese term**

Since the early 2000s, a new term, *NEET people*, has been coined and used widely in Japan and has emerged as one of the main target groups of youth employment policies.

The *NEET people* refer to the most discouraged group of young people who remain out of the labour market for a long period. According to a definition in the "2004 White Paper on the Labour Economy" by the Ministry of Health, Labour and Welfare (MHLW), it refers to those aged 15-34, not in education, not in the labour force, unmarried and not engaged in housework (Miyamoto, 2005).

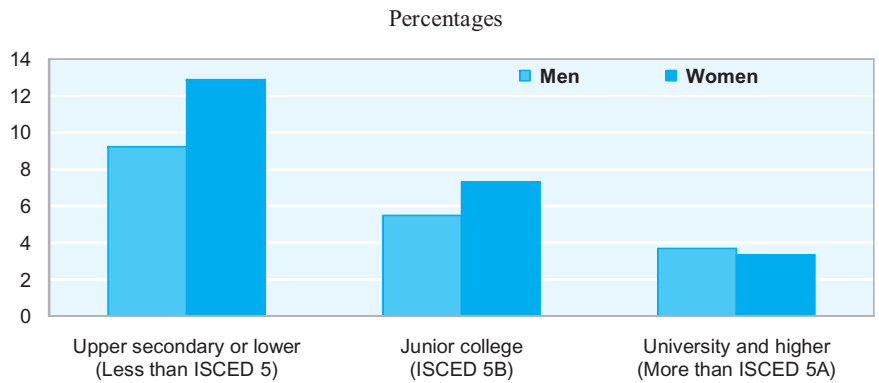
This definition is different from that of the "NEET rate", an indicator which the OECD has been using in these reviews of the school-to-work transition, in that *NEET people* targets a specific age group of 15-34, excluding the unemployed and those inactive by reason of housework.

According to the Ministry of Health, Labour and Welfare (MHLW), the number of *NEET people* rose from 400 000 in 1996 to 640 000 in 2004, and then dropped slightly to 620 000 in 2007. This number represents only a fraction of the 4 830 000 persons aged 15-34 who were neither in employment nor in education or training in 2006, according to the labour force survey by the Ministry of Internal Affairs and Communications (MIC).

NEET rates are relatively higher among young adults (aged 25-29) than among youth in Japan. These rates were 4.9% for the age group 15-19, 12.3% for the age group 20-24 and 19.3% for the age group 25-29, according to the Basic Survey on Employment Structure in 2002 (the most recent year for which the survey results are available). The OECD averages for the corresponding age group in 2002 were 7.6%, 16.4% and 19.1%, respectively.

NEET rates are higher among young women than young men, and higher among the less educated than those with higher education in Japan, as is the case in most OECD countries (Figure 1.8). International comparisons of NEET rates (youth aged 15-24) suggest that overall NEET rates in Japan are below the OECD average, but the rates for young Japanese with tertiary education are very close to the OECD average (Figure 1.9).

Figure 1.8. **Youth[a] NEET rates by gender and educational attainment, Japan, 2006**

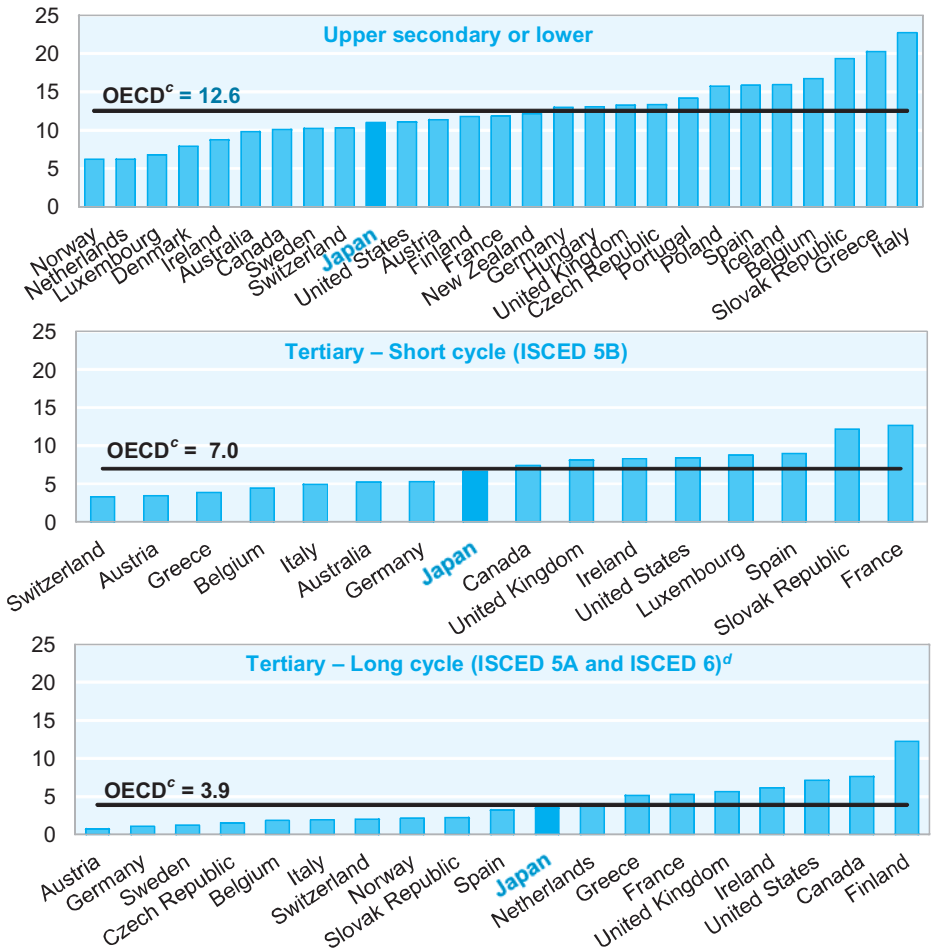


a) Youth aged 15-24.

Source: Ministry of Internal Affairs and Communications (MIC), Labour Force Survey (detailed tabulation).

Figure 1.9. **Youth[a] NEET rates by educational attainment, OECD countries, 2006[b]**

Percentage of the population in the age group



a) Youth aged 16-24 for Norway, Spain, Sweden, the United Kingdom and the United States; youth aged 15-24 for Japan and all other countries.
b) Data for Japan refer to 2006. For all other countries, they refer to 2005.
c) Unweighted average of countries shown.
d) Data for Belgium, Finland, Greece, Italy, the Netherlands, the Slovak Republic and the United States refer to ISCED 5A only.

Source: Ministry of Internal Affairs and Communications (MIC), Labour Force Survey (detailed tabulation) for Japan; and *OECD Education database* for all other countries.

2. The transition from school to work

In many OECD countries, the youth labour market is often characterised by significant mobility between periods of employment, unemployment and inactivity (which can include enrolment in education). It often takes school leavers a long time to find their first job. Some young people, particularly those with low educational attainment, can find it very hard to escape the vicious circle of unemployment/inactivity punctuated by spells of employment, often on temporary contracts (Quintini *et al.*, 2007).

Traditionally, the youth labour market in Japan was known for the high proportion of school leavers who would obtain a stable job right after graduation, and for its low turnover rate (Genda and Kurosawa, 2001). Strong links between firms and schools, especially upper secondary schools, guaranteed a smooth school-to-work transition, where lifetime employment and a seniority-based pay system were the norms. And firms, based on strong labour demand associated with steady economic growth, hired new graduates immediately upon school completion and provided long-term employment with intensive on-the-job training (Kosugi, 2004; Honda, 2005; and Hori, 2007). In this context, the time taken for youth to find a first job after leaving school in Japan used to be shorter than in most other OECD countries, although there are no internationally comparable data available in Japan.[5]

The picture changed, however, during the economic recession which started in the early 1990s. Many companies have switched their human resource strategies, hiring fewer new graduates while increasing the number of part-time and temporary contracts (Hori, 2007; and Kosugi, 2004). The networking between upper secondary schools and firms , whereby schools acted as a "matchmaker" between upper secondary students and prospective firms, has become less popular due to the increase in enrolments in tertiary education and declining job offers from

5. In many OECD countries, data on time taken for young people to find a first job are available from either a longitudinal survey or a retrospective survey. For example, it took 12 months on average for Korean young people, according to a national retrospective survey in 2006 (OECD, 2007e) and 3-4 months in New Zealand estimated from a national longitudinal survey (OECD, 2008c). According to one report (Quintini *et al.*, 2007), analysing data from the European Community Household Panel for 12 European OECD countries, the average time taken to find a first job for young people was 15 months in Denmark, 18 months in Germany, 19 months in the United Kingdom and 35 months in Spain. The lack of data on this transition period might reflect the fact that this has not been an issue of concern in Japan until recently.

firms. Consequently, upper secondary graduates who wanted to start working faced more difficulties in their transition (Kosugi, 2007; and Hori, 2007). Indeed, the share of upper secondary graduates entering the labour market has continued to decline until the early 2000s, while this share has risen slightly in recent years (Table 1.1).

Table 1.1. **Destination of upper secondary graduates, Japan, 1990-2006**

Percentages

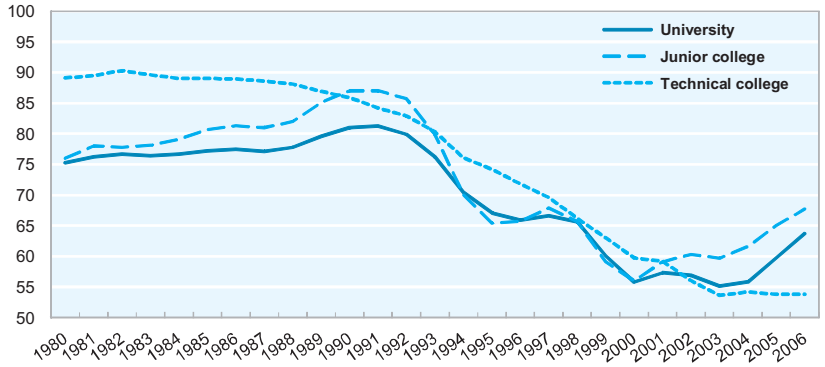
	Entered university/junior college	Entered specialised training college (post-secondary course)	Found a job
1990	30.6	15.8	35.2
1991	31.7	15.6	34.4
1992	32.7	16.4	33.1
1993	34.5	16.6	30.5
1994	36.1	16.6	27.7
1995	37.6	16.7	25.6
1996	39.0	16.9	24.3
1997	40.7	16.8	23.5
1998	42.5	16.4	22.7
1999	44.2	16.8	20.2
2000	45.1	17.2	18.6
2001	45.1	17.5	18.4
2002	44.9	18.0	17.1
2003	44.6	18.9	16.6
2004	45.3	19.2	16.9
2005	47.3	19.0	17.4
2006	49.4	18.2	18.0

Source: Ministry of Education, Culture, Sports, Science and Technology (MEXT), School Basic Survey.

Figure 1.10 shows the job-finding rates of tertiary graduates, which refer to the share of those who found a job as soon as they graduate from school. Until the early 1990s, these rates exceeded 80%, but the rates have decreased drastically since then. The rates for university and junior college graduates recovered in recent years with overall improvements in the labour market situation, while the rate for technical college graduates is still stagnating.

Figure 1.10. **Job-finding rates of school leavers by educational attainment,[a] Japan, 1980-2006**

Percentages



a) Job-finding rate refers to the percentage of new graduates immediately entering into employment upon graduation at the end of March each year.

Source: Ministry of Education, Culture, Sports, Science and Technology (MEXT).

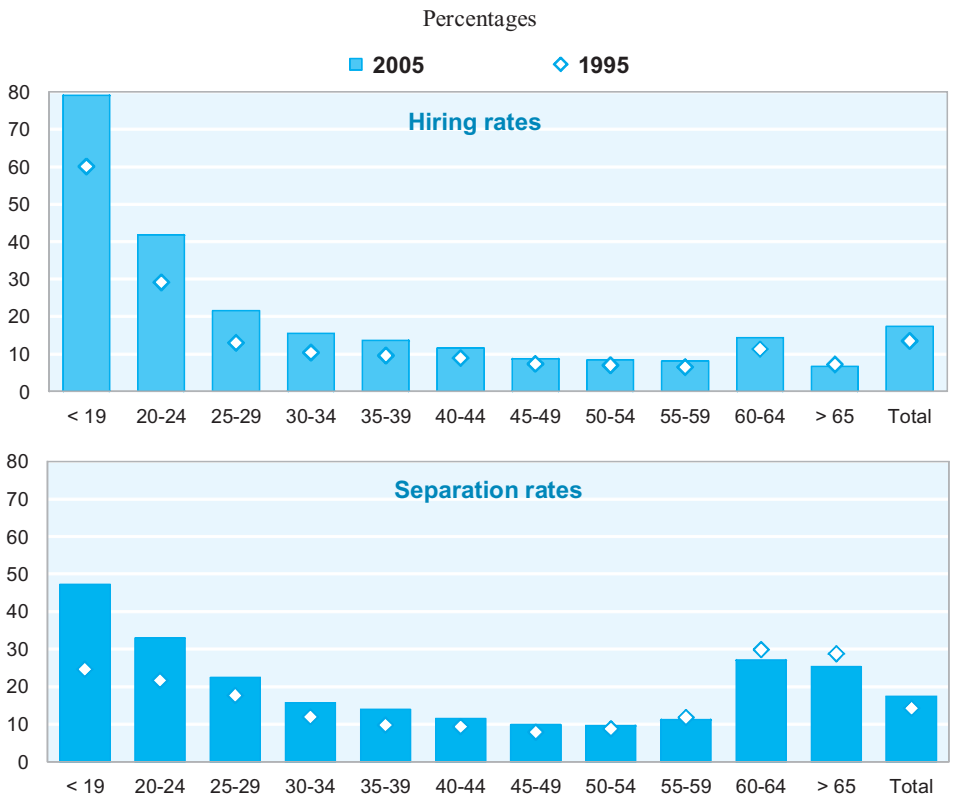
A. Higher job mobility in the youth labour market

Hiring rates in Japan, defined as the share of new hires during one year over the total number of employees, have increased significantly among young workers over the past decade (Figure 1.11). The rates for teenagers and young adults (aged 20-24) have risen by 19 percentage points and 13 percentage points, respectively, compared with a 4 percentage points increase overall.

Job-separation rates have also risen sharply among young workers over the past decade; from 25% to 47% for teenagers and from 22% to 33% for young adults (Figure 1.11). This increased mobility in the youth labour market is likely to be related to the increase of non-regular workers – *i.e.* temporary and part-time workers (see the following section).

Job separation is more frequent among young people with lower educational attainment. According to the MHLW's follow-up survey of 2004 graduates (Figure 1.12), half of upper secondary graduates and more than one-third of university graduates, who found a job upon graduation in 2004, had left the job within three years.

Figure 1.11. **Job-hiring and job-separation rates by age,[a] Japan, 1995 and 2005**

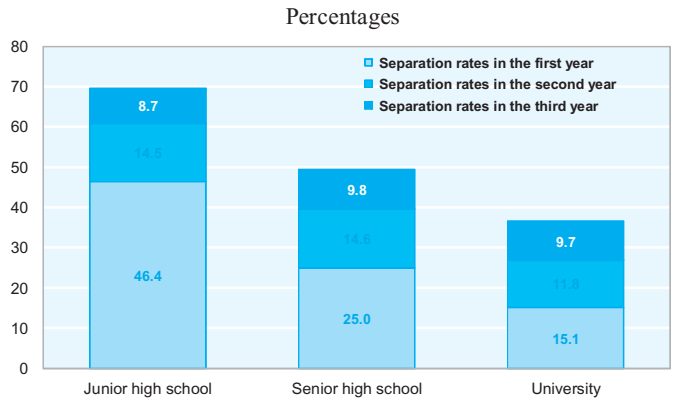


a) Job-hiring rate (respectively, job-separation rate) refers to the share of new hires (respectively, job leavers) during the given year over total employees (including temporary workers with a contract over one month) as of 1st January in the given year, based on surveys of employers with five or more employees.

Source: Ministry of Health, Labour and Welfare (MHLW), Survey on Employment Trends.

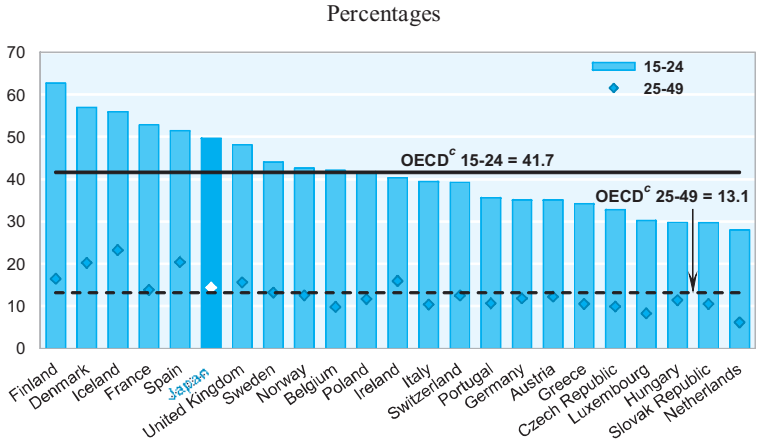
An international comparison of hiring rates, as a percentage of new hires (employees with less than one year's job tenure) among total employees, is presented in Figure 1.13, together with the corresponding rates for prime-age groups. The hiring rate for youth (15-24) in Japan, at 49.7% in 2005, was above the OECD average while that for the 25-49 age groups was very close to the OECD average.

Figure 1.12. **Three-year job-separation rates of 2004 school leavers, by educational attainment, Japan**



Source: Ministry of Health, Labour and Welfare (MHLW).

Figure 1.13. **Job-hiring rates[a] in selected OECD countries, 2004[b]**



a) The hiring rate refers to the share of workers with job tenure of less than one year. For Japan, data refer to the percentage of new hires during the given year among all employees in the corresponding age group at the end of June of the given year; data cover firms with five or more employees only. For European countries, the hiring rate is calculated as the percentage of employees with less than one-year tenure among all employees from the corresponding age group one year earlier.

b) Data for Japan refer to 2005. For all other countries, they refer to 2004.

c) Unweighted average of countries shown.

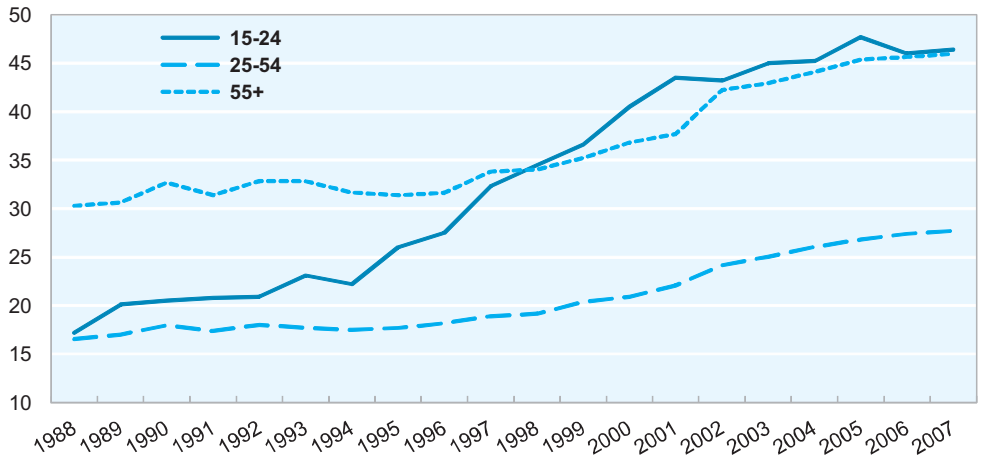
Source: Ministry of Health, Labour and Welfare (MHLW), Survey on Employment Trends for Japan; and Eurostat, European Union Labour Force Survey for all other countries.

B. Precarious employment is on the rise

One of the most significant changes in the Japanese labour market since the 1990s is the rise of labour market dualism – *i.e.* the increasing proportion of non-regular workers *vis-à-vis* regular workers. The overall share of non-regular employees in total employment (excluding executives) increased significantly from 23.2% in 1997 to 33.5% in 2007. The rise in this number for youth (aged 15-24) has been even larger from 32.3% to 46.4% during the same period (Figure 1.14). The share among youth excluding students was 31.2% in 2007.

Non-regular employment is more common among women (Figure 1.15). Although the difference is less prominent among the younger age group, still 39% of young women aged 15-24, excluding students, are in non-regular employment, compared with 28% of their male counterparts. Temporary work is the most common form of non-regular employment among youth (see Box 1.2). As is the case in other OECD countries, young people with lower educational attainment have a higher chance of working in non-regular employment (Table 1.2), with the employment gaps being much larger for young women in Japan.

Figure 1.14. **Share of non-regular workers by age, Japan, 1988-2007**[a]
Percentage of dependent employment[b]

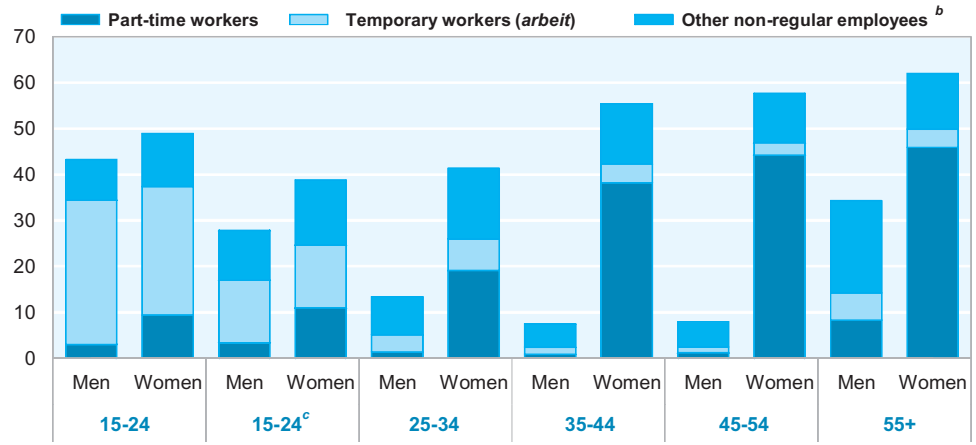


a) Non-regular workers (staff) include temporary workers (*arbeit*), part-time workers, dispatched workers from temporary labour agency, and contract or entrusted employees. There was a change in data source in 2002, resulting from differences such as survey methods and reference period.
b) Excluding executives.

Source: Ministry of Internal Affairs and Communications (MIC), Special Survey of the Labour Force Survey, February of each year, up to 2001; and Labour Force Survey (detailed tabulation) since 2002.

Figure 1.15. **Share of non-regular employees by gender, age and type of employment, Japan, 2006**

Percentage of all employees[a]



a) Excluding executives.

b) "Other non-regular employees" includes dispatched workers from temporary labour agency, contract or entrusted employees. For the definition of part-time and temporary employees, see Box 1.2.

c) Excluding students.

Source: Ministry of Internal Affairs and Communications (MIC), Labour Force Survey (detailed tabulation).

Box 1.2. The categories of non-regular employees in the Japanese Labour Force Survey

The quarterly Labour Force Survey (detailed tabulation) by the MIC collects detailed information on various types of employment; regular employees and various non-regular employees, such as temporary workers (*arbeit* in the Japanese term), part-time workers, temporary agency workers (*dispatched workers*), contract workers and others.

According to the annex in the questionnaire of this Survey, the actual classification into categories of employment type reflects principally the interviewees' status as they are usually designated at the workplace, without referring to characteristics of their job, *e.g.* their working hours and working days. This is especially the case for the major categories of "regular employees", "temporary employees" and "part-time employees". Therefore, the classification of employment types largely relies on the common meanings of these terms. In Japan, temporary work (*arbeit*) tends to be considered as jobs for students or young workers, while part-time workers tend to be married women. For example, according to the 2006 labour force survey, 91% of working students aged 15-24 fell within the category of temporary workers (*arbeit*). According to a case study (Keizer, 2008) on the personnel system of a major supermarket chain in Japan, part-timers in this firm were mostly housewives and tended to work from 10 am to 5 or 6 pm. On the other hand, temporary workers (*arbeit*) were mostly students and tended to work from evening till closing time.

Table 1.2. **Share of non-regular youth[a] employees by educational attainment, Japan, 2006**

Percentage of total employment[b]

	Upper secondary or lower	Junior college	University
Men	30.2	27.3	21.7
Women	47.0	30.7	27.0

a) Youth aged 15-24, excluding students.
b) Excluding executives.

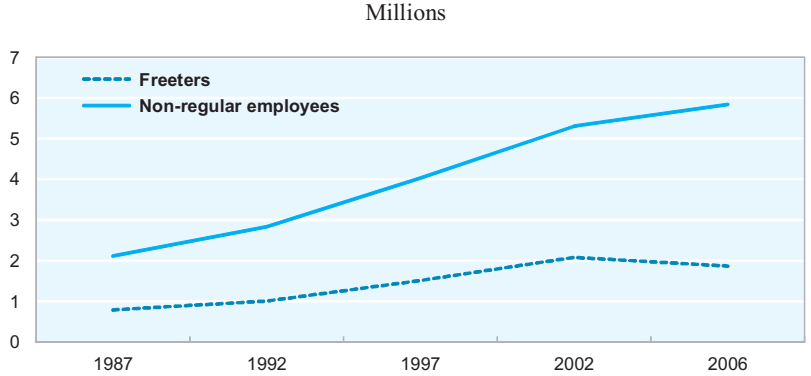
Source: Ministry of Internal Affairs and Communications (MIC), Labour Force Survey (detailed tabulation).

The word *freeter* is a term widely used in Japan to refer to young non-regular workers, and is a major target group of various youth labour market measures since the 2000s. The term, which is an abbreviation of "free *arbeit* employees" first appeared in the late 1980s, when young people faced abundant job opportunities under the bubble economy. However, the marked increase in the number of *freeters* took place from the mid-1990s, after the bubble burst (Honda, 2005). While definitions of *freeter* are diverse (*e.g.* Kosugi, 2007; JILPT, 2005a; or Honda, 2005), the Ministry of Health, Labour and Welfare (MHLW) defines it as individuals aged 15-34 who are not in education (for women, those unmarried) and correspond to one of the followings: *i)* those employed as a part-time or temporary employee; *ii)* those unemployed and searching for a part-time or temporary job; and *iii)* those inactive (by reason of other than housekeeping) and willing to accept part-time or temporary work. According to the MHLW, the number of *freeters* increased from one million in the early 1990s to over two million in the early 2000s, then it decreased to 1.87 million in 2006, representing around 6% of the population aged 15-34 (Figure 1.16).

The difference between the numbers of non-regular workers and *freeters* might be explained by *i)* those married women aged 25-34 who are non-regular workers;[6] *ii)* students in non-regular employment (1.1 million for the age group 15-34 in 2006); *iii)* male non-regular workers in employment other than part-time and temporary (such as temporary agency workers and contract workers, amounting to around 0.9 million in 2006); and *iv)* those non-employed but included in the *freeter* category. In short, the *freeter* can be considered to include some non-regular workers as well as some non-employed youth who are willing to work as a non-regular worker.

6. The number of female non-regular workers aged 25-34 was around 2.3 million in 2006, while the share of those who are married among women in the same age group was 53% in 2006.

Figure 1.16. **Non-regular employees[a] and *freeters*,[b] Japan, 1987-2006[c]**



a) Non-regular employees include persons aged 15-34 among part-time workers, temporary employees, and temporary agency workers. Data refer to 1988 instead of 1987.

b) Persons aged 15-34 who are not in education (for women, those unmarried) and correspond to one of the followings: *i)* those employed as a part-time or temporary employee; *ii)* those unemployed and searching for a part-time or temporary job; and *iii)* those inactive (by reason of other than housekeeping) and willing to accept part-time or temporary work.

c) There was a change in data source in 2002, resulting from differences such as survey methods and reference period.

Source: Ministry of Internal Affairs and Communications (MIC), the Special Survey of the Labour Force Survey up to 2001; and Labour Force Survey (detailed tabulation) since 2002.

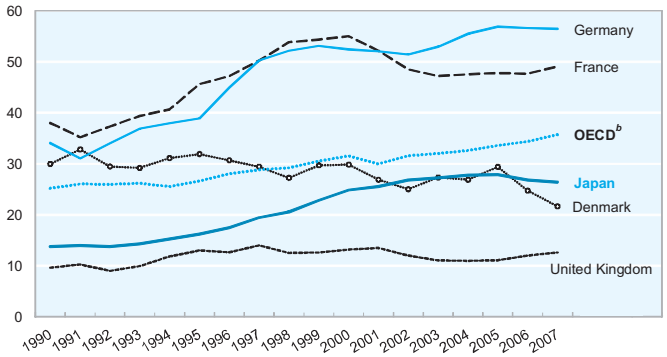
Indeed, Japan is not unique in experiencing rising non-regular employment among young people. The number of both young temporary and part-time workers has increased in most OECD countries during the past decade (Figure 1.17 and Figure 1.18).[7] While the incidence of temporary employment among youth aged 15-24 in Japan is below the OECD average, the incidence of youth part-time employment in Japan is slightly above the OECD average.[8]

7. The definitions of temporary and part-time employment used in these figures, based on the OECD database [original data source for Japan: Labour Force Survey (Basic tabulation)], are different from those used in Figure 1.15 (and explained in Box 1.2) based on Labour Force Survey (detailed tabulation). The incidence of temporary employment in Figure 1.17 is expressed as a percentage of "temporary employment (including "daily employees" in Japan) plus permanent employment (= 100)", while the incidence of part-time employment in Figure 1.18 is expressed as a percentage of "part-time employment plus full-time employment (=100)".

8. Gaston and Kishi (2007) argue that part-time work in Japan is distinctive in that a high proportion of part-timers works relatively long hours compared with other OECD countries. Furthermore, it has become increasingly difficult to distinguish the job requirements and responsibilities of regular/full-time workers and

Figure 1.17. **Trends in youth[a] temporary employment, selected OECD countries, 1990-2007**

Percentage of dependent employment

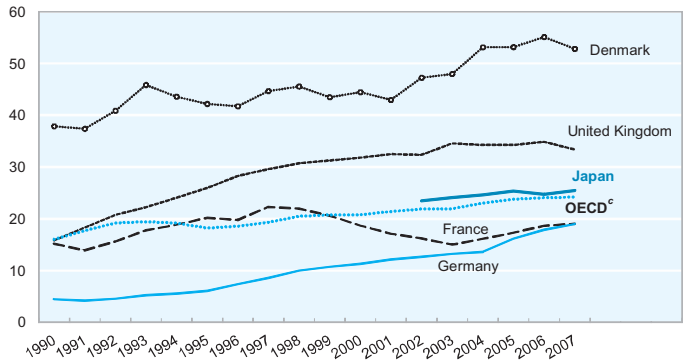


a) Youth aged 16-24 for the United Kingdom, and those aged 15-24 for all other countries.
b) Unweighted average of OECD countries.

Source: OECD Temporary Employment database.

Figure 1.18. **Trends in youth[a] part-time employment,[b] selected OECD countries, 1990-2007**

Percentage of total employment



a) Youth aged 16-24 for the United Kingdom, and those aged 15-24 for all other countries.
b) Part-time employment refers to persons who usually work less than 30 hours per week in their main job.
c) Unweighted average of OECD countries.

Source: OECD Part-time Employment database.

non-regular/part-time workers. Therefore, younger part-timers, who work long hours and get low wages, are most likely to be involuntarily working with a part-time contract, reflecting the difficulties associated with finding a regular job.

Young Japanese in a non-regular job experience more frequent job changes than those in a regular job. A recent survey by the JILPT (2007) shows that, in terms of the number of job changes, 45% of young employees, on a non-regular contract in the previous job, have experienced three or more job changes after leaving school, while the corresponding share among young employees on a regular contract in the previous job, was only 25%.

There also exists a substantial gap in income and social insurance coverage between young regular workers and young non-regular workers or *freeters*. According to a 2006 survey by the JILPT, young men under 30 in a temporary or a part-time job were paid, on an hourly basis, 70% of the wage of their counterparts in a regular job, while young women were paid 68% (Kosugi, 2007, quoting JILPT, 2006b; and more discussion on wages in Chapter 3). Furthermore, significant proportions of non-regular workers are not covered by social insurance. According to a 2003 survey by the MHLW, virtually all regular workers were covered by social insurance systems (employment insurance, employee pension, health insurance), but less than half of non-regular workers were covered by employee pension and health insurance, and two-thirds of them were covered by unemployment insurance (OECD, 2008a).

Initially, the sharp increase in the number of non-regular workers or *freeters* was seen as the result of a shift in young people's values and preferences for a flexible work life (a supply-side phenomenon). However, with worsening labour market entry conditions for school leavers since the mid-1990s, the phenomenon has increasingly been regarded as related to demand-side factors, such as firms' needs for increased workforce flexibility and rapid changes in the industrial structure with growing services and IT industries (Rebick, 2005; Hashimoto and Higuchi, 2005; Gaston and Kishi, 2007; and Chapter 3). In fact, 76% of the men and 69% of the women who were non-regular workers hoped to become regular workers, according to a government survey in 2003 (OECD, 2008a). In the same survey, 40% of temporary agency workers replied that they only accepted the job because they could not find a permanent job (JILPT, 2006a).

Another important factor explaining the increase of non-regular employment and *freeters* among youth is demographic change. As mentioned earlier, the second-generation baby boomers entered the labour market at around the same time that the recession began, causing mismatches between demand and supply in the youth labour market. A significant increase in the participation rate among young women in their mid-to-late twenties might also have played an important role in this trend (Honda, 2005; Rebick, 2005; and Kosugi, 2004).

C. *The entry status is a key determinant of later status*

In the context of persistent high job mobility in the youth labour market, the main concern might not be whether many youth are employed in non-regular or low-paid jobs, but rather whether these jobs are stepping stones into more stable jobs with long-term career prospects (OECD, 2008b).

Although a longitudinal survey on the school-to-work transition is not available in Japan, some retrospective surveys provide the possibility to follow the transition phases of school leavers. Figure 1.19, from a 2006 survey by the JILPT (2006b), shows the share of youth in a regular job at the time of survey, by age group and educational attainment, comparing it with the share at the time of their graduation.

Across all educational backgrounds, the chances for being in regular employment do not change significantly between the time of graduation and the time of survey (this time span depends on the age group and educational level, but can be roughly estimated at around 4-5 years on average for the sample).[9]

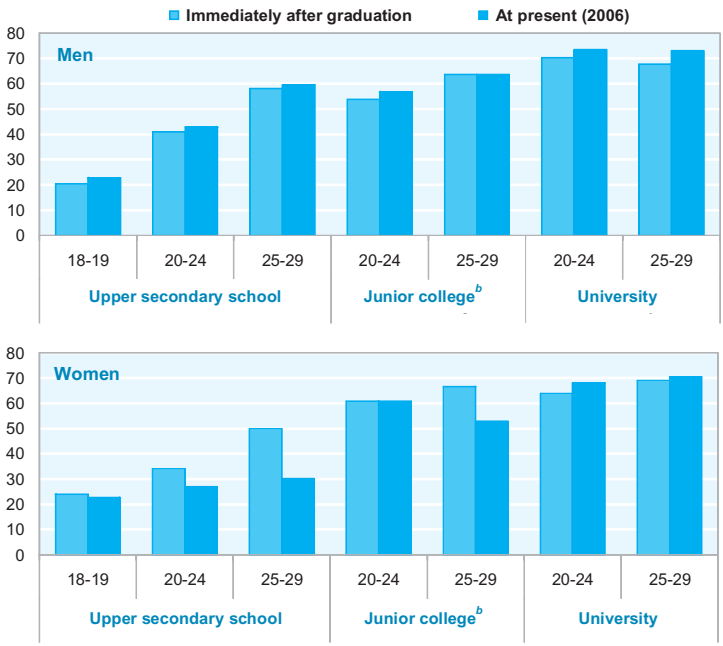
For example, 60% of young men aged 25-29 with upper secondary education were employed in a regular job at the time of survey, compared with 58% at the time of graduation, which can be estimated to be around nine years previously (supposing that average age of graduation for upper secondary school graduates is 18).

In the case of young women, especially the 25-29 age groups, and those with lower educational attainment, the share holding a regular job has fallen, due in part to young women leaving their jobs when they marry and take on family responsibilities. Figure 1.19 also confirms that both young men and women with higher educational attainment have a higher chance of finding a regular job.

9. The average time span between the time of graduation and the time of survey for the 2000 individuals in the survey can be roughly calculated by subtracting average age of graduation from the average age at the time of survey, as shown in Figure 1.19 [the number of samples disaggregated by age and their level of educational attainment is available in Table 1-14 of JILPT (2006b)]. This calculation is based on the assumptions for the average age of graduation for each level of education – *i.e.* 18 for upper secondary school graduates, 20 for junior college graduates and 22 for university graduates.

Figure 1.19. **Share of youth in a regular job, immediately after graduation and at the time of survey,[a] by age and gender, Japan**

Percentages



a) The survey was conducted in February 2006 and covered 2 000 young people living in Tokyo metropolitan area. The age group in the figure refers to that at the time of survey.

b) Including graduates from technical colleges and specialised training colleges.

Source: Japan Institute for Labour Policy and Training (2006b), *School-to-Work Transition and Employment of Youth in Tokyo Metropolitan Area*.

Table 1.3, based on the same survey by the JILPT (2006b), summarises the typical career paths that young people have experienced since their graduation. It reveals that the most typical path for upper secondary school graduates is "continuing on non-regular jobs", while university or college graduates typically "stay in a regular job". The share of young people, who entered the labour market with a non-regular contract or were non-employed but, after 4-5 years on average, were in regular employment, was only 14% among young men and 8% among young women.[10]

10. Although data for an international comparison for this transition phase are not available, one report by the European Commission (2004), based on European Community Household Panel survey, presents the transition possibilities in 15 OECD-EU countries. The one-year transition rate from temporary to permanent

Table 1.3. **Career pathways of Japanese school leavers[a] since graduation,[b] by gender and educational attainment**

Percentages

		All educational level	Upper secondary	Specialised training college	University or higher
Men	Staying in a regular job	30.4	21.3	33.2	53.0
	Regular job → regular job	6.8	6.0	10.9	7.8
	Regular job → non-regular job → regular job	4.1	4.7	5.2	2.5
	Non-regular job/non-employed → regular job	13.9	13.1	10.9	10.2
	Regular job → non-regular job	5.9	8.1	5.7	4.2
	Continuing on non-regular jobs	27.5	34.1	22.3	14.1
	Self-employed/family work	6.7	6.3	10.9	4.6
	Non-employed/others	4.6	6.3	1.0	3.5
Women	Staying in a regular job	29.3	19.1	29.6	49.5
	Regular job → regular job	5.4	2.5	8.0	7.7
	Regular job → non-regular job → regular job	3.3	1.8	6.5	3.8
	Non-regular job/non-employed → regular job	8.3	3.5	9.0	9.1
	Regular job → non-regular job	10.3	11.3	15.1	5.3
	Continuing in non-regular jobs	36.4	51.1	26.1	22.1
	Self-employed/family work	1.9	2.1	3.0	1.0
	Non-employed/others	5.1	8.6	2.5	1.4

a) Aged 18-29.
b) See Figure 1.19 and explanation in footnote 9, for more details.

Source: Japan Institute for Labour Policy and Training (2006b), *School-to-Work Transition and Employment of Youth in Tokyo Metropolitan Area*.

The tendency for the employment status of young people to remain static in the long term (from graduation onwards) is supported by other research findings (Kondo, 2007; and Hori, 2007). Therefore, although labour market mobility, in terms of job separation and job hiring, has increased sharply during the past decade in Japan, the mobility between different employment types is still very low and higher mobility might not necessarily translate into a process of finding the right job and secure employment.

This pattern whereby the long-term employment status of most Japanese young people is determined at graduation (with very little if any movement away from this) might be compounded by two factors. First, there is the effect of the rise in labour market duality. The growing segmentation of the labour market, with the increase of non-regular jobs, can increase the risk that many youth become trapped, cycling for several years between unstable

employment was 31% for all age groups and 30% for youth aged 16-24, while the six-year transition rates for all age group was 55% (the six-year transition rate for youth is not available). The chance of staying in temporary employment after six year was only 16.4%. According to the survey mentioned above (JILPT, 2006b, Table 1-22), this transition rate from non-regular employment to regular employment for youth, after 4-5 years, was around 24% in Japan.

non-regular jobs and non-employment (OECD, 2008b). Second, Japanese firms have traditionally filled regular contract places with new labour market entrants. Many Japanese firms, especially larger ones, have organised recruitment through an annual collective hiring of new graduates. This practice, favouring new graduates, not only makes it difficult to rejoin the recruiting process after graduation but may also stigmatise young people whose first job was not a regular one (Rebick, 2005; Kondo, 2007; and further discussion on business employment practices in Chapter 3).

Meanwhile, this hiring practice can also increase the risk that young people become stuck in the long term with the employment situation prevailing at the time of their graduation. Interestingly, Genda and Kurosawa (2001), using retrospective data of young people's work experiences, found that *initial* labour market conditions, *i.e.* when young people first enter the labour market after completing their education, have a significant lasting impact on the employment experiences in later years in Japan. An increase in the unemployment rate at the time of labour market entry reduces the probability of gaining full-time regular employment and increases the probability of high turnover in the future by lowering the quality of job matches.

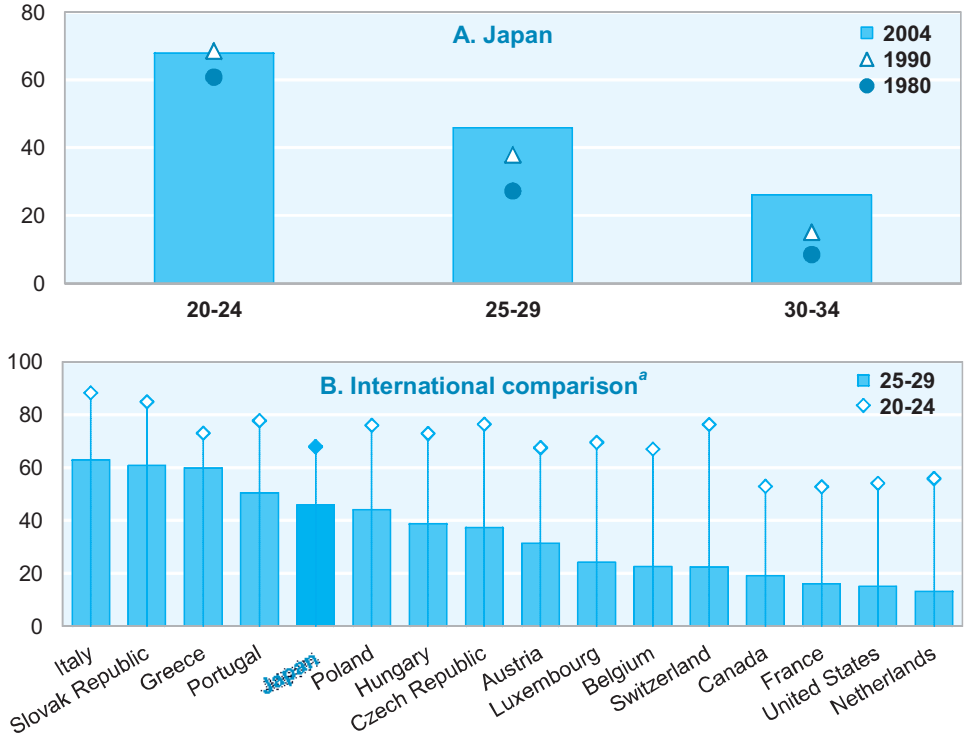
D. More young people live with their parents for longer

The share of young people living with their parents has sharply increased during the past two decades in Japan, especially among the age groups 25-29 and 30-34. This share among young adults (aged 25-29) is far higher than in most western European and North American countries (Figure 1.20). Furthermore, according to a recent survey by the JILPT (2007), 23.5% of young adults aged 25-29 and 12% of those aged 30-34, who were employed, replied that their living expenses were mainly paid for by their parents.

The term "*parasite singles"* syndrome describes the situation where high housing costs and the willingness of parents to allow their children to live at home leads to young people opting to stay with their parents and not seeking a full-time regular job seriously (Rebick, 2005; quoting Yamada, 1999). Likewise, Sakamoto (2007) argues that parental income has a negative effect on the labour supply of young women in Japan. As with *freeters*, the *parasite singles* syndrome might mirror the difficulties associated with the rise of labour market duality and poor labour market prospects for young people during the period between the mid-1990s and the early 2000s.

Figure 1.20. **Share of unmarried people living with their parents, by age, selected OECD countries and years**

Percentage of population in the age group



a) Data refer to 2004 for Japan, 2001 for the United States and 2002 for all other countries shown.

Source: Ministry of Internal Affairs and Communications (MIC) for Japan; and OECD INES-Network B, special YALLE data collection for other countries.

3. Key points

The traditionally solid school-to-work transition system with low unemployment and fast settlement into secure employment in Japan has faced serious challenges since the *lost decade*. More school leavers now enter the labour market without a long-term job. Youth unemployment rates rose sharply between the mid-1990s and the early 2000s, and, while they have fallen back in recent years, are still fairly high, compared with 4% in the early 1990s. The long-term unemployment rate has also increased, surpassing the OECD average, over the past decade. The NEET rate has also risen, closing the gap with the OECD average (Table 1.4).

Table 1.4. **Scoreboard for youth aged 15-24,[a] Japan and OECD, 1997, 2002 and 2007**

	1997		2002		2007	
	Japan	OECD[b]	Japan	OECD[b]	Japan	OECD[b]
Employment rate (% of the age group)	45.3	43.8	41.0	43.7	41.5	43.6
Unemployment rate – UR (% of the labour force)	6.7	15.6	9.9	14.6	7.7	13.4
Relative UR youth/adult (25-54)	2.4	2.4	2.0	2.5	2.1	2.9
Ratio unemployed to population (% of the age group)	3.2	7.5	4.6	6.8	3.5	6.1
Incidence of LTU (% of unemployment)	18.2	24.9	23.9	19.4	21.3	19.6
Incidence of part-time work (% of employment)	..	19.4	23.5	21.9	25.5	24.2
NEET rate (% of the age group)[c]	7.6	14.3	8.4	12.1	8.8	12.0
School drop-outs (% of the age group)[d]	4.1	13.9	3.9	15.0	4.5	13.6
Relative UR low skills/high skills(<ISCED 3)/(>ISCED 3)[e]	3.4	2.5	4.3	2.3	3.3	2.2

ISCED 3: International Standard Classification of Education referring to upper secondary education; LTU: long-term unemployment; NEET: neither in education nor in employment or training; UR: unemployment rate.

.. Data not available.

a) 16-24 for Iceland, Norway (for 1997 and 2002 only), Spain, Sweden, the United Kingdom and the United States.

b) Unweighted average of the 30 OECD countries.

c) 1996, 2002 and 2005.

d) 1997, 2002 and 2003.

e) 1996, 2002 and 2003.

Source: National labour force surveys; and *OECD Education database*.

Job mobility in the youth labour market has also increased in line with growing labour market duality in Japan. Thus, many young Japanese take non-regular jobs with lower income, limited career prospects and fewer opportunities for skill development. Moreover, the possibility of moving from non-regular employment to regular employment tends to be low, trapping many young people in precarious jobs. Meanwhile, employment rates for young women (aged 25-29) have increased sharply during the past decade; but, they are more likely than young men to work on non-regular jobs.

Young people with lower educational attainment seem to face particular difficulties in their transition from school to work, with higher unemployment and inactivity. They also are more likely to experience higher job turnover and to be trapped in insecure employment.

CHAPTER 2

EDUCATION AND TRAINING

Historically, Japan has succeeded in combining a high level of education with small disparities in educational attainment among its population. A rapid rise in the educational attainment has also contributed to faster economic growth. However, questions have emerged in recent years regarding: the lack of diversity of the education system; its limited responsiveness to rapidly changing labour market demands; and a declining level of basic education, as suggested by recent international test results (OECD, 2006b).

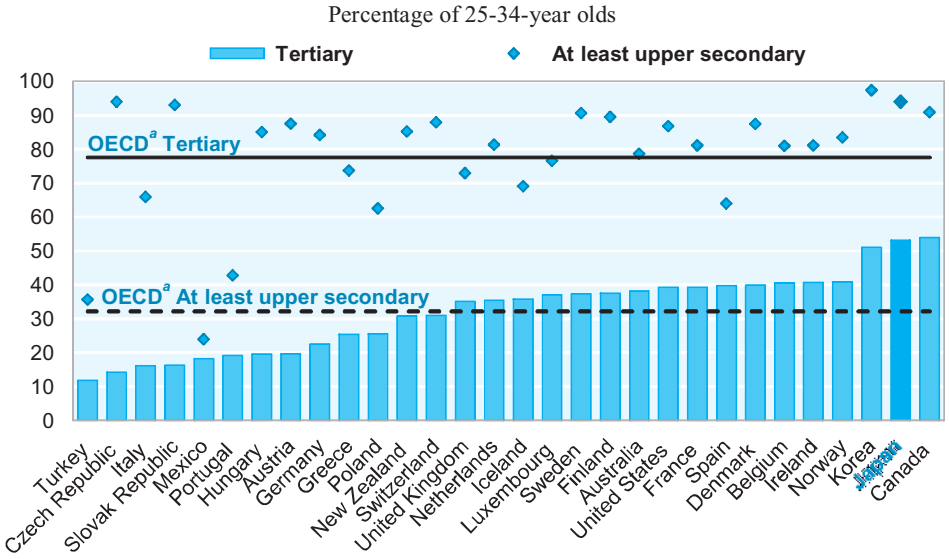
This chapter starts by briefly reviewing the performance of the overall education system (Section 1). It then assesses the challenges facing the Japanese education system, focusing in particular on the linkage between education and labour market demands, especially for upper secondary education (Section 2) and tertiary education (Section 3). It then discusses how study and work is combined in Japan and what is available for students who want to acquire practical work experience (Section 4). Finally, section 5 reviews the role of on-the-job training for young people.

1. The overall performance of the education system

Japan's education system is composed of nine years of compulsory education between the age 6 and 15; six years in primary education and three years in lower secondary education (middle school). This is followed by three years in upper secondary education (high school) and tertiary education. Compulsory education provides an essentially uniform curriculum, and almost all students are enrolled in public schools. However, the share of students in private institutions rises markedly in higher level education where there is also an increasing diversity of institutions and programmes (Hori, 2007; and OECD, 2000).

In 2005, Japan ranked second among OECD countries in the proportion of population aged 25-34 with at least upper secondary education. Japan also ranked second just after Canada in the proportion of the same population with tertiary qualifications, a big jump from its 14th place ranking in the 1960s (OECD, 2007a and Figure 2.1).

Figure 2.1. **Population aged 25-34, by educational attainment, OECD countries, 2005**

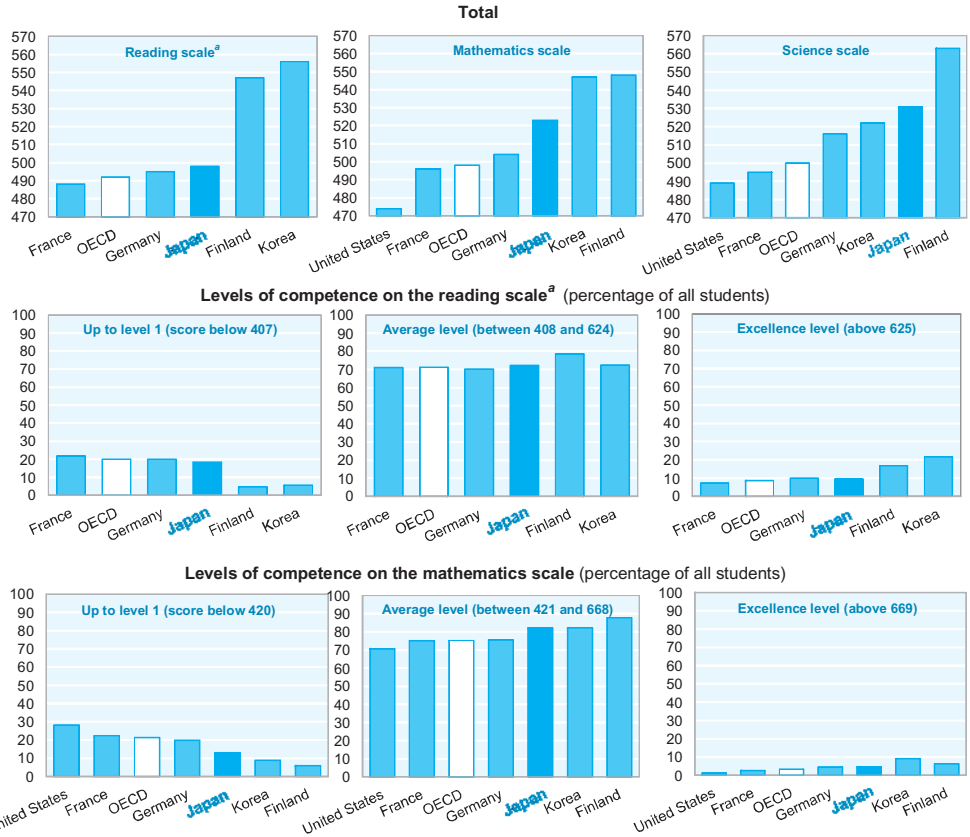


a) Unweighted averages of all countries.

Source: OECD Education database.

In addition, Japan has performed well in terms of the quality and equity of schooling outcomes, as demonstrated by the results of the OECD Programme for International Student Assessment (PISA) of the knowledge and skills of 15-year olds (Figure 2.2). Japan ranked 3rd in science, 6th in mathematics, and 12th in reading ability among OECD countries in 2006. However, these ranks are lower than in 2000 when it was first in mathematics and 8th in reading ability (OECD, 2007b).

Figure 2.2. **Japanese students' performance, based on PISA 2006**



a) Reading scale data for the United States are not available.

Source: OECD PISA 2006 database.

2. Upper secondary education and the labour market

Upper secondary education is virtually universal in Japan, and the progression rate from lower secondary to upper secondary education reached 97.7% in 2006, according to the School Basic Survey by the Ministry of Education, Culture, Sports, Science and Technology (MEXT). The share of private schools in upper secondary education is relatively high in Japan, compared with other OECD countries, comprising 25% of upper secondary schools. Japanese secondary education has achieved a relatively high level of equity by international standards. Socio-economic disparities have a weak impact on student performance in Japan, according to the 2006 PISA survey: only 7.4% of the variation in student performance in science

was explained by students' socio-economic background, significantly below the OECD average of 14.4% (OECD, 2007b).

Progression to upper secondary education is not automatic in Japan, and students need to pass competitive examinations to enter either a general (academic) or specialised (vocational) upper secondary education in either public or private schools. This is quite a unique selection system within the OECD area, as the PISA 2006 survey shows that 86% of 15-year olds Japanese (first year in high school) were enrolled in schools that selected students on the basis of their academic records, far above the OECD average of 27% (OECD, 2007b).

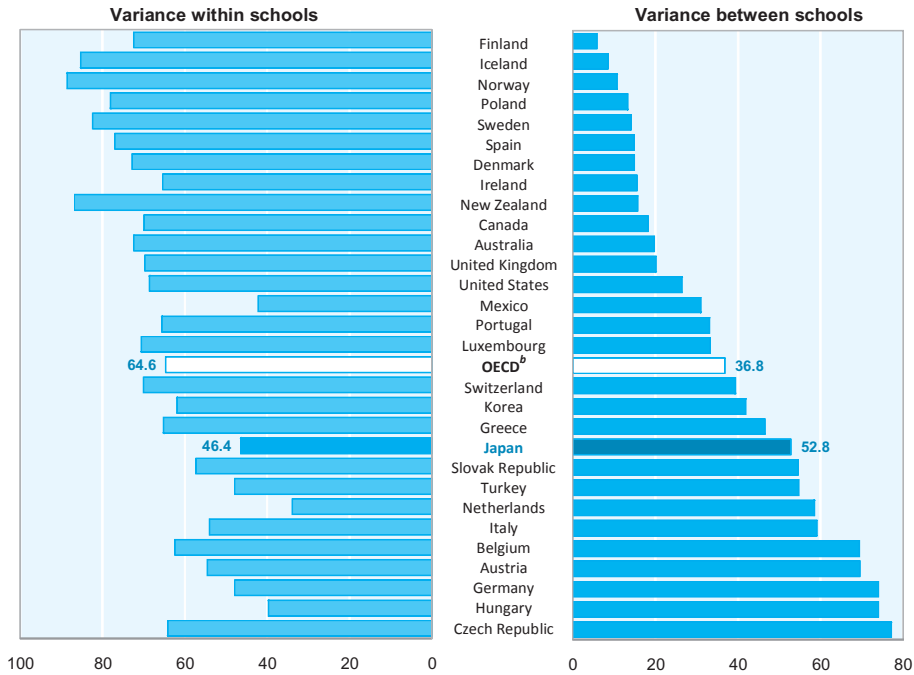
A hierarchy of prestigious schools (ranked according to the number of students sent to prestigious universities) leads to intense competition, although competition for entry to general upper secondary schools is higher. In Japan, it is claimed that the future life of most young people is determined by the time they reach 15 (Hori, 2007; OECD, 2000; and Ono, 2007).

This selection system, together with a high spending on private tutoring and the relatively high proportion of students enrolled in private schools, is likely to increase the gap between schools. Indeed, the 2006 PISA survey reveals that variation in performance *between schools* where 15-year olds are enrolled is larger than the OECD average, while *within-school* academic variation is smaller than the OECD average (Figure 2.3).

Figure 2.4 illustrates the relationship between the average performance and socio-economic situation of students for each school that participated in the PISA survey.[11] Although there is no great variation in the socio-economic background of Japanese schools (the length of the gradient line indicates how widely the schools are dispersed in terms of socio-economic background), school performance in Japan varies considerably more along socio-economic lines than is the case in the United States and Finland.

11. The data used in the figure refer to the students' performance in mathematics scale of PISA; however the results are similar with data for the performance in science scale.

Figure 2.3. **Variance in students' performance between and within schools on PISA mathematics scale, selected OECD countries, 2006**[a]

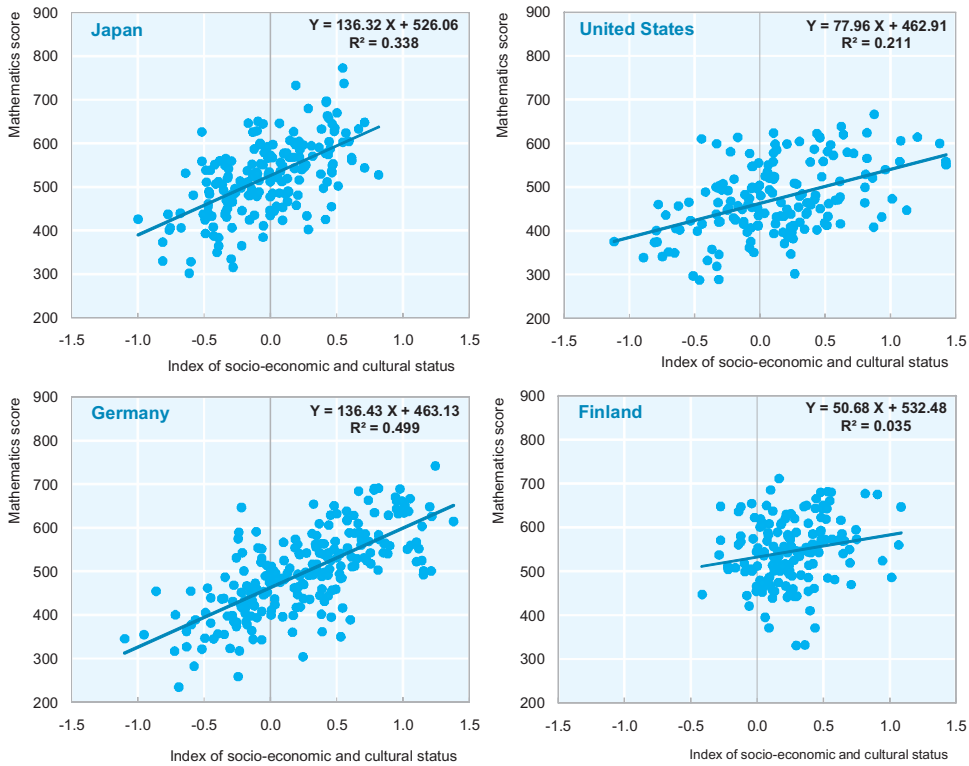


a) The total length of the bars indicates the variance in overall student performance in each country, expressed as a percentage of the average variance among OECD countries. For each country, a distinction is made between the variation attributable to differences in results attained by students in different schools (between-school variance) and that attributable to the range of student results within schools (within-school variance). Longer segments in the right panel of the figure indicate greater variation in the mean performance of different schools (serving to order countries in the figure), while longer segments in the left panel indicate greater variation among students within schools.

b) Unweighted averages of countries shown.

Source: OECD PISA 2006 database.

Figure 2.4. **Relationship between school performance and socio-economic background,[a] Japan and selected OECD countries, 2006**



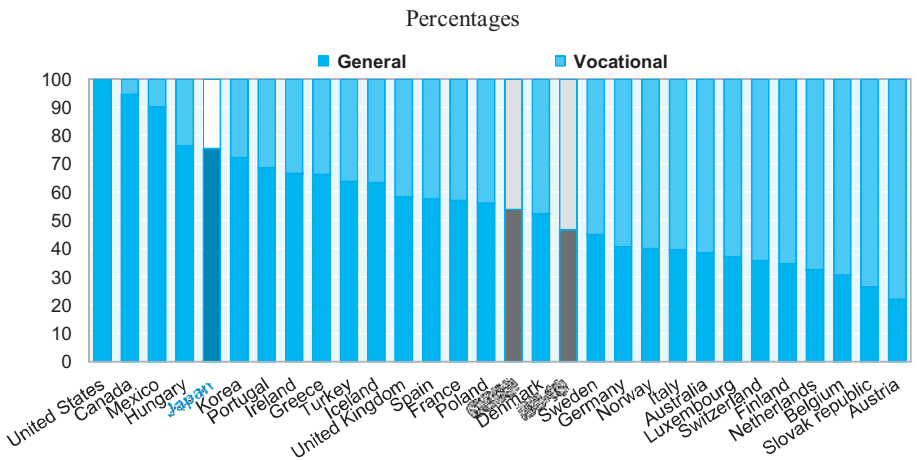
a) Each dot in the figure represents a school participating in the survey. Each school is plotted on the base of the mean of the students' score in mathematics scale in that particular school and on the mean of the index of socio-economic background of each school (see OECD, 2007b).

Source: OECD PISA 2006 database.

A. Vocational education is relatively rare

Only one-quarter of upper secondary students are enrolled in vocational schools, well below the OECD average of 46% (Figure 2.5). This share declined from 32% in 1980 to 26% in 1990, with not much change since the 1990s. Japan is one of the few OECD countries without an apprenticeship system that combines school and work (OECD, 2007a). Vocational education for upper secondary students in Japan is mainly school-based and little time is spent on structured learning within workplaces. In a context of vertical hierarchy of upper secondary institutions, coupled with high demand for tertiary education, vocational upper secondary education comes low on the scale. There is also a large perceived gap between what the vocational curriculum provides and labour demands (OECD, 2000).

Figure 2.5. **Enrolment in general *versus* vocational[a] education in upper secondary education, OECD countries,[b] 2006**



a) Includes the so-called pre-vocational education.
b) Data for EU-19 and OECD refer to unweighted averages; for OECD, New Zealand is excluded.

Source: OECD Education database.

Available information on the labour market outcomes of vocational upper secondary graduates is limited. The Survey on the Job-finding Situation of High School Graduates by MEXT for 2007 graduates, found that 61% of *industry* graduates and 46% of *commerce* graduates wanted to find a job (these are two major fields of vocational upper secondary education in Japan, together comprising around two-thirds of graduates). The corresponding rate for general upper secondary graduates was 10%.

It seems crucial that vocational secondary education should be made more attractive to students and firms and be more adequately linked to the needs of the labour market. This could be done by *e.g.* making in-work training available to all students attending vocational education. This will certainly require a strong commitment and involvement on the part of employers. Strengthening pathways between secondary vocational education and tertiary education would be another option in this regard.

B. The link between education and the labour market

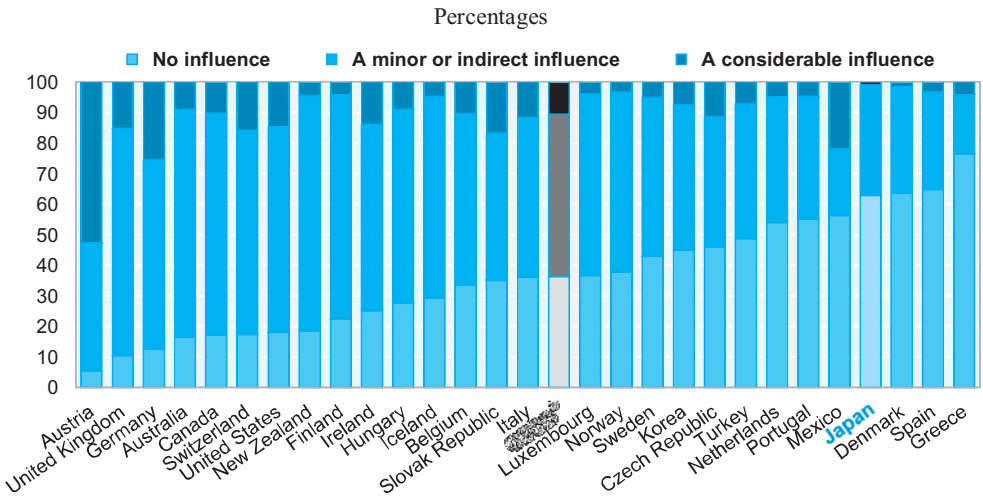
Japanese upper secondary schools have conventionally maintained a strong link with local firms, as mentioned above. However, these connections have been rather limited to the recruitment process of graduates. Schools have focused on providing general education for students, thus limiting the degree to which the school curricula can be brought more into line with labour demands. As revealed by the PISA 2006 survey, only 1% of upper secondary students in Japan attended schools where the principals responded that business and industry exerted considerable influence on the curricula, considerably below the OECD average of 11% (Figure 2.6).[12]

In fact, with an intense competition to enter prestigious universities – even though this competition is getting less severe due to the shrinking youth population – upper secondary education is more likely to function primarily as a preparation stage for access to tertiary education and focuses more on general and theoretical study, rather than keeping pace with fast-changing labour demands.

With a view to ensuring that schools work more closely with their local communities to promote creativity, diversity and flexibility, the Japanese government recently has taken steps to introduce local school boards (OECD, 2005a). Thus, it is a good time to ensure that these boards reflect the views of industry and other stakeholders in curriculum design (Kosugi, 2007), ensuring schools assume more responsibility for the labour market outcomes of their students.

12. It should be noted that 25% of the total number of schools that participated in the PISA survey in Japan were vocational schools.

Figure 2.6. **Influence of business and industry on the school curriculum,[a] OECD countries, 2006**



a) Data refer to the percentage of students in schools, the principal of which reported the degree of industries and business's influence on the school's curriculum, as given above.
b) Unweighted average of countries shown.

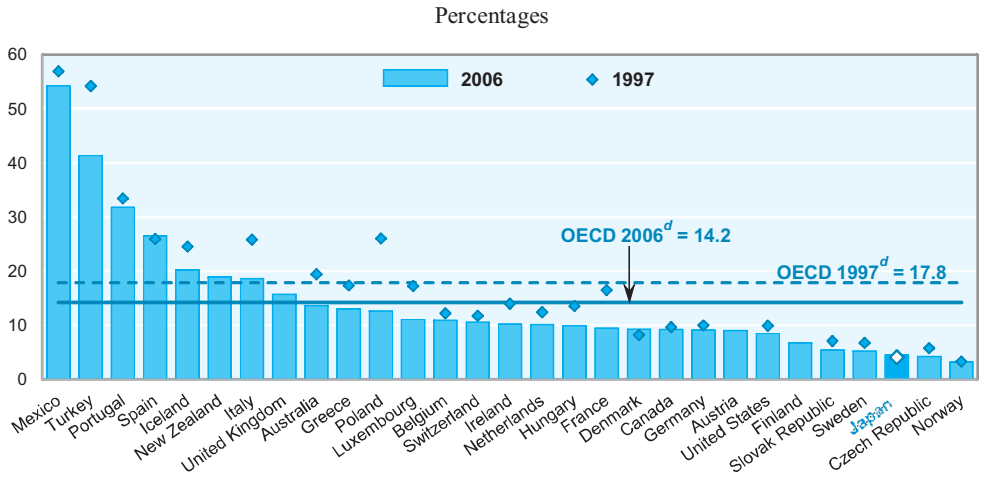
Source: OECD PISA 2006 database.

Meanwhile, the Japanese government has also stepped up its efforts to strengthen the career guidance system for secondary and primary school students, with the aim of addressing the increasing number of *freeters,* of *NEET people* and of job separation for school leavers. In 2003, the government launched the *Career Exploration Programme*, which is run with the co-operative efforts of the Public Employment Security Offices (PESOs), schools and businesses. Guest lecturers from companies or the PESOs visit schools and provide students with information on the world of work and occupations. In fiscal year 2006 (April 2006–March 2007), 4 000 schools (primary to upper secondary) and 400 000 students (roughly 3% of total enrolled students) participated in this programme, according to the information provided by the MHLW. Another programme, the *Junior Internship* programme, which started in 2000, organises work experience (typically three days) for secondary students. In FY 2006, 59 000 students from 950 schools participated in this programme, held in 19 000 workplaces, according to the MHLW.

C. *School drop-outs*

The school drop-out rate in Japan, defined as a share of young people leaving schools without upper secondary qualifications, is well below the OECD average (Figure 2.7). It is noteworthy, however, that this rate has increased slightly during the past decade, in contrast to the considerable decline observed in many OECD countries.[13]

Figure 2.7. **School drop-outs[a] in OECD countries, 1997[b] and 2006[c]**



a) Percentage of youth leaving school without an upper secondary degree. Youth are those aged 16-24 for Iceland, Norway, Spain, Sweden, the United Kingdom and the United States; and those aged 15-24 for all other countries.
b) Data refer to 1998 for Denmark and Italy, instead of 1997.
c) Data refer to 2003 for Japan, and 2004 for Mexico and Norway, instead of 2006.
d) Unweighted average of countries shown.

Source: OECD Education database.

The Japanese education system has been heavily age-dependent, with the expectation that all young people move at the same pace. Thus, it focuses on allocating students to the right educational institutions and to the right first job (OECD, 2000). Therefore, second chances and re-entry opportunities for those who do not get it right first time are limited, and

13. Some commentators argue that the true picture of school drop-outs in Japan is not known because of the lack of a support system, as well as limited information or research on them (Hori, 2007; and OECD, 2000).

there is a risk that some young people might be locked into the choices they have made at the age of 15 or 18 (Kosugi, 2007).

The experiences of other OECD countries revealed that the reduction in the number of young adults with low educational attainment has not improved their relative or absolute chances of success in the labour market. Their position has even tended to deteriorate, as they constitute a smaller and more stigmatised minority who cannot keep up with the fast-changing world of work (OECD, 1999). Although the share of school drop-outs in Japan is relatively low (4.5%), it amounts to around 300 000 young people among the 15-24 age group. Therefore, steps need to be taken to improve the systematic support for this group of young people, through offering stronger support from labour market policies (see Chapter 4). This reform should also be accompanied by an effort to enhance the collection of basic data and information on the size and situation of this target group.

3. Tertiary education and the labour market

Higher education in Japan includes universities, junior colleges, technical colleges and specialised training colleges (the post-secondary courses). University courses typically last four years, while junior college courses last two or three years. Technical college courses, oriented towards preparing engineers, last five years, and students can apply for admission after completing lower secondary education (OECD, 2000; and OECD, 2006c). Specialised training colleges offer practical education during two to four years, in areas such as medical services (31% of students enrolled), culture (18%) and hygiene (13%) (MEXT's FY 2006 School Basic Survey). These latter colleges are attractive not only to secondary graduates but also to students who drop out of university or junior college studies, to university and junior college graduates, and to "double-schoolers" who are simultaneously enrolled in a university (Santiago *et al.*, 2008, quoting Goodman *et al.*, forthcoming).

University students make up 76% of overall tertiary enrolments, and students in specialised training colleges comprise 18% (Table 2.1). Female students comprise the vast majority of junior college enrolments and the majority of specialised training colleges. By international comparison, the share of enrolments in tertiary-type B programmes (ISCED 5B, *i.e.* junior colleges) is relatively high in Japan. Across OECD countries, the entry rate to tertiary-type B programmes was 15% and the rate to tertiary-type A programmes (ISCED 5A, *i.e.* universities) was 54% in 2005, whereas corresponding rates in Japan were 30% and 41%, respectively (OECD, 2007a).

Table 2.1. **Students enrolled in tertiary education by type of institution, Japan, fiscal year 2006**

Units and percentages

	Number	Share		
	Of students enrolled	In total enrolment	Of female students	Of private institutions
University	2 859 212	75.5	39.4	76.3
Junior college	202 254	5.3	87.6	89.7
Technical college	59 380	1.6	16.2	4.7
Specialised training college (professional course)	667 188	17.6	54.6	93.2
Total	**3 788 034**	**100.0**		

Source: Ministry of Education, Culture, Sports, Science and Technology (MEXT), School Basic Survey.

Meanwhile, 76% of universities and more than 90% of junior colleges and specialised training colleges are private institutions (Table 2.1). Indeed, the share of student enrollment in private institutions in Japan is among the highest in the OECD area (OECD, 2007a).

A. Enhancing responsiveness to labour market requirements

As is the case in upper secondary schools, networking between universities/colleges and firms has largely been limited to the recruitment process in Japan (Kondo, 2007). Industry influence on tertiary courses, for example, curricula, pedagogy and staff profile, has not been strong, despite the large share of private institutions. Indeed, universities and colleges have had limited connections with professional associations or industry associations in shaping tertiary courses. The prominent large firms have traditionally recruited graduates not on the basis of academic performance or specialized skills, but rather on the basis of a graduate's expected aptitude for lifelong learning and development within the firm (Santiago *et al.*, 2008; and OECD, 2000). A significant part of the explanation for this is rooted in the lifetime employment system, with its strong emphasis on company-led human resources development practices. Thus, the declining importance of the lifetime employment system and company-based training has brought to the fore a growing mismatch between the education system and labour market requirements.

Although survey results on study-job matches are scant in Japan, a 2001 survey by the former Japanese Institute of Labour illustrates the weakness in the link between the jobs held by youth and the knowledge and skills acquired in school (Table 2.2). Only 22% of young graduates replied that they were often using the knowledge and skills they had acquired during their tertiary courses. The survey also revealed that most graduates were working in jobs that did not match well with their fields of study.

Table 2.2. **Self-assessed study-job match, tertiary graduates, Japan, 2001**

Percentages

I. To what extent do you use the knowledge and skills acquired during tertiary education?	
Very often	8.0
Fairly often	14.2
Every now and then	30.6
Not so often	31.8
Not at all	9.1
No relationship between my current job and my education	6.3
II. How would you characterise the match between your field of study and your current work?	
My field of study best fits my current work	22.0
Some other field could match the current work as well	26.7
Another field would have fitted better	9.7
My field of study does not match much	28.3
My field of study does not fit at all my current work	13.3

Source: Japanese Institute of Labour (JIL), 2001.

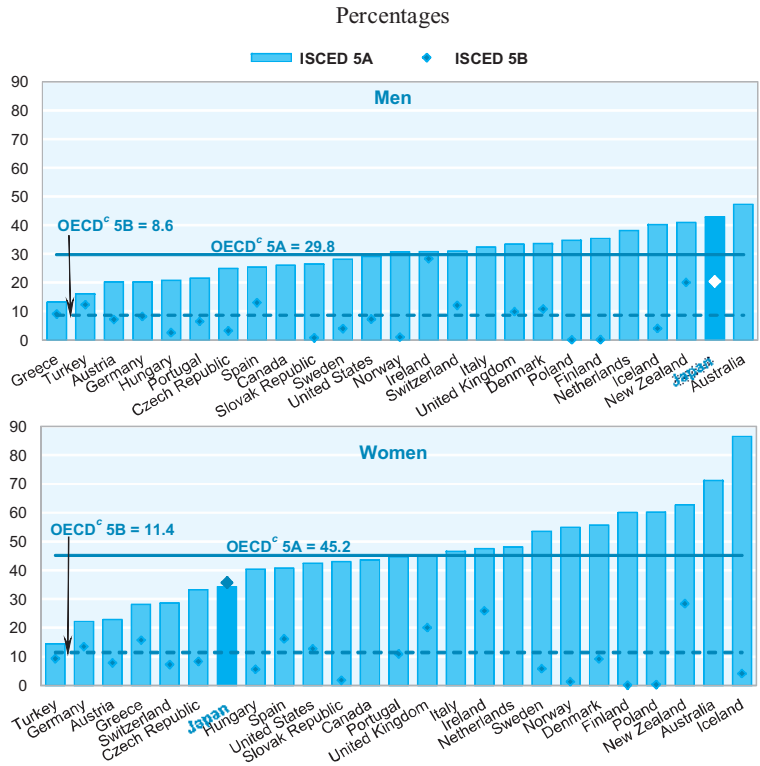
The Japanese government has initiated measures to help improve the link between education and the labour market in recent years; *i)* developing "joint industry-academia education programmes" to teach entrepreneurs, managers and professionals with specialised skills; *ii)* developing education programmes geared at re-training adult employees in areas of high business demands; and *iii)* promoting internship (MEXT, 2003; for internship, see the following section).

However, given the fading division of roles between initial education and company-based training in Japan, it is essential to step up efforts to develop closer ties between the labour market and tertiary education, especially universities, which comprise the majority of tertiary enrolments in Japan. A greater role should be given to labour market participants, such as business and industry representatives, in shaping the curricula, pedagogy, staff profiles, and the skills and capabilities of graduates. This could be encouraged by, for example, developing a formal structure to promote communication and collaboration between universities and business or industry associations. The case of Australia, which established the *Business, Industry and Higher Education Collaboration Council* and the *Business and Higher Education Round Table,* could serve as a possible model (Santiago *et al.*, 2008). It will be equally important to provide more flexibility and diversity in the management of universities and to further reduce regulations so as to facilitate the shift of resources from departments and courses with decreasing demand to those with increasing demand (Jones and Yokoyama, 2006).

B. Need to tackle the gender gap in tertiary qualification

The moderate graduation rate for tertiary-type A education (long cycle, *i.e.* university) in Japan results from the relatively low participation of female students in these programmes, while their participation in tertiary-type B programmes (short cycle, *i.e.* junior college) is the highest in the OECD area (Figure 2.8).

Figure 2.8. **Graduation rates[a] in tertiary education by gender and programme, OECD countries, 2006[b]**



a) Data for the Czech Republic, France, Greece, Hungary, Ireland, Italy, Japan, Poland, Spain, Turkey, the United Kingdom and the United States refer to the number of graduates as a percentage of the population at the typical year of graduation (*i.e.* gross graduation rate). For all other countries, data refer to the sum of graduates of a certain age divided by the population at that age (*i.e.* net graduation rate).

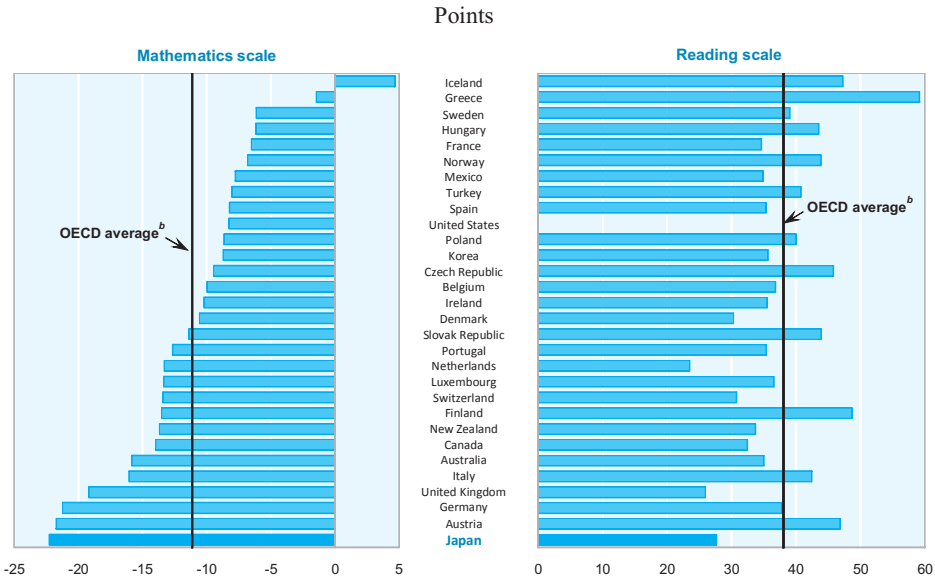
b) Data for Canada refer to 2005.

c) Unweighted average of countries shown.

Source: OECD Education database.

Indeed, the gender gap in education is already wide at the age of 15 in Japan, as demonstrated by the relatively poor performance of young girls in the PISA survey (Figure 2.9). The difference between Japanese girls' and boys' scores in mathematics was the largest among OECD countries, and Japanese girls showed only modest gains in the reading scale, compared with their counterparts in other OECD countries.

Figure 2.9. **Difference between girls and boys scores[a] in mathematics and reading, OECD countries, 2006**



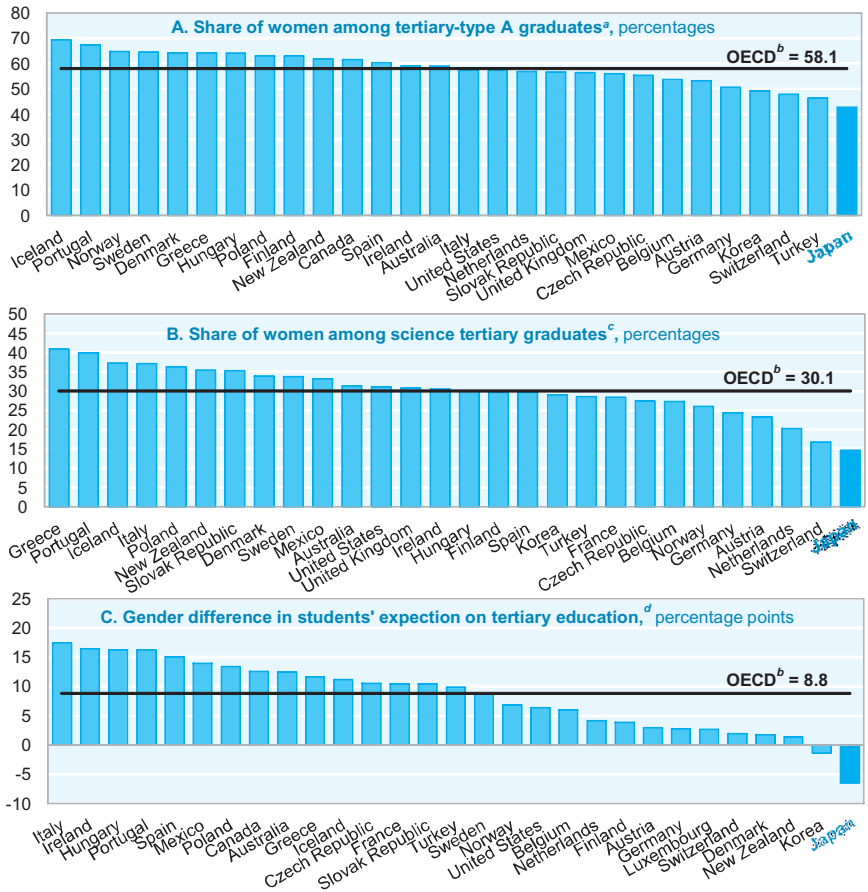
a) A positive value indicates that girls outperform boys; and a negative one that boys outperform girls.

b) Unweighted average of countries shown.

Source: OECD PISA 2006 database.

Figure 2.10 illustrates other aspects of the gender gap in tertiary education in Japan. Japan has the lowest share of female graduates both in total tertiary-type A graduates and in science graduates from all tertiary education. Meanwhile, in terms of expectations for completing tertiary-type A or advanced research programmes, Japanese girls showed the lowest expectations relative to boys among the OECD area (Figure 2.10, Panel C).

Figure 2.10. **Gender gaps in tertiary education, OECD countries, 2005**



a) Data refer to the percentage of tertiary qualifications awarded to women. For Canada and Finland, data refer to 2004.

b) Unweighted average of countries shown.

c) Data refer to the percentage of 25-34-year olds women among science graduates who were in employment. For Canada and Finland, data refer to 2004.

d) Data refer to the difference between the shares of women and men aged 15 expecting to complete a tertiary-type A or higher level of education; a positive value indicates that girls have higher expectation than boys.

Source: OECD (2007a), *Education at a Glance*.

As highlighted in Chapter 1, the likelihood of finding a secure employment is higher for university graduates in Japan. In particular, as shown in Figure 1.19, female university graduates have a much higher propensity to secure stable employment through their late 20s than their lower educated counterparts. Therefore, if Japan needs to boost the

employment of women and to best develop their human resources in a context of an ageing and shrinking labour force, it is essential to reduce the gender gap in university education. Furthermore, promoting equal employment opportunities will also be important.

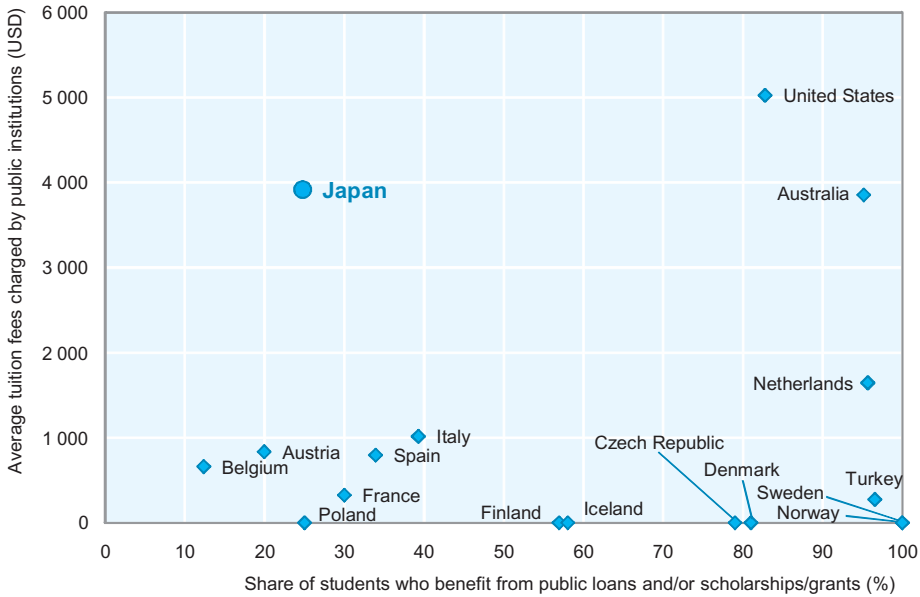
C. Financial assistance for tertiary education is limited

Only 50.7% of 15-year olds in Japan expect to gain university qualifications, just above the OECD average of 44.5%, but far below the rates in Korea (78.3%), the United States (64.4%) and Canada (62.5%) (OECD, 2007a). This situation, together with moderate graduation rates in tertiary-type A education in Japan, might be linked to relatively high tuition fees and the limited availability of public loans or grants (Figure 2.11).

The tuition fees charged by *public* universities, at around USD 3 900 in the school year 2004-05, are one of the highest among the OECD countries for which comparable data are available. Moreover, tuition fees for *private* universities, which comprise three-quarters of enrolments in Japan, are even higher, at above USD 6 000. Despite high tuition fees, only one-quarter of students can benefit from public loans or grants in Japan. According to the government, while around 50% of tertiary students were in need of scholarships/loans, only 28.7% of university students and 22.4% of junior college students were receiving scholarships/loans from the Japan Scholarship Foundation or other institutions (MEXT, 2003).

This situation appears to be related to the fact that public expenditure on tertiary education, as a percentage of GDP, is among the lowest in OECD countries (OECD, 2007a). Limited financial assistance to tertiary students, despite some improvement in recent years, is likely to cause a risk that young people from low-income families might not be able to get access to tertiary education. In view of widening income inequalities in Japan, it seems necessary that more public financial assistance is available to students, especially those from low-income families. It might also be beneficial to help mobilise more funding from business/industry and other private sectors for financial assistance to students (Hori, 2007; and OECD, 2006c).

Figure 2.11. **Tuition fees and public loans and/or scholarships/grants in tertiary-type A education, selected OECD countries, school year 2004-05**



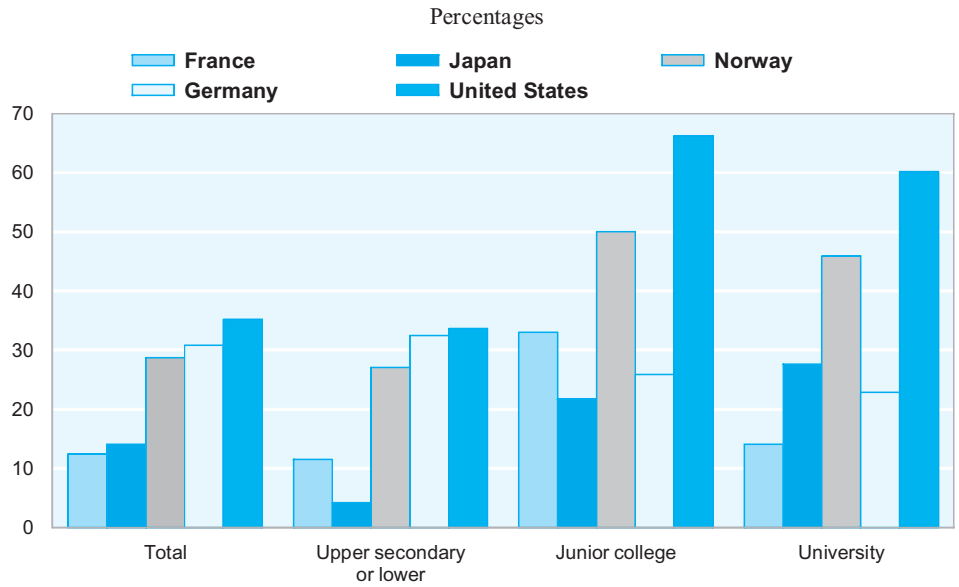
Source: OECD (2007a), *Education at a Glance*.

4. Between school and work

Students in Japan tend to have limited opportunities to benefit from work experience, while in education. The employment rate of students aged 15-24, at 14% in 2005, is well below the corresponding rates in the United States, Germany and Norway (Figure 2.12). In particular, the share of working students in upper secondary schools and junior colleges is relatively low. This outcome appears to arise from a combination of parents being willing to support educational expenses (leaving their children to focus on study) and firms not paying much attention to the work experience of their prospective employees.

Meanwhile, the majority of working students in Japan are employed in simple service jobs in such sectors as wholesale and retail trade (39%) or restaurants and hotels (32%). Not surprisingly, 91% of them had temporary contracts, according to the 2006 labour force survey.

Figure 2.12. **Working students[a] by educational attainment, selected OECD countries, 2006[b]**



a) Aged 15-24 for France, Japan and Germany; 16-24 for Norway and the United States.
b) Data for Japan refer to 2006; for France, Germany, Norway and the United States, they refer to 2005.

Source: Ministry of Internal Affairs and Communications (MIC), Labour Force Survey for Japan; and *OECD Education database* for all other countries.

Most literature from OECD countries regarding work experience during study provides evidence that working a *moderate* number of hours per week helps youth in future labour market outcomes without compromising school achievement. Some analyses also show that a close relationship between the type of job held and the field of study is essential for positive labour market returns for working tertiary students (OECD, 2007c).

In order to promote student work experience, the Japanese government has encouraged various forms of internship programmes since the late 1990s. MEXT is providing financial support to universities/colleges that implement internships. It is also hosting national forums where stakeholders from universities/colleges and businesses can exchange related information (MEXT, 2003). According to information provided by MEXT, based on its Survey on the State of Internship, the share of universities and colleges which have introduced internship programmes for their students has risen sharply from 18% to 66% for universities and from 6% to 41% for junior colleges between 1996 and 2006. Taking also into account the participants

in industry-led and student union-led internship programmes without university/college involvement, around 120 000 students are estimated to take part in internships annually (OECD, 2006c).

It seems essential that internships be further promoted, as an effective way to provide useful work experience to students and hence facilitate the school-to-work transition, through orchestrated efforts by tripartite agreement (educational institutions, businesses and the government). A better inter-ministerial cooperation around this goal between MEXT and MHLW should increase the chances of the success of these efforts. Options for measures could also include raising incentives for participating firms (*e.g.* through a subsidy for wages/allowances). This goal could be facilitated if universities/colleges were encouraged to expand internship requirements in their curricula.

5. Training

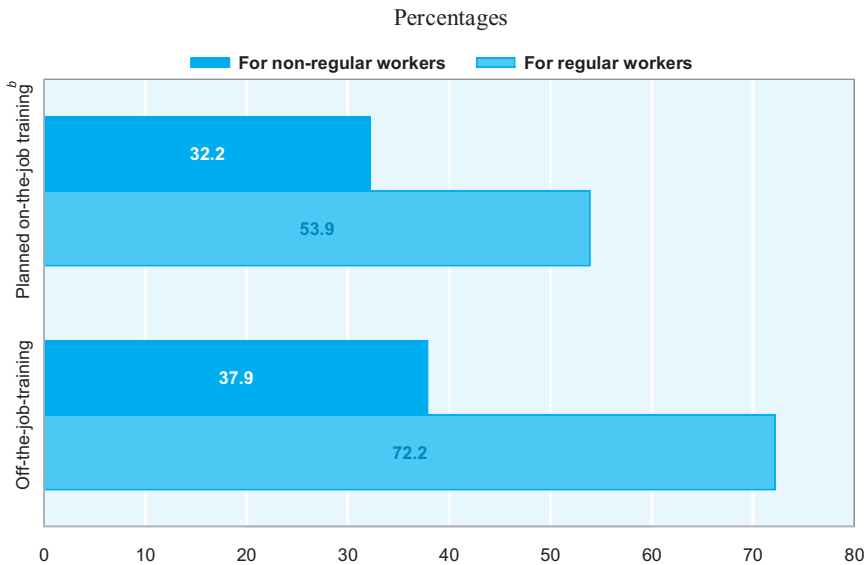
In Japan, training has been mostly regarded as the firm's responsibility, thus firms, especially large ones, have provided a wide range of formal or informal on-the-job training. Small- and medium-sized firms tend to use less formal arrangements in which senior workers provide guidance to young workers. In addition, firms have implemented in parallel off-the-job training, to develop the knowledge and theoretical skills of their workers (JILPT, 2006a).

The government, through the Employment Insurance System, provides subsidies to employer-led training (*Career Development Promotion Grant*), as well as to workers' voluntary participation in outside education/training programmes to develop their own knowledge and skills (*Education and Training Benefits System*). However, the number of beneficiaries of the latter, among employees or ex-employees covered by the Employment Insurance, has decreased from 470 000 in FY 2003 to 139 000 in FY 2006 (MHLW, 2006).

Japanese firms reduced expenditure on training during the recession period of the 1990s, and the share of direct expenditure on training in total labour costs fell from 0.38% in 1988 to 0.28% in 2002 (Hashimoto and Higuchi, 2005; and OECD, 2006b). This seems to be the consequence of economic stagnation, but also appears to herald a more structural shift in firms' behaviour.

In such a context, non-regular workers tend to have fewer opportunities for company-led training. A recent survey by MHLW (2007a) revealed a large gap in training opportunities between regular and non-regular workers (Figure 2.13); over 72% of Japanese firms implemented off-the-job training for their regular employees, while only 38% of firms offered similar training to non-regular employees in FY 2005. In addition, 54% of companies implemented formal (planned) on-the-job training for regular employees, compared with 32% for non-regular employees.

Figure 2.13. **Share of firms[a] who provided education and training to workers, Japan, 2005**



a) In terms of establishments.

b) *Planned on-the-job training* refers to on-the-job training carried out on the basis of a written plan related to specifics of the training (trainer and trainee, period and contents of training).

Source: Ministry of Health, Labour and Welfare − MHLW (2007a), *Report of the 2006 Basic Survey on Human Resources Development*.

As training has been mostly considered to be the firm's responsibility, publicly provided training programmes for youth are still relatively limited in Japan. Therefore, non-employed young people have been provided limited opportunities for vocational training (Miyamoto, 2005). Public expenditure on training programmes for the unemployed accounted for only 0.04% of GDP in FY 2005, well below the OECD average of 0.17% (OECD, 2008a). Current public vocational training programmes can be categorised into three types according to the target groups (Table 2.3). Training programmes for the unemployed (excluding new school leavers) target jobseekers registered to the PESOs and provide them with skills necessary for re-employment. These training courses last three to six months and include such areas as technical operation (mechanical design and process), control technology, building maintenance and services, and housing services. Training programmes for those employed are usually short-term (2-3 days) courses on, for example, mechanical design, CAD/CAM and factory automation. Programmes for new school leavers are long-term (1-2 years) courses targeting lower and upper secondary school

graduates, providing them with vocational skills, in such areas as electrical technology, information technology and machining. These public vocational training programmes are provided by public training institutions, such as the *Employment and Human Resources Development Organisation* (EHDO), while some of the training courses for the unemployed are outsourced to private training institutions and schools. In FY 2006, the unemployed accounted for 51% of total participants in public training, while new school leavers accounted for only 6.8%.

Table 2.3. **Public vocational training in Japan, 2004 to 2006**

Units and percentages

	Fiscal year 2004		Fiscal year 2005		Fiscal year 2006	
	Participants	Employment rates	Participants	Employment rates	Participants	Employment rates
Total	**389 651**	**–**	**381 274**	**–**	**337 001**	**–**
Training for the unemployed						
Public institutions	63 233	76.6	54 801	78.0	47 319	79.7
Private institutions (outsourced)	128 088	59.8	132 292	65.1	123 965	68.2
Training for employees	174 675	–	170 662	–	142 783	–
Training for new school leavers	23 655	91.8	23 519	93.8	22 934	93.9

– Not applicable.

Source: Ministry of Health, Labour and Welfare (MHLW).

The Japanese government has recently introduced significant initiatives to boost the availability of vocational training for young people. In 2004, the government launched, as one of its main measures, based on the 2003 *Independence and Challenge Plan for Young People* (see Chapter 4), the so-called *Japanese dual system*. It provides young people with practical vocational training by combining training at firms with education at vocational training or education institutions. Despite its name, this programme is very different from the standard dual programmes existing in countries such as Germany and Austria, in that this is more a training programme than an education programme. In addition, its main target groups are *freeters* with upper secondary qualifications and other young unemployed. In general, participants take part in studying at specialised training colleges or private training institutions for three months and, then, practical training at firms for about two months. Part of the wages and training costs of participating firms are subsidised by the government. The number of participants in this programme was 23 000 in FY 2004 and 28 000 in FY 2006. According to the MHLW, the employment rates of programme participants have been encouragingly high at 68.8% in FY 2004 and 75.2% in FY 2006. Although this programme was introduced recently, there are concerns about the lack of firms' willingness to participate in this

programme and, hence, the lack of enough places for trainees (JILPT, 2005b). Indeed, the success of the *Japanese dual system* will largely depend on whether firms could provide enough places for trainees, as recently experienced by the German dual system which suffered a strain due to the shortfall of openings for apprentices (Quintini *et al.*, 2007).

In April 2008, the government introduced a more ambitious initiative to provide practical vocational training to young people: the *Job Card System*.[14] The *Job Card* is a document which records the education and training backgrounds, qualifications, employment history and *Vocational Ability Evaluation Sheet* of its holder. Unemployed school leavers, *freeters*, married women who want to return to the labour market or others can be issued a *Job Card* after they receive career counselling at the PESOs or other job-placement agencies. After a career counselling consultation, the *Job Card* holders can be invited to participate in one of the *Vocational Ability Development Programmes,* which include the *Fixed-Term Practical Training, the Practical Human Resources Training System* and the *Japanese dual system*. On completion of these programmes, the *Vocational Ability Evaluation Sheet,* based on the evaluation of the performance during the programme, will be issued by employers and recorded in the *Job Card*, which will be used for future job-seeking processes. The three *Vocational Ability Development Programmes* commonly incorporate on-the-job training in a company (*i.e.* 20-80% of the courses in the case of the *Fixed-term Practical Training* or *Practical Human Resources Training*) and classroom lectures at an educational or training institution. An employer subsidy will cover part of the training costs. On the other hand, universities or other higher education institutions, based on the amended *School Education Law*, are now allowed to run special courses, other than degree courses, to meet various needs for vocational ability development and life-long learning, and can issue a *Completion Certificate*. With the aim of issuing 1 million *Job Cards* with the *Vocational Ability Evaluation Sheet* within the next five years, the government is planning to set up *Central* and *Regional Job Card Centres* and is promoting the system in cooperation with business/industries, education institutions and labour unions.

Given the call for greater government intervention in vocational training, this is indeed a promising initiative and if successfully implemented it will enhance the employability of young people and promote the development of the external labour market. The success of the new

14. This new initiative was announced, in February 2007, as part of the "Human Resource Ability Strategy", which was one of the main pillars of the "Growth Potential Level-Up Strategy (Basic Plan)", formulated by the "Growth Potential Level-Up Strategy Committee", chaired by the Chief Cabinet Secretary.

system will largely depend on the extent of the participation of business and industries, thus appropriate incentive schemes might be needed to encourage participating employers. Meanwhile, if Japan wants to further boost overall investment in training, it would also be desirable for the government, together with the social partners, to establish a social consensus on how to share the burden of financing training, in general, between firms, workers and the public purse, and between public funds, *i.e.* general budgets and Employment Insurance fund.

6. Key points

The education system in Japan has performed very well for several decades, combining one of the highest levels of educational attainment among its young population with the good performance of its young students. The educational institutions, with established links with firms, also played an important role in the job-finding process of their graduates, contributing to the solid school-to-work transition system in Japan.

The soundness of the system has been challenged by the changes in the labour market with fewer lifetime job opportunities with company-based training for young graduates and a rapidly growing number of non-regular workers. A number of problems have become evident: a weak tie between the education system and labour market requirements, given a high dependence on general education; limited students' work experience; an under-developed public vocational training system; and the lack of a dual apprenticeship and vocational education system. Meanwhile, the performance of young students on international standardised tests has declined in recent years. Although school drop-out rates are well below the OECD average, the rates have slightly risen during the past decade, and there is a call for more systematic support to prevent such drop-outs. A large gender gap in the attainment of university qualification is another source of concern.

The Japanese government has stepped up its efforts to reform the education system, to promote career guidance for all levels of students and to promote internships in recent years. The government recently introduced an ambitious initiative on vocational training, the *Job Card System*, in connection with the *Vocational Ability Development Programme*, aiming to help promote practical vocational training and career development for youth. The challenge is to attract business participation in providing practical training opportunities.

CHAPTER 3

TACKLING DEMAND-SIDE BARRIERS TO YOUTH EMPLOYMENT

In general, youth employment tends to be highly sensitive to the aggregate economic situation. Macroeconomic policies which provide a suitable framework for expanding overall labour demand in a sustainable fashion are therefore crucial to enhance job prospects for young people. However, there are demand-side issues more directly related to the labour market. High levels of wages, minimum wages or non-wage labour costs are likely to create obstacles to youth employment. Overly strict employment protection legislation (EPL) can also serve as a disincentive for employers wanting to hire young workers. Some workplace practices might also function as an impediment to the smooth transition from school to work. Among the various issues on the demand side, this chapter focuses on employment practices, wages and non-wage labour costs, and employment regulations with a view to highlighting possible future reform agendas.

1. Employment practices

A. Employers are becoming less committed to long-term employment

During the past decade, many Japanese employers appear to have made lasting changes in their employment and human resources strategies, established over several decades of high economic growth.[15] In response to a

15. In fact, lifetime employment in Japan appears to have been the case only for regular full-time employees (Kondo, 2007). The likelihood of lifetime employment is higher for male employees compared with female ones, for university graduates compared with upper secondary graduates, and for employees in larger firms compared with smaller firms (Chuma, 2002). Ono (2006) estimated the share of Japanese workers enjoying lifetime employment at around 20%, by using various methods (*i.e.* the proportion of the 50-54 age groups who have never

greater need for lower costs and increased flexibility, they appear to be less committed to lifetime employment, thus reducing the regular recruitment of school leavers and, instead, increasing the use of temporary and part-time workers, as discussed in Chapter 1.

Surveys on employers' commitment to lifetime employment have revealed somewhat mixed results. Almost one third of all firms surveyed by MHLW in 1993 responded it was an important factor in personnel policies; but by 2002, this had fallen to around 9% (Table 3.1). The decline in employer's commitment was particularly large among firms with 1000 or more employees. However, according to the 2005 survey by JILPT, in answer to questions regarding the future of the company's lifetime employment policy, 57.2% of companies replied that they would maintain lifetime employment policies, while another 26.4% replied that they would maintain them with partial adjustment (Abe, 2007). In any case, increasing the use of non-regular workers might demonstrate employers' reduced commitment to lifetime employment, even if the commitment towards regular employees carries on.

Table 3.1. **Firms' view on lifetime employment in the personnel policy context for upcoming years, Japan, 1993 and 2002**

Percentages

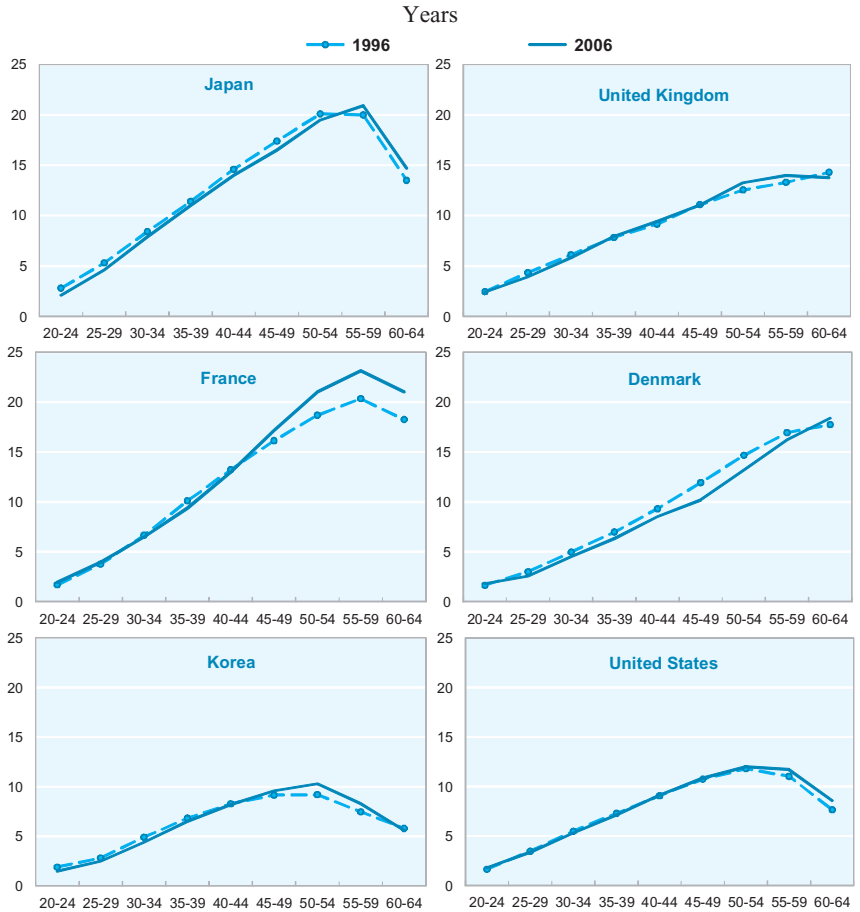
		Consider lifetime employment important	Do not consider lifetime employment important	Neutral/not sure
All firms	**1993**	**31.8**	**41.5**	**26.6**
	2002	**8.5**	**48.6**	**42.9**
Firms with: 5 000 employees or more	1993	51.6	17.3	31.1
	2002	14.2	43.8	42.0
1 000 - 4 999 employees	1993	40.3	28.3	31.4
	2002	10.5	47.4	42.1
300 - 999 employees	1993	33.9	41.7	24.5
	2002	11.0	48.1	40.9
100 - 299 employees	1993	32.5	40.2	27.3
	2002	9.4	48.5	42.1
30 - 99 employees	1993	31.1	42.5	26.5
	2002	7.9	48.7	43.4

Source: Ministry of Health, Labour and Welfare (MHLW), Employment Management Survey.

experienced job separations was 22%, the share of male regular workers in large firms with 500 or more employees was 19%).

A declining importance of lifetime employment might translate into lower job tenure. Indeed, the average job tenure of Japanese workers has declined in all age groups during the past decade, except for older workers aged 55 and over (Figure 3.1). Given that this survey does not cover firms with less than 10 employees which are inclined to hire more often non-regular workers with lower tenure, it can be presumed that the average job tenure of overall workers in Japan has declined further during the past decade with a sharp increase in non-regular employment.

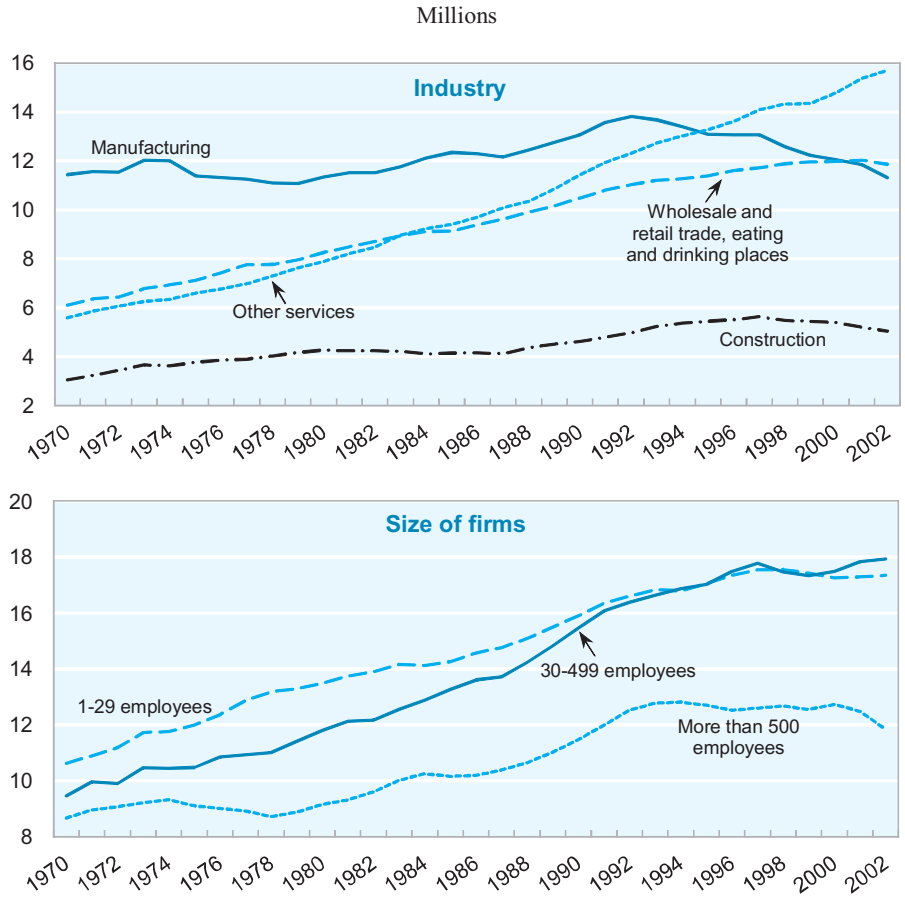
Figure 3.1. **Average tenure of employees by age, selected OECD countries, 1996 and 2006**



Source: Ministry of Health, Labour and Welfare (MHLW), Basic Survey on Wage Structure Survey for Japan; Eurostat, European Union Labour Force Survey for Denmark, France and the United Kingdom; Ministry of Labour (MOL), Survey Report on Wage Structure for Korea; and U.S. Department of Labor, Bureau of Labor Statistics, Survey of Income and Program Participation for the United States.

Various factors could explain this shift in firm employment practices: *i)* a prolonged economic recession and increasing competition; *ii)* the ageing workforce which raises a firm's concerns about labour costs under the seniority-pay system; *iii)* changes in industrial structure towards services and IT industries combined with a growing role for small- and medium-sized firms (Figure 3.2); and *iv)* changes in the corporate governance structure and financing which require firms to reflect shareholders' interests more and focus more on short-term profitability than long-term gains in the market share (Tatsumichi, 2007; Hoshi and Kashyap, 2001; and Abe and Shimizutani, 2007).

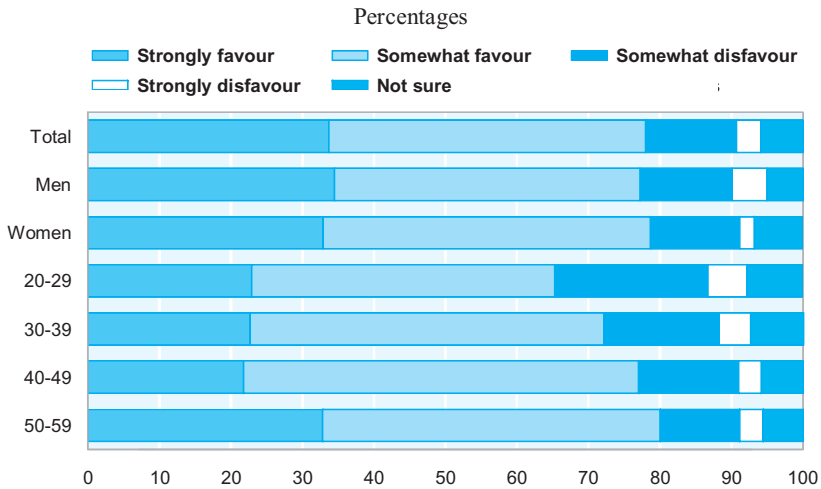
Figure 3.2. **Employment by industry and size of firms, Japan, 1970-2002**



Source: Ministry of Internal Affairs and Communications (MIC), Labour Force Survey.

Meanwhile, workers, regardless of their gender and age, tend to favour long-term employment practice (Figure 3.3). As could be expected, older workers are more likely to support lifetime employment, but it is noteworthy that around two-thirds of workers in their 20s are also in support of it. This situation might reflect workers' growing concern regarding employment security in a context of increasing labour market dualism and rising earnings and income inequality in Japan.[16]

Figure 3.3. **Workers' attitudes towards lifetime employment, Japan, 2004**



Source: Japanese Institute for Labour Policy and Training (JILPT), 2006a (based on JILPT's fourth Survey on Working Life, 2004).

B. Hiring practice based on age

As discussed in the previous chapters, Japanese firms, particularly large ones, tend to prefer hiring new graduates immediately after graduation, and this practice, although changing in recent years, has made more difficult the transition of young non-regular workers to regular employment. Setting age limits in recruitment and hiring is a still common practice in Japan. According to one survey by MHLW, 36% of job announcements by firms set age limits in July 2007, although this is a big decrease from 65% in September 2004.

16. Income inequality has been widening in Japan. The Gini coefficient for disposable income rose by 13% between 1985 and 2000, compared with an average increase of 7% in the OECD area, according to an OECD calculation [OECD (2008a), quoting Förster and Mira d'Ercole (2005)].

In such a context, young people who want to change jobs – the so-called *second-new graduates* – are often excluded from the recruitment of new employees. According to a 2004 survey on firm's recruitment practices by JILPT (JILPT, 2005a), only 56% of firms included the so-called *second-new graduates* in their hiring of regular employees during the previous three years. The same survey (JILPT, 2005a) also showed that, among those firms which hired the *second-new graduates*, 43% set age limits (among which 35% set an age limit at 25 or under; 26% at age 26-29; 20% at age 30). This practice is often considered to be the most common barrier to job changes, and any worker who is over age 30 faces severe difficulties in finding attractive job opportunities in Japan (Ono and Rebick, 2003).

In order to tackle this undesirable practice, the Japanese government introduced a ban on age-based conditionality in recruitment, by revising the *Employment Measure Law* in 2007.[17] This is a welcome development which could help enhance flexibility and equality of opportunities in the youth labour market. Given the strong importance put on age in Japanese employment practices, the recently adopted law banning age limits in recruitment needs to be implemented in a consistent and systematic way, so as to ensure that actual hiring decisions by firms are not based simply on age.

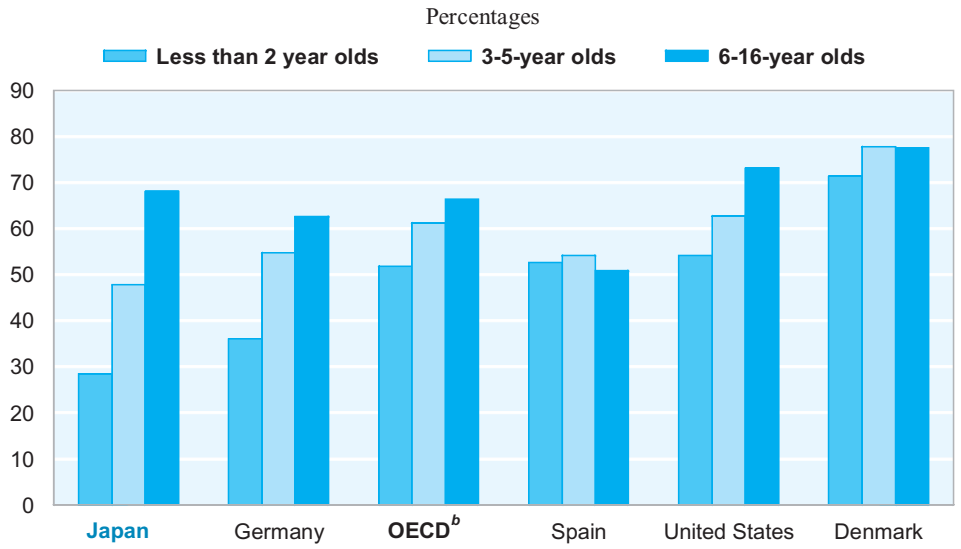
C. Difficulties faced by young mothers in keeping their job

Despite continuous efforts by the government to promote gender equality in employment, young Japanese mothers still face greater barriers to continue working than their counterparts in many OECD countries (Hashimoto and Higuchi, 2005; and Ono and Rebick, 2003).

As reviewed in Chapter 1 (Figure 1.7), the employment rates for young women aged 25-29 have risen persistently over the past several decades and have surpassed the OECD average in recent years. However, the employment rate of young mothers with a child under the age of two remains very low at 29%, compared with the OECD average of 52% [OECD (2007d); and Figure 3.4]. Mother's employment rates rebound when children reach the age of 3-5, and these rates often increase further when children enter primary school around age six. However, a very large proportion of these mothers return to non-regular employment (see Figure 1.15 p. 54), and find it very hard to switch to a regular contract.

17. The revised law also requires employers to make efforts to expand job application opportunities for young people, *e.g.* by making these opportunities more open not only to new school graduates but also to other young jobseekers. The government is raising public awareness on this issue and implementing guidance activities for employers.

Figure 3.4. **Employment rates by age of the youngest child, women aged 15-64, Japan, OECD and selected countries, latest year available[a]**



a) Data refer to 1999 for Denmark, 2001 for Japan, 2005 for Germany and Spain, and 2005 for the United States.

b) Unweigted average of all OECD countries, except Korea, Mexico, Norway and Turkey.

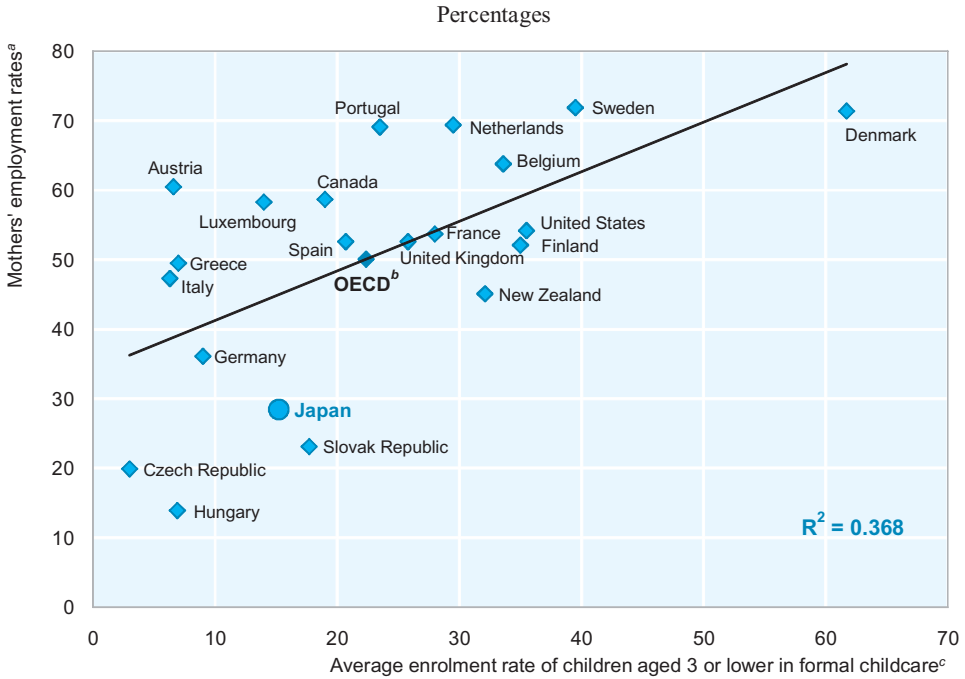
Source: OECD (2007d), *Babies and Bosses: Reconciling Work and Family Life – A Synthesis of Findings for OECD Countries*, Table 3.2, p. 46. For some details, Statistics Denmark for Denmark; national authorities for Japan; Eurostat, European Union Labour Force Survey for Germany and Spain; and U.S. Department of Labor, Bureau of Labor Statistics, the Current Population Survey for the United States.

Various employment practices in the Japanese workplace combine to create direct or indirect obstacles to the work/life balance of young women (OECD, 2007d): *i)* employers are reluctant to invest in long-term employment and training for women, who are more likely to exit when they marry or have a child; *ii)* seniority-based remuneration systems penalise any worker who takes time off to care for children; *iii)* long working hours which make it difficult to balance work and caring activities; and *iv)* lack of family-friendly facilities, *e.g.* only 3% of companies with more than 30 employees in Japan provide on-site childcare facilities. In addition, hiring practices based on age for most regular jobs, as discussed in the previous section, also limit the opportunities for returning mothers to find a job with career prospects.

Meanwhile, policy arrangements to assist young mothers are also relatively limited in Japan. The paid maternity leave entitlements, for

example, are among the lowest across the OECD area (OECD, 2007d). As Figure 3.5 shows, there is a positive relation across OECD countries between the availability of formal childcare for the 0-3 age groups and the maternal employment rate – Japan is one of the countries with a relatively low ranking in the former indicator.

Figure 3.5. **Availability of childcare and young mothers' employment rates, selected OECD countries, latest year available**



a) Data refer to employment rates of women aged 15-64, whose youngest child is less than 2-years old, for the latest year available; 2006 second quarter for Switzerland, 2005 for Australia, the United Kingdom and the United States, 2002 for Finland and Iceland (for women aged 25-54), 2001 for Canada and Japan, 1999 for Denmark; for all other EU countries, Eurostat, European Union Labour Force Survey data refer to 2005, except Italy for which data refer to 2003.

b) Unweighted average of countries shown.

c) Data refer to 2004.

Source: OECD (2007d), *Babies and Bosses: Reconciling Work and Family Life – A Synthesis of Findings for OECD Countries*, Table 3.2, p. 46, for mother's employment rate; and OECD *Education database* for average enrolment rate of children aged 3 and lower in formal childcare. For details, Australian Bureau of Statistics, Catalogue No. 6224.0.55.001 FA2, *Labour Force Status and Other Characteristics of Families* for Australia; national labour force surveys for Canada, Denmark, Finland, Iceland, Switzerland, the United Kingdom; direct national submissions for Japan; U.S. Department of Labor, Bureau of Labor Statistics, the Current Population Survey for the United States; and for all other European countries, Eurostat, European Union Labour Force Survey.

In order to tackle this situation, as well as to raise fertility rates, the Japanese government has stepped up its efforts to enhance "work-life balance" (OECD, 2008a). A 2005 law obliges firms with more than 300 workers to make an action plan promoting the work-life balance. The government has also launched a package of 21 initiatives in 2006 to increase the female labour force by a quarter of a million by 2015 (roughly 1% of the female labour force in 2006), aiming, in particular, at facilitating the re-employment of mothers. These initiatives include job counselling and specialised job placement centres for women with children, called *Mother's Hello Work*. Significant progress has also been made in its tax laws in recent years, to reduce disincentives for working mothers (OECD, 2008a; and Hashimoto and Higuchi, 2005).

By its very nature, remedying employment practices unfavourable to young women needs to go further. Although changing employment practices (*i.e.* declining lifetime employment practices and reducing working hours) and growing labour demands for under-represented groups including women in a context of population ageing should help improve the situation, the government could do more to facilitate this change. In view of the particularly low employment rates for young mothers with infants, a high priority needs to be placed on increasing the availability of affordable and conveniently located public childcare facilities (Hashimoto and Higuchi, 2005). Considering the long commuting times in urban areas in Japan, local public facilities are likely to be more convenient than on-site facilities. It is also essential to encourage the social partners to make workplaces more family-friendly, while focusing on making working-time practices more compatible with workers' family commitment. Enhancing maternity and parental leave entitlements, *i.e.* the period of leave and level of income support, will be also important. Indeed, these leave schemes tend to have a more positive and significant effect on job continuity of married women in Japan than in other countries (Ono and Rebick, 2003). Further reforms on the tax and social security systems (*i.e.* public pension, unemployment insurance, health insurance) need to be undertaken in order to reduce disincentives to work by secondary earners (OECD, 2008a; and Hashimoto and Higuchi, 2005).

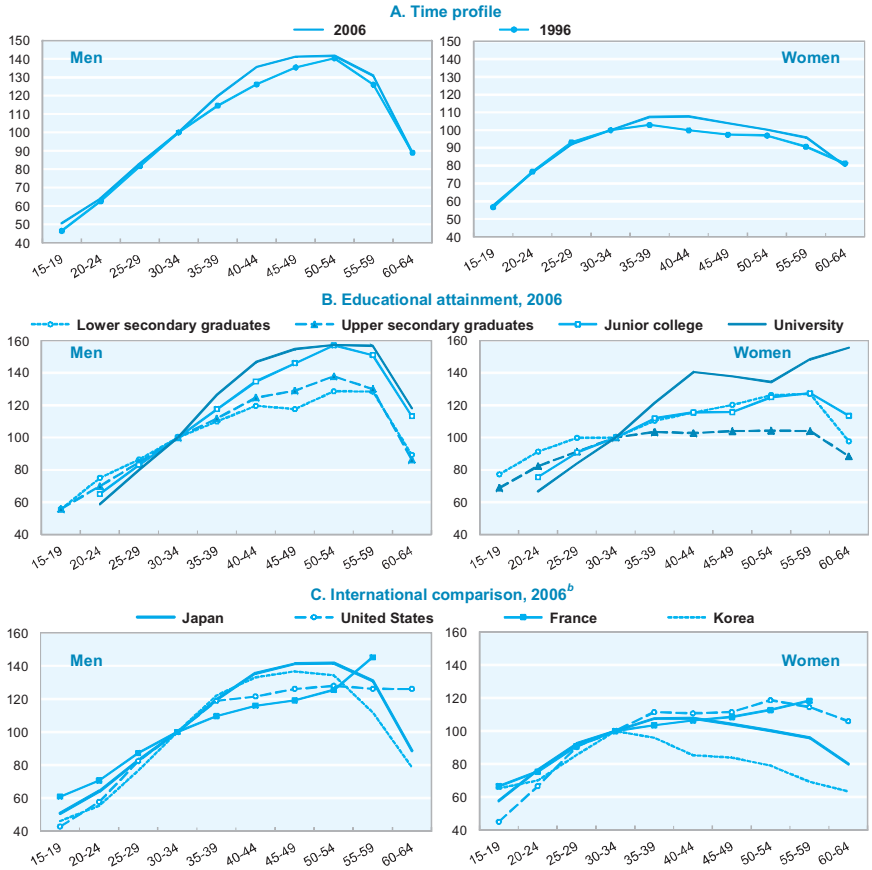
2. The seniority-pay system

A. Wages

Wages are strongly linked to seniority in Japan, especially for men, and this trend has been slightly reinforced during the past decade, both for male and female full-time workers (Figure 3.6). In fact, across the OECD area, there has been a trend of declining earnings of young men relative to prime-aged men since the 1970s, which suggests a trend increase in the wage differential for labour market experience (OECD, 2004a).

Figure 3.6. **Wage[a] profiles of full-time workers by gender, Japan and selected OECD countries, 1996 and 2006**

Average hourly earnings of workers aged 30-34 = 100



a) Wages correspond to:
France: Gross hourly earnings of full-time workers excluding the public sector. *Japan:* Total gross monthly earnings of regular full-time employees (*i.e.* including overtime pay *plus* 1/12th of annual bonuses) for firms of the private sector with more than ten employees; firms in sectors such as agriculture, forestry and fisheries, private household services as well as foreign embassies are also excluded. *Korea:* Gross monthly earnings of regular full-time workers (*i.e.* including overtime pay *plus* 1/12th of annual special payments) for firms with five or more employees. *United States:* Gross usual weekly earnings of full-time workers.

b) Data for France refer to 2005, and to 2006 for all other countries shown in the figure.

Source: Ministry of Health, Labour and Welfare (MHLW), Basic Survey on Wage Structure Survey for Japan; Institut National de la Statistique et des Études Économiques (INSEE), Déclaration Annuelle des Données Sociales for France; Ministry of Labour (MOL), Survey Report on Wage Structure for Korea; and U.S. Department of Labor, Bureau of Labor Statistics, Survey of Income and Program Participation for the United States.

Wages for men in particular rise more steeply up to the early 50s in Japan than in other countries, such as the United States, France and Korea, while this is not the case for Japanese women. Meanwhile, the seniority effects on wages are more prominent among university graduates than is the case for their lower educated counterparts, suggesting that this group is more likely to be on the lifetime employment track.

Meanwhile, during the past decade the gender wage gap has declined significantly in Japan, while the returns to education have increased. According to MHLW's Basic Survey on the Wage Structure, the relative wage, in terms of monthly scheduled cash earnings, of Japanese female workers to those for men has increased from 64.6% to 66.9% between 1999 and 2007. The relative wage of young women aged 20-24 compared with that of young men in the same age group has also risen from 91.4% to 92.8% during the same period.

On the other hand, the relative wage of upper secondary graduates to university graduates, in all age groups, has dropped from 73.4% to 70% during the same period. This is also the case for young workers aged 20-24, where the corresponding rate dropped from 88.7% to 86.9% during the same period. However, by an international comparison, the wage premium for those with higher education compared with those with lower qualifications is still relatively low in Japan (Figure 3.7).

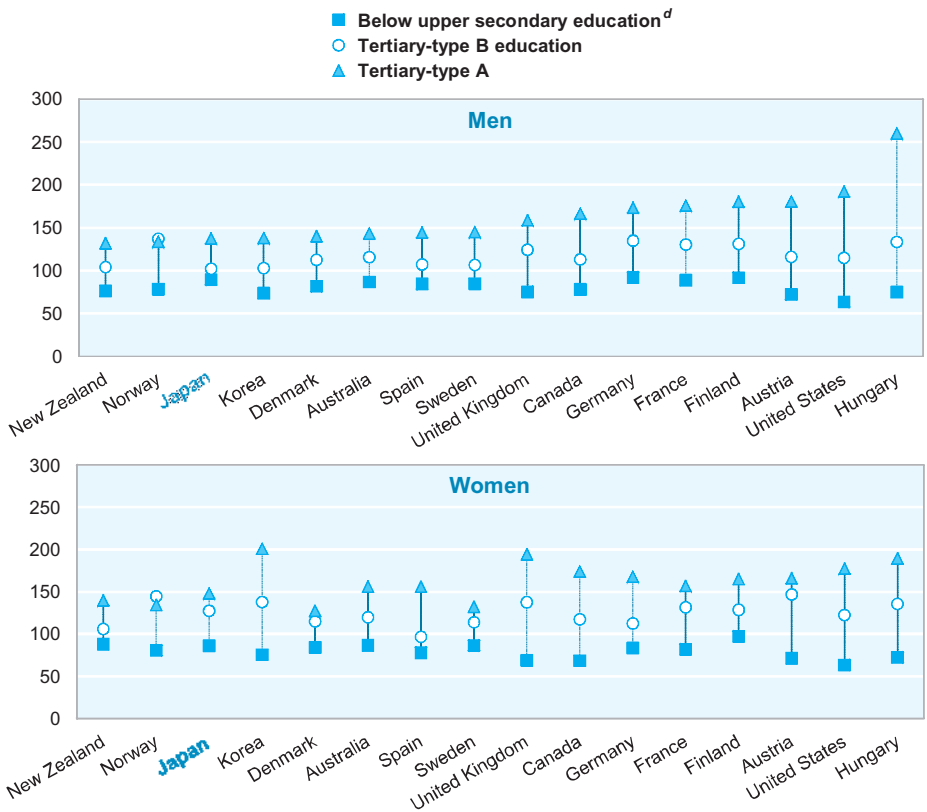
The wage gap between regular and non-regular workers is substantial, as Japanese employers cite the need to contain labour costs as the primary reason to hire non-regular workers (Keizer, 2008; and JILPT, 2006a). In 2007, the relative monthly wage for male non-regular workers in all age groups was 64.5% of that for male regular workers, while this ratio was 69.4% in case of women (Table 3.2).

However, this wage gap is not as wide for young workers, due to lower seniority effects. For example, in 2007, male non-regular workers aged 20-24 earned 89% of their counterparts in regular jobs, and young women of the same age in non-regular jobs earned 86% of those in regular jobs.[18]

18. The MHLW's Basic Survey on the Wage Structure started to include surveys on wages by type of employment (*i.e.* regular and non-regular employment) in 2005.

Figure 3.7. **Relative earnings[a] of 25-64-year olds,[b] by educational attainment and gender, selected OECD countries, 2006[c]**

Earnings of those with upper secondary education = 100



Countries are ranked from left to right in ascending order of the relative earnings of male workers with a tertiary-type A level (including advanced research programmes) of education.

a) Relative earnings refer to the ratio of earnings of workers in the three categories of educational attainment considered to earnings of workers with upper secondary education, multiplied by a hundred. Earnings refer to income from employment. For Japan, total monthly earnings are calculated by adding $1/12^{th}$ of annual special earnings to monthly cash earnings; for other countries, see Annex 3 of OECD (2008d), *Education at a Glance*, for notes on earnings (*www.oecd.org/edu/eag2008*).

b) Data refer to persons aged 17 and over for Japan.

c) Data refer to 2006 for Austria, France, Germany, Hungary, Japan, New Zealand, the United Kingdom and the United States; 2005 for Australia, Canada, Denmark, Norway and Sweden; 2004 for Finland and Spain; and 2003 for Korea.

d) For Japan, *Below upper secondary education* refers to lower secondary graduates.

Source: Ministry of Health, Labour and Welfare (MHLW), Basic Survey on Wage Structure Survey for Japan; and OECD (2008d), *Education at a Glance* for other countries.

Table 3.2. **Monthly wages[a] by employment type, gender and age, Japan, 2007**

Monthly wage of regular staff/workers[b] aged 30-34 = 100

	Men		Women	
	Regular staff/workers	Non-regular staff/workers	Regular staff/workers	Non-regular staff/workers
18-19	59.2	54.2	55.1	50.5
20-24	70.5	62.9	66.2	57.1
25-29	84.5	71.2	76.0	62.2
30-34	100.0	76.5	83.6	63.3
35-39	117.9	79.8	90.4	61.0
40-44	137.4	80.4	94.8	59.0
45-49	146.3	80.5	93.6	56.6
50-54	149.1	81.4	92.5	54.9
55-59	139.9	85.2	90.0	54.1
60-64	112.7	83.0	80.6	55.7
All ages	**119.7**	**77.3**	**83.8**	**58.1**

a) Wages refer to monthly scheduled earnings.
b) *Regular staff/workers* refer to those who are usually called so in the workplaces, while *non-regular staff/workers* refer to workers except "regular staff/workers".

Source: Ministry of Health, Labour and Welfare (MHLW), Basic Survey of Wage Structure Survey.

Meanwhile, a growing number of firms are introducing a performance-related wage system in Japan, reflecting a decrease in the importance of the seniority-wage system. For instance, 58% of all firms (74% in the case of firms with more than 1 000 regular employees) have introduced performance-related pay systems, according to a 2004 study by the JILPT (Keizer, 2008).

The General Survey on Working Conditions by the MHLW in 2007 also showed that the share of firms that introduced a performance appraisal system relating to their wage system was 45.6% – 82.5% for firms with more than 1 000 employees and 38.3% for firms with 30-99 employees. In addition, the same survey in 2006 showed that 17% of firms (37% of firms with more than 1 000 employees and 14% of firms with 30-99 employees) introduced an annual salary system, which relies on the performance of an individual employee, an increase of 5.6 percentage points from the results of the previous survey in 2002.

B. Minimum wages and non-wage labour costs

Japan has a rather unique minimum wage system in which wages are set at a local level by the Local Minimum Wages Council, based on the guidelines given by the Central Minimum Wages Council. These Councils

are composed of members representing labour, management, and the public interest (JILPT, 2006a).

There are two types of minimum wage: regional minimum wages (for each of 47 prefectures) and industrial minimum wages (totalling 249 minimum wages by sector and by region in 2008). For example, in the Tokyo region, the minimum wage is set at JPY 739 per hour, compared with the lowest minimum wage of JPY 618 in the Akita region. On top of this, there are six different industrial minimum wages, for example, JPY 809 per hour in FY 2007 for the automobile industry. There are no sub-minima for youth either in regional or in industrial minimum wages. This could be explained by the fact that the level of minimum wages, relative to median wages, in Japan is among the lowest across the OECD (Table 3.3). According to a recent study, the cost of employing minimum-wage workers (relative to the average-wage worker) in Japan, in terms of payroll taxes and mandatory social contributions, is the fourth lowest among 21 OECD countries (Immervoll, 2007).

The Minimum Wage Law was revised in 2007, following public concerns about the relatively low level of the minimum wage in Japan. The *Livelihood Protection Benefit* from the social security programmes would now become the required benchmark for setting the minimum wage level. This is intended to address the situation in which workers who are paid the minimum wage end up earning less than the *Livelihood Protection Benefit*.

Non-wage labour costs in Japan (in terms of the tax wedge – the difference between what employers pay out in wages and social security charges and what employees take home after tax, social security deductions and cash benefits have been taken into account) are also relatively low by international comparison (Table 3.4).

In sum, there is little evidence that relative wages or total labour costs are significant barriers to the hiring of young workers in Japan compared with the situation in some other OECD countries.

Table 3.3. **Minimum wages (MW) for adults and youth in OECD countries, 2006**[a]

Numerator / Denominator	Adult MW[b] / Median wage	MW at age 17[c] / Median wage
Australia[d]	0.57	–
Belgium[e]	0.53	0.40
Canada	0.40	–
Czech Republic[f]	0.39	0.31
Spain	0.39	–
France[g]	0.63	0.57
Greece	0.39	–
Hungary	0.48	–
Ireland[h]	0.48	0.34
Japan	**0.34**	**–**
Korea	0.35	–
Luxembourg[i]	0.53	0.42
Mexico	0.19	–
Netherlands[j]	0.44	0.19
New Zealand[k]	0.57	0.42
Poland[l]	0.41	–
Portugal[m]	0.44	0.33
Slovak Republic[n]	0.43	0.33
Turkey	0.36	–
United Kingdom[o]	0.48	0.29
United States	0.31	–
OECD[p]	**0.44** ***(0.49)***	**0.36**

– Not applicable.

a) Data refer to 2005 for Greece, Mexico, the Netherlands, Poland and Portugal.

b) Full minimum wage rate.

c) Unweighted average across sub-MW rates for youth.

d) Youth are entitled to a reduced MW to be set in collective agreements.

e) Youth get an amount ranging from 70% of the adult MW at 16 to 94% at 20.

f) A reduced MW applies for workers under the age of 19 (80%) and for workers aged 19-21 with less than six months job tenure (90%).

g) Youth aged 17 with less than six months experience receive 90% of the adult MW and youth 16 or younger receive 80% of the adult MW.

h) Sub-MW applies to youth younger than 18.

i) Youth aged 15 and 16 are entitled to 75% of adult MW and youth aged 17 are entitled to 80% of the adult rate.

j) Youth are entitled to a reduced MW, varying from 30% for 15-year olds to 85% for 22-year olds.

k) Sub-MW applies to youth between 16 and 18 years of age. Starting from 1st April the youth sub-MW was abolished and the adult rate applies to all workers older than 16.

l) There is no sub-MW for youth but school-leavers are entitled to 80% of the adult MW for the first 12 months in their first job held and 90% over the second year. But no age limit is set by law.

m) Sub-MW applies to youth up to 17.

n) Youth between 16 and 18 are entitled to 75% of the adult MW and youth under 16 to 50% (the latter is not used in practice as the minimum school-leaving age has been raised to 16; as a result, 75% is used in the calculations).

o) Sub-MW applies to youth under 22. Two different rates apply: a development rate (83% of MW) for youth aged 18-21 and an additional sub-minimum (62%) for youth aged 16-17.

p) Unweighted average. Average adult MW/median rate for countries with a sub-minimum for youth in parenthesis and italics.

Source: OECD database on Minimum Wages.

Table 3.4. **Tax wedge including employers' social security contributions in OECD countries, 2000 and 2006**

Percentages

	Tax wedge on low-wage earner[a]		Tax wedge on average earner[b]
	2000	2006	2006
Mexico	11.0	10.6	15.0
Korea	14.9	16.0	18.1
New Zealand	18.5	19.0	20.9
Ireland	18.1	16.3	23.1
Australia	25.4	24.4	28.1
Iceland	19.7	23.6	28.6
Japan	**23.4**	**27.5**	**28.8**
United States	27.2	26.4	28.9
Switzerland	27.3	26.9	29.7
Canada	27.8	27.6	32.1
United Kingdom	28.3	30.4	33.9
Portugal	33.2	31.7	36.3
Luxembourg	32.5	30.6	36.5
Norway	35.1	34.3	37.3
Slovak Republic	40.6	35.6	38.5
Spain	34.7	35.9	39.1
Greece	35.5	35.4	41.2
Denmark	41.2	39.3	41.3
Czech Republic	41.4	40.1	42.6
Turkey	39.1	42.0	42.8
Poland	42.2	42.5	43.7
Finland	43.0	38.9	44.1
Netherlands	42.0	40.6	44.4
Italy	43.1	41.5	45.2
Sweden	48.6	46.0	47.9
Austria	43.2	43.5	48.1
France	47.4	44.5	50.2
Hungary	48.5	42.9	51.0
Germany	48.6	47.4	52.5
Belgium	51.3	49.1	55.4

Countries are ranked by ascending tax wedge on average earner.

a) Tax wedge including employers' mandatory social security contributions for a single worker with no children earning 67% of the average wage.

b) Total tax wedge including employers' mandatory social security contributions for a single worker with no children earning the average wage.

Source: OECD Taxing Wages database.

3. Employment protection legislation and youth labour market

Employment protection legislation (EPL), while enhancing job security for workers, also increases the cost to employers of adjusting their workforce. This can create a barrier to hiring and can worsen job prospects for certain groups, particularly young people. Therefore, the key policy issue regarding EPL is how to reconcile employers' needs for flexibility in hiring and firing, with workers' needs for employment security (OECD, 2006d).

A. EPL and growing labour market duality

The Japanese lifetime employment practices, supported by EPL, legal rulings and social norms, are considered to play a crucial role in the rise of non-regular employment (Keizer, 2008). According to the OECD index of EPL strictness, EPL in Japan is relatively less stringent than in other OECD countries, placing it at the 19th position among 28 OECD countries. A further look at the components of the EPL index reveals, however, that there is a major difference between the regulation for regular employment and that for temporary forms of employment in Japan (OECD, 2004a; and Figure 3.8).[19]

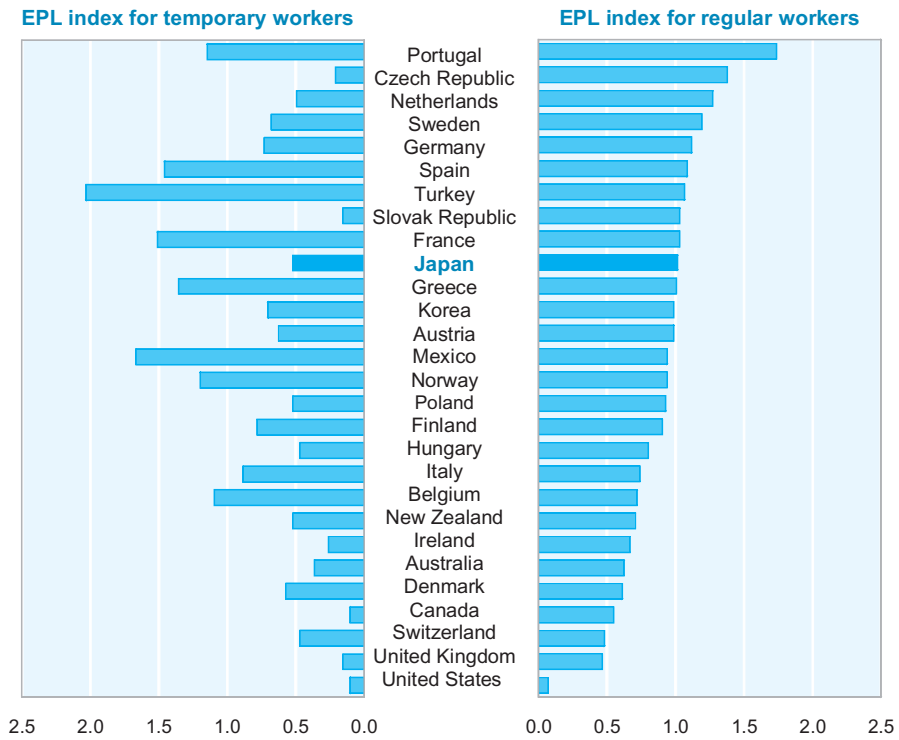
In terms of strictness of EPL for regular workers, Japan ranked 10th, while it ranked 16th in terms of strictness in regulation for temporary employment. Differences in the strictness of EPL for regular and temporary jobs may be an important element in explaining the increase of temporary work for youth. More generally, countries with strong protection for regular workers tend to have a higher incidence of temporary employment (OECD, 2004a; Figure 3.9; and Grubb *et al.*, 2007).

The *Labour Contract Law* of Japan, which was enacted in 2007, prescribes generally that "a dismissal shall be treated as an abuse of right thus void unless the dismissal has objectively reasonable grounds and is considered to be appropriate in general social norms."[20] The relatively strong protection for regular workers is complemented by court case laws and social norms built around the lifetime employment concept.

19. The OECD index of EPL strictness for regular employment covers eight indicators related to the procedures involved in individual dismissal, such as prior notification requirement, severance pay provisions, and remedial measures for an unfair dismissal. The index for temporary employment covers restrictions on fixed-term contracts and temporary agency work.

20. Before the enactment of the Labour Contract Law, this clause was prescribed in the Labour Standard Law.

Figure 3.8. **EPL indexes for temporary and permanent employment, OECD countries, 2003**



EPL: Employment Protection Legislation.

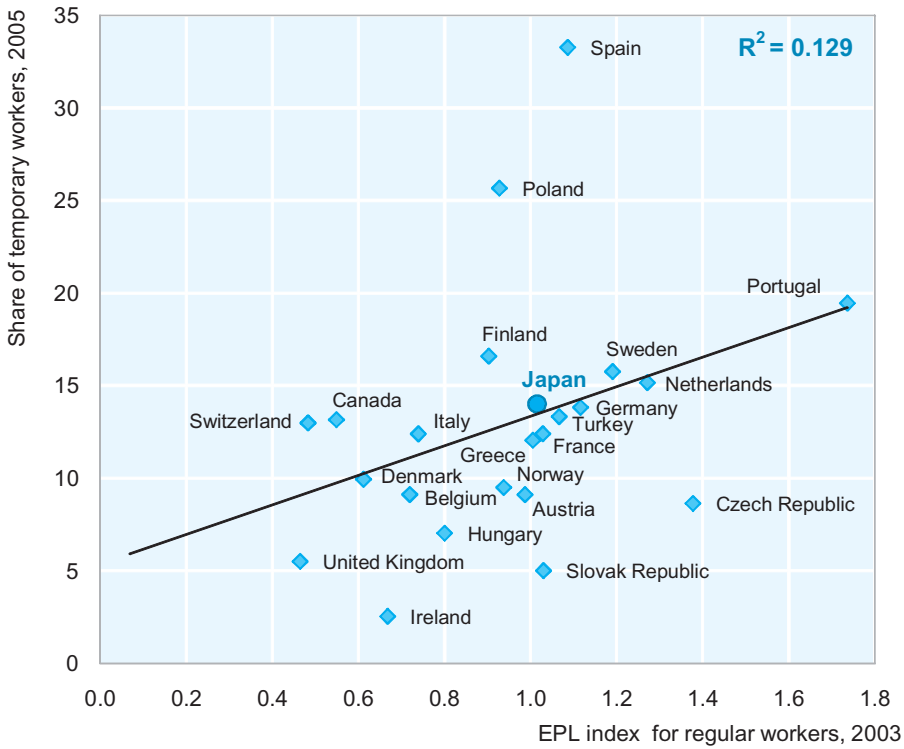
Source: OECD (2004a), *Employment Outlook*, Chapter 2.

There has been not much change in the regulation for regular workers during the past decade in Japan. Meanwhile, the regulations for non-regular forms of employment have either been progressively eased or, in some areas, been tightened. For example, in 2003, the maximum length allowed for fixed-term contracts was extended from one to three years – five years in the case of workers over the age of 60 and some professional workers with expert knowledge (the *Labour Standard Law*, Art. 14). This change also applies to temporary agency workers (OECD, 2004b).

The *Worker Dispatching Law*, which regulates temporary agency work, was comprehensively deregulated in 1999, thus allowing temporary agency work for most categories of work. The regulation was further loosened in 2004, to relax limits on the length of dispatching contracts in certain areas and to allow dispatching to manufacturing-related occupations and also to

simplify administrative procedures (JILPT, 2005b). With these deregulations, the number of temporary agency workers has risen significantly from 0.3 million in February 2000 to 1.3 million in 2007 (equivalent to 2.6% of all employees except executives), according to the labour force survey of the MIC.

Figure 3.9. **EPL for regular employment and share of temporary employment, OECD countries, 2003**



EPL: Employment Protection Legislation.

Source: National labour force surveys for temporary employment, and OECD (2004a) *Employment Outlook*, Chapter 2 for EPL index.

Regarding regulations on part-time work,[21] the 1993 *Law on Part-time Workers* was revised in 2007 and implemented in April 2008, with the aim

21. Around 53% of part-time workers in non-agricultural sectors, defined as those who work less than 35 hours a week, had regular contracts (*i.e.* those employed for more than a year or who work on contracts of no specific period), whereas the

of improving the working conditions of part-time workers and reducing the gap in wages and working conditions between full-time/regular workers and part-time workers (OECD, 2008a; and JILPT, 2008).

Firstly, the revised law requires employers to ensure a proportionate treatment of all part-time workers relative to regular workers, with consideration to their employment situation. In particular, with regard to "part-time workers equivalent to regular workers" (who have the same job description, indefinite contract and transferability as regular workers), the revised law prohibits employers from discriminatory treatment against them. MHLW estimates that 4% to 5% of part-time workers meet these criteria. However, no penalties are imposed on firms that violate this clause, although the government can provide employers with guidance or recommendations to improve the situation.

Secondly, the revised law introduced a non-penal fine (JPY 100 000) for employers who fail to explicitly disclose promotion possibilities, retirement allowance and bonus payments for part-time workers.

Finally, employers are required to implement measures to promote the transformation of part-time workers into regular workers through a system of internal transfers.

The recent reform on part-time work can be regarded as a first step toward addressing the growing labour market duality and reducing the gap in employment protection between regular and non-regular workers. However, the situation, where employers are reluctant to hire young employees on regular contracts if they are not sure to keep them permanently and instead prefer to hire non-regular workers for which regulations have been relatively lax, will require further fundamental policy responses.

B. Future challenges

The Japanese employment system, regulations and practices have been based on its unique long-term employment system where firms have played

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remaining 47% were temporary or daily employees (*i.e.* those who are employed for specific periods less than a year), according to MIC's Labour Force Survey in 2005. Japan stands out compared with other OECD countries for having a high proportion of part-time workers working relatively long hours; roughly 20% of part-time workers are working as many hours as regular workers (Gaston and Kishi, 2007; and Tsuchida, 2004). On the other hand, the average hourly wage of female part-time workers was 65% of that for regular workers and the wage for male part-time workers was 51% of that for regular workers in 2002, according to the Basic Survey on the Wage Structure (Tsuchida, 2004).

a major role in providing job security and income security to workers. Employment practice has actually served as an indirect social policy (Chuma, 2002). EPL and court-case laws reinforced long-term employment practices, and the government has provided various forms of subsidies to firms that retain employees. Strong opposition by unions and workers towards relaxing employment protection for regular workers is readily understandable in such a context. For example, middle-aged Japanese employees stand to lose more if they leave their employer, thus their resistance to losing jobs is considerable (Ono and Rebick, 2003). Enterprise-based unions in Japan are likely to be more concerned about the immediate job security of their members.

Therefore, employers' declining commitment to long-term employment practices poses various challenges for labour market policy as well as social policy, calling for enhancing both *security* and *flexibility*. In this regard, the *flexicurity* approach, which is pursued in some European countries, might also contain several useful pointers for Japan. However, it should be recognised that flexicurity schemes tend to be costly and require well-functioning labour market institutions. Indeed, the concept of *flexicurity* is a response to the needs of both employers and workers in a rapidly changing labour market, and refers to a combination of policies aimed at providing adequate bridges during periods of labour market transition. Recent experience shows that moderately strict EPL, when combined with a well-designed system of unemployment benefits, strong activation of jobseekers under a mutual obligations approach, and investment in effective active labour market programmes (ALMPs), can help create a dynamic labour market, while maintaining adequate employment security to workers (OECD, 2006d).

Reforming EPL along such lines would need to be preceded by the provision of more generous unemployment benefits and other social insurance systems based on workplaces, together with enhanced ALMPs to improve the functioning of the external labour market. Given that Japan spends a relatively small proportion of its GDP on such measures, there should be room for expansion (Rebick, 2005; and Bredgaard and Larsen, 2007, Chapter 4). If that were done, EPL could be reformed with a view to reducing the gap in the protection for regular employment and non-regular employment. This would include better protecting fixed-term workers, part-time workers and temporary agency workers, while easing the strictness of EPL for workers in regular contracts. One option for the latter would be to introduce a clearer, more predictable and speedier procedure for dismissal settlements for workers under regular contracts, rather than the current procedure that mainly depends on legal rulings. It would be important to

make sure that these reform measures are designed and implemented with the participation of the social partners (Rebick, 2005).

To tackle increasing labour market duality, further work needs to be done to address discriminatory differentials in wages and benefits. Reducing discriminatory practices related to wages and other employee benefits, by *e.g.* implementing anti-discrimination legislation, would weaken the incentive to hire non-regular workers. Increasing the coverage of non-regular workers in unemployment insurance and other social security system based on the workplace would also be an important step. Encouraging the greater use of performance-related pay systems should also help reduce the earning gap between regular and non-regular young workers.

4. Key points

Japanese employers, in response to drastic changes in the business environment, are changing their long-term employment practices, as seen by the increase of non-regular employment. In the past, internal flexibility (hours worked and wages) allowed firms to respond to demand fluctuations, but this is more difficult under today's more dynamic environment in which they operate. However, the responsiveness of labour market institutions, which were set up on the premise of long-term employment, has lagged behind. This further aggravates labour market duality which then traps many young Japanese people in precarious jobs. Although recent labour law reform is a promising first step, much more needs to be done to reduce the gaps in employment protection between regular and non-regular workers as well as to strengthen security measures and ALMPs. These tasks will obviously require a consensus building exercise among the social partners.

Meanwhile, other traditional employment practices, based on age and gender, create rigidity in the youth labour market, thus hindering the transition from non-regular employment to regular employment. The 2007 legislation banning age limits in recruitment needs to be implemented in a consistent and systematic way. For young mothers, higher priority should be given to measures to help them continue in their current jobs. The government needs to encourage the social partners to make workplaces more family-friendly, while focusing on making working-time practices more compatible with workers' family commitment. Providing more public childcare facilities is also essential in this regard.

The level of wages, the minimum wage and non-wage labour costs do not appear to create a major obstacle to youth employment in Japan. Under the seniority-pay system, wages for young people start at a relatively low

level. The relatively lower entry-wages is expected to be compensated by the prospects of rising wages with seniority in the firm. However, it appears that Japanese employers are now trying to seek more flexibility in wages through the increased use of non-regular employment, as well as of performance-related pay systems.

CHAPTER 4

ACTIVE LABOUR MARKET POLICIES AND BENEFITS

As reviewed in the previous chapters, young people in Japan today are facing more difficulties during the school-to-work transition period compared with previous generations. They experience more frequent and longer spells of unemployment and inactivity, as well as a higher probability of switching between precarious jobs. Responding to this new situation requires high quality job-search assistance, training and other employment support programmes provided by public employment service (PES). Equally important is to ensure that youth are covered by adequate unemployment benefit schemes.

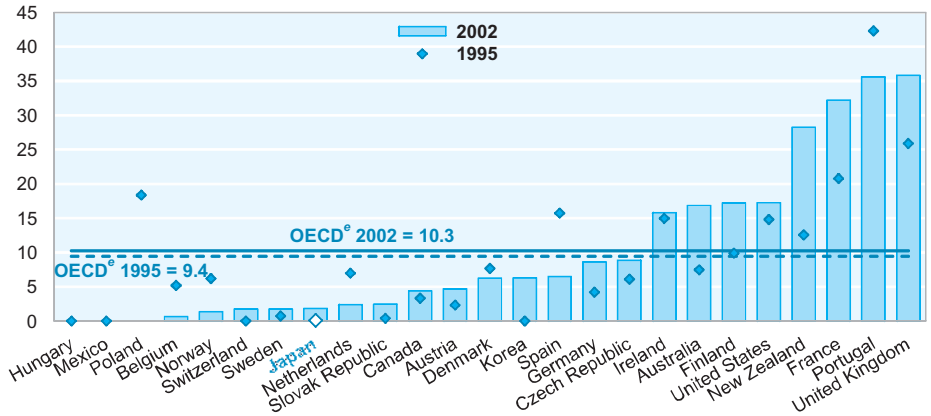
This chapter reviews recent youth labour market policy measures and the operations of public and private employment services targeting youth as a response to the changing situation in the youth labour market during the past decade. It also sets out potential areas for improvement.

1. Recent measures to improve youth labour market performance

Between 1995 and 2002, the share of public spending on youth ALMPs in total ALMP expenditure in Japan was well below the OECD average (Figure 4.1). Indeed, most youth ALMPs in Japan were only introduced since the early 2000s, and until then, not much policy attention had been paid to youth labour market outcomes. Part of the explanation for this relative neglect was due to the fact that the Japanese labour market had traditionally ensured a smooth transition from school to work. Youth unemployment used to be taken less seriously because it was considered to be mainly voluntary and unemployed young people would be taken care of by their parents (Kazuyasu, 2007).

Figure 4.1. **Public spending on youth[a] labour market programmes, OECD countries, 1995[b] and 2002[c, d]**

Percentage of total expenditure on active labour market programmes



a) Youth aged 16-24 for Norway, Spain, Sweden, the United Kingdom and the United States; youth aged 15-24 for Japan and all other countries.
b) Data refer to 1996 for Italy.
c) Data refer to 2000 for Denmark and Portugal, and to 2001 for Ireland.
d) There is no age breakdown of ALMP spending in the OECD database from 2003 onwards.
e) Unweighted average of countries shown. Data for Greece, Iceland, Italy, Luxembourg and Turkey are not available.

Source: OECD database on Labour Market Programmes.

However, the situation has changed in recent years. In response to rising youth unemployment and growing social concern about *freeters* and *NEET people*, the Japanese government has launched various employment measures targeting youth since the early 2000s, with a significant shift in policy weight from employment maintenance to job creation and employability enhancement (Gaston and Kishi, 2005; and Ohtake, 2004). In 2003, the *Strategy Council for Independence and Challenge for Young People* was set up by the relevant ministers and drew up a comprehensive policy package, *Independence and Challenge Plan for Young People*, with the aim of reducing the number of *freeters* and *NEET people* and facilitating a smoother school-to-work transition. This plan included the introduction of various innovative measures, such as the *Job Café* (see next section), the *Japanese Dual System* (see Chapter 2), and the *Independence Camp for Youth* (JILPT, 2005a; and Hori, 2007). Table 4.1 summarises the main policy measures implemented in 2007, which are mostly based on this plan.

Table 4.1. **Major policy measures to improve youth labour market performance in Japan, fiscal year 2007**

Measures	Details of programme
***A. Measures to facilitate the transition of* freeters *into* regular workers**	
Youth Trial Employment	An employment subsidy programme, started in 2001, to promote the regular employment of young people aged under 35 including *freeters* (about 43 000 participants and JPY 9 750 million of expenditure in FY 2006).
Japanese Dual System	A programme to enhance the vocational ability of *freeters* and unemployed youth by combining education at private vocational training institutions and on-the-job training in firms. In FY 2006, there were 28 000 participants and government expenditure reached up to JPY 8 700 million (see Chapter 2).
Job Café	A regional one-stop employment service centre for young people, run by local government in connection with relevant bodies such as the Public Employment Security Offices (*Hello Work*). In 2007, there were 87 Job Cafés around the country and the annual number of visitors amounted to 1.67 million in FY 2006 (government expenditure in FY 2006: JPY 2 575 million).
Setting up special booths for *freeters* at *Hello Works*	Providing specialised services by professional staffs for the transition of *freeters* to regular employees, by counselling, job placement services as well as by hosting seminars and job fairs.
B. Measures to improve the willingness and ability of young people to work	
Independence Camp for Youth (*Wakamono Jiritsujuku*)	A typical three-month residential programme for discouraged young people, such as NEET, run by NGOs subsidised by the MHLW. As of FY 2006, around 700 young people participated in the programme offered by 25 camps around the country. Government expenditure in FY 2006 was JPY 1 000 million.
Local support station for young people	Established and run by regional governments, these stations provide counselling services and career development programmes in connection with local support networks for young people, in order to enhance the job consciousness and adaptability of young people, *i.e. NEET*. In FY 2007, 62 000 young people visited 50 stations between April and September (government expenditure in FY 2007: JPY 960 million).
C. Measures to facilitate a smoother school-to-work transition	
Junior Internship	A programme typically offering four-day work experience for lower and upper secondary students. In FY 2006, around 59 000 students from 1 000 schools participated in this programme held in 19 000 workplaces (see Chapter 2).
Career exploration programme	A programme to provide students with information on various occupations and the world of work, through visiting lecturers (*e.g.* company managers and employees, PES staffs). In FY 2006, around 4 000 schools (primary to upper secondary) and 400 000 students participated in this programme (see Chapter 2).

Source: Ministry of Health, Labour and Welfare – MHLW (2007b); and other submissions from MHLW.

Youth Trial Employment is an employment subsidy scheme started in 2001, to facilitate regular employment for young people, including *freeters* and non-employed young people. This scheme provides a monthly subsidy of JPY 40 000 for up to three months for employers who hire young people registered as jobseekers at the PESOs. It is the largest ALMP for youth, and around 40 000 young people annually participated in this scheme between FY 2004 and FY 2006. On average, 80% of participants have succeeded during

this period in obtaining a regular job, according to the MHLW. The total subsidy reached JPY 9.7 billion in FY 2006 (roughly JPY 0.2 million per participant), and then fell back to JPY 5.7 billion in FY 2007. Unfortunately, further information on the profiles of beneficiaries of this programme – *i.e.* breakdown of participating youth by gender and educational attainment or that of firms by sector – or evaluation of its effectiveness is not available.

Independence Camp for Youth (Wakamono Jiritsujuku) is a residential camp, run by NGOs subsidised by MHLW, targeting young people who have been NEET for more than one year. The programme usually lasts three months where 20 participants live and work together, and it includes mentoring, basic training for vocational ability and communication skills, training and work experience, to promote self-confidence and motivation for work.[22] In FY 2006, 704 young people completed this programme in 25 camps around the country and 401 among them found a job (as of six months after completion of the programme). The budget for the programme in FY 2006 amounted to JPY 1 billion (JPY 1.4 million, equivalent to roughly EUR 9 000 per participant). Although this programme was introduced quite recently, concerns regarding the high cost of the programme and the difficulty in attracting participants have emerged (Hori, 2007). Meanwhile, for the disadvantaged youth group, such residential programmes may yield significant improvement in labour market and social outcomes, leading to high social rates of return (Quintini *et al.*, 2007). *Job Corps* in the United States is an eminent example of such a programme which is much more intensive, costly and large-scale. Courses of *Job Corps* last between six months to one year and consist of academic education, health education, vocational training, job placement and counselling services, delivered at 119 centres nationwide. Costs per participant reach over USD 20 000. Around 60 000 disadvantaged youth are participating annually in this programme (OECD, 2008c).

In addition, the Japanese government has implemented public vocational training for young jobless secondary school graduates, as discussed in Chapter 2. Through all these efforts, the government aims to reduce the number of *freeters*, which peaked at 2.17 million persons in 2003, to 1.74 million by 2010, as well as to promote the transition of 350 000 *freeters* into regular employment in FY 2008.

All these innovations in youth ALMPs in recent years are welcome in that they seek to address real shortcomings in the school-to-work transition process. Although it is too soon to evaluate the efficiency and actual impacts of these new initiatives, there appear to be some serious shortcomings in current policy approaches.

22. In FY 2008, the government is introducing a six-month programme.

First, and foremost, the scale of some of these innovations is tiny compared with the scope of the objectives. For example, some existing programmes, *e.g.* the *Independence Camp for Youth,* seem to be too small, in terms of number of participants (some 700 youth annually), to adequately address the needs of Japan's young people at risk (Honda, 2005). For example, the number of young people aged 15-24, who are NEET, was 1.2 million, and corresponding number among those aged 25-34 was 3.7 million in 2006. This is also true for the public vocational training programmes for young people, as reviewed in Chapter 2. Without a drastic expansion in scale, it is impossible to envisage such programmes making a real difference.

Second, the still widespread view in Japan appears to be that youth labour market problems are basically attributable to the lack of *motivation* (independence, determination, work ethic, *etc.*) of young individuals. This view is reflected in various Japanese terms, such as *freeters* and *parasite singles*. Such a view tends to place the blame for unemployment or under-employment on the young people themselves and thus risks insufficient attention being paid to finding adequate policy responses (Honda, 2005; and Miyamoto, 2005).

Third, most youth ALMPs are targeting *freeters* and *NEET people* aged between 15 and 34, rather indistinctively. It would be more effective to try to identify the specific needs of some subgroups – *i.e.* by age and by educational attainment – and design programmes that are likely to serve them better. For example, refocusing the *Youth Trial Employment* on the lower educated youth group would be beneficial.

However, all such expansion involves spending more public funds on ALMPs and it is vital to ensure that such spending on youth ALMPs is cost-effective. This, in turn, requires rigorous policy evaluation to establish what works and what does not. In Japan, the independent (external) evaluation of existing policy measures is scant, and this appears to be due in part to the lack of information and data available to the researchers (Ohtake, 2004). In order to be effective, policy measures will need to be accompanied by rigorous pre- and post-analysis. This is especially the case for employment subsidy schemes which are often subject to deadweight loss and substitution effects, and hence result in small overall net employment gains (OECD, 2006d).

In view of the fast-changing context of the school-to-work transition and the rising number of young people facing difficulties in their transition, stronger emphasis should be placed on ALMPs for youth, with a stronger targeting towards the less educated group of youth. Based on improved targeting and a thorough evaluation of all recently introduced programmes, more public resources should be allocated to youth ALMPs, especially given Japan's relatively low public expenditure on ALMPs for youth. In doing so, Japan could benefit from the experience of other OECD countries where

successful programmes appear to share some common characteristics in terms of content and design (OECD, 2007e; Martin and Grubb, 2001; and Betcherman *et al.*, 2004).

- *Job-search assistance* programmes are often found to be the most cost-effective for youth, providing positive returns for both earnings and employment. Some wage and employment subsidy programmes also yield positive returns, but they generally tend to perform poorly in terms of their net impact on the future employment prospects of participants.
- *Training programmes* should be designed in response to local and/or national labour market needs. In this respect, mobilising and involving the business sector and local community representatives to assess skill demand and local labour market requirements are crucial for project design.
- *Early action* is particularly important for young people, as those without work experience are often not entitled to unemployment benefits or other welfare transfers. A number of OECD countries already have major programmes for youth that come into play early, often before or at six months of unemployment. The European Commission has set the objective that an individualised action should be established for all unemployed youth within six months of becoming unemployed.
- Good *targeting* of the programmes is also essential. For example, programmes addressing teenagers should be distinguished from those for young adults, and particular attention should be paid to early school-leavers.
- Programmes that integrate and combine services and offer a comprehensive *package* seem to be more successful. An example of a comprehensive programme introduced over the past decade is the *New Deal for Young People* in the United Kingdom.

2. Public and private employment services

The *Hello Work* is the main PES in Japan, with 438 offices and more than 100 branch offices and 12 000 staff members around the country in 2008 (this number of staff has declined during the past decade). In addition, there are specialised service offices, such as the *Bank of Human Resources* (18 offices) which focuses on employment services for senior professionals, the *Mothers' Hello Work* (12 offices) which is specialised in services for mothers who want to return to the labour market, and the *Part-time Job Bank* (109 offices). Since the late 1990s, new services especially geared to youth have been established,

such as the *Comprehensive Support Centre for Student Employment*, *Student Employment Centres* (six offices) and *Counselling Offices* (40 offices), for the purpose of providing employment support to students and graduates of colleges and universities. These institutions offer employment information through Internet-based information systems and job counselling. They also host job-related events and provide assistance to the career services of colleges/universities (JILPT, 2006a).

Job café is another policy innovation under the *Independence and Challenge Plan for Young People*. Run by local governments, it is a one-stop service centre, dedicated to young jobseekers (*freeters*, the young unemployed and new graduates). *Job cafés*, in cooperation with local firms and educational institutions, provide young people with job information and job placement services, as well as opportunities for workplace experience. The central government, the MHLW, on request from local governments, set up *Hello Work* as an annex to *Job café* to offer on-site placement services. As many as 1.7 million young people visited 87 *Job Cafés* around the country in FY 2006 and 93 000 among them found a job, according to the MHLW.

Based on the 2003 *Youth Independence and Challenge Plan,* the PESOs also started counselling services designed especially for youth. The *youth job supporters* – 540 staffs specialised in the career development and employment for young people – now provide individually tailored assistance for job-search through settlement in a new job for secondary school students and unemployed school leavers, in close cooperation with schools. Another programme, the *Youth Employability Support* (the YES Programme), is designed to improve communication skills, career awareness, business etiquette and other basic skills for young people, and is provided by licensed vocational training institutions (Gaston and Kishi, 2005).

On the other hand, given the traditionally important role played by secondary schools in job placements of their graduates, there has been an established co-operation network between the PESOs and secondary schools. Under the *Employment Security Law*, upper secondary schools can share a part of the role for the PESOs, by, for example, receiving job offers and job applications and providing placement services and guidance to their students. There are about 3 900 schools providing these services in April 2007. Furthermore, under the same law, tertiary education institutions as well as secondary schools, after notifying the MHLW, can carry out fee-free employment services for their students. In April 2007, around 3 500 colleges/universities and 1 700 upper secondary schools were providing these services.

The government is also promoting private job placement services through, for example, the deregulation and co-operation and competition between public and private job placement services. The government, jointly with private job

placement agencies, private job information providers and temporary work agencies, set up an Internet-based job information system, the *Job Information Network* (*www.job-net.jp*) in 2001. Through this system, jobseekers can access job information using either the Internet or mobile phones.[23]

Meanwhile, new hires among workers aged under 30 equalled around 3.3 million in 2006 according to the MHLW's Survey on Employment Trends, while the number of placements by the PESOs for the same age group was 597 000 in the same year, according to administrative data from the MHLW's Employment Security Statistics.

The recent reforms by the PESOs represent desirable steps, and the government should continue its efforts to make sure that all young people in need, especially those with lower educational attainment, can get access to high-quality employment services. Concerning the structure of the PES, the Japanese government has established the PES in accordance with the need of specific target groups; *i.e. Job Cafés*, *Mother's Hello Works* and *Part-time Job Bank*. Indeed, this approach is in sharp contrast to some other countries, notably Australia, which have established a unified and centralised "one-stop shop" for all kind of customers, the *Centrelink* (*www.centrelink.gov.au*) for both employment and welfare services. One advantage of the Japanese approach might be that it provides a more customer-friendly environment and in-depth services to specific groups, *i.e.* youth. On the other hand, there might be a risk of inefficiency due to overlap, *e.g.* between *Mother's Hello Work* and *Part-time Job Bank*, in the sense that part-time jobs in Japan are mostly for married women.

3. Unemployment benefits

To be entitled to unemployment benefits under the Employment Insurance (EI) system of Japan, individuals need a contribution history to the EI. As a result, school-leavers or the young unemployed, who lack a sufficient contribution history, cannot benefit from the EI. Furthermore, age is one of the main criterion for determining the amount and duration of unemployment benefits. The Japanese government has tightened the requirement on the mandatory contribution period and benefit duration in recent years.

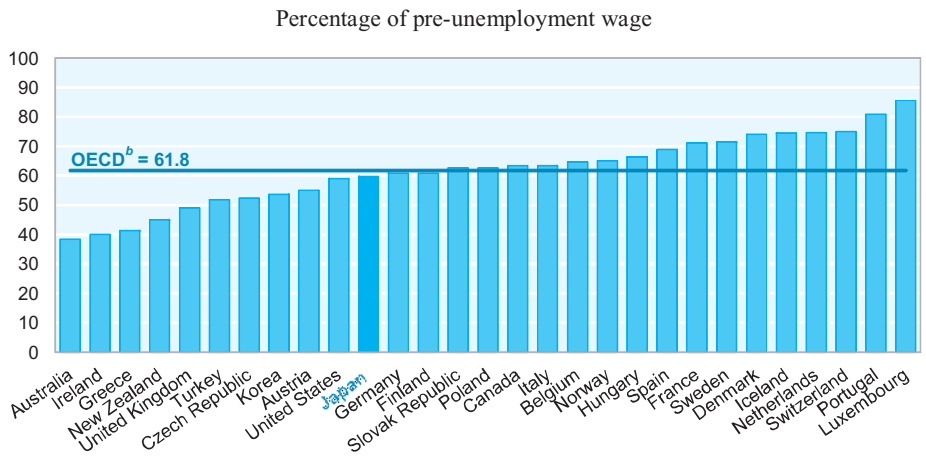
As a result of the recent reform implemented in October 2007, the minimum contribution period for those unemployed for reasons of bankruptcy, downsizings or dismissals is six months regardless of their employment status (*i.e.* full-time or part-time), while, for those unemployed

23. On 1st July, 2008, around 700 000 vacancies were posted on this site.

for other reasons, it is 12 months. Before this reform, it was six months for full-time workers and 12 months for part-time workers, regardless of reasons for unemployment. Therefore, the requirement for full-time workers unemployed for other reasons than bankruptcy, *etc*., is lengthened, while that for part-time workers unemployed by reasons of bankruptcy, *etc*. is shortened from 12 months to six months.

The amount of unemployment benefit is determined according to the level of the previous wage, at between 50% and 80%. In addition, an upper limit is applied according to the age of the recipient; *i.e.* JPY 6 365 per day for young people under 30 and JPY 7 775 for those aged 45-59, as of August 2007. The *net* replacement rates – *i.e.* the benefit amount relative to pre-unemployment earnings, adjusted for the effects of taxation – on average for single persons earning 67% and 100% of the average production wage was 60% in 2006, slightly below the OECD average (Figure 4.2).

Figure 4.2. **Net unemployment benefit replacement rates in OECD countries, 2006**[a]



a) These data are *net* replacement rates, *i.e.* they are adjusted for the effects of taxation. They refer to the average of net replacement rates faced by single persons without children with pre-unemployment earnings of 67% and 100% of the average production wage. They relate to the initial phase of unemployment but following any waiting period. No social assistance "top-ups" are assumed to be available in either the in-work or out-of-work situation. Any income taxes payable on unemployment benefits are determined in relation to annualised benefit values (*i.e.* monthly values multiplied by 12) even if the maximum benefit duration is shorter than 12 months.

b) Unweighted average of countries shown. Data for Mexico are not available.

Source: OECD, Tax-Benefit Models (*www.oecd.org/els/social/workincentives*).

The maximum duration of unemployment benefits (the *Basic Allowance*) depends on the reasons of unemployment, the age and the contribution period (Table 4.2). Those unemployed because of bankruptcy, downsizings or dismissals are entitled to benefits for a longer period, on the grounds that these individuals have had less time to prepare for a re-employment. On the other hand, the maximum duration of benefits for those unemployed by reasons other than bankruptcy, etc., has been reduced significantly in 2001 and in 2003. Currently, young people under age 30, who are separated from the job for these reasons, can receive benefits for 90 to 180 days.

Table 4.2. **Unemployment benefit duration by reason of separation, age and contribution history, Japan, 2007**

Days

Reason of separation, and age	Contribution history of: 6 months to less than 1 year	1 year to less than 5 years	5 years to less than 10 years	10 years to less than 20 years	20 years or more
1. Unemployed because of bankrupts, downsizings or dismissals					
Under 30	90	90	120	180	..
30-34	90	90	180	210	240
35-44	90	90	180	240	270
45-59	90	180	240	270	330
60-64	90	150	180	210	240
2. Unemployed by other reasons listed above					
All ages	..	90	90	120	150
3. Those unemployed having difficulties to be re-employed					
Under 45	150	300	300	300	300
45-64	150	360	360	360	360

.. Not available.

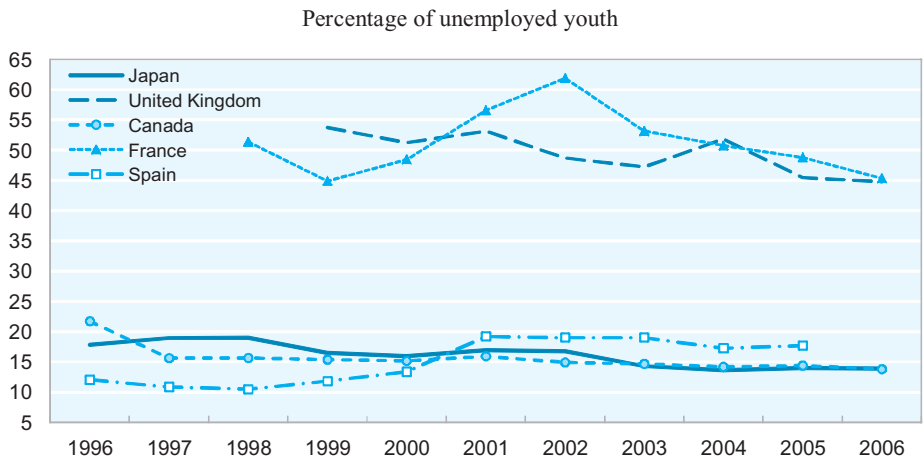
Source: Ministry of Health, Labour and Welfare (MHLW) website (*www.mhlw.go.jp*).

As an activation measure, the benefit recipients are required to report their job-seeking activities to the PES every four weeks. If a recipient refuses to accept a job offer or public vocational training offered by the PES without a valid reason, the *Basic Allowance* is suspended for the coming four weeks. Additionally, there is the *Employment Acceleration Allowance* scheme which provides an allowance equivalent to 30% of the *Basic Allowance* as a top-up to those benefit recipients who find a job before exhausting the maximum duration of benefits.

In March 2007, the number of young people aged under 30 insured by the EI was 7.8 million (MHLW, 2006), compared with 12 million employed young people in 2006 (annual average), in the corresponding age group, according to the labour force survey.

The ratio of the average number of unemployment benefit recipients to the number of young unemployed aged 15-29 is low and has declined slightly during the past decade (Figure 4.3). This ratio is relatively close to that recorded in Canada and Spain, but much below the share in the United Kingdom and France. On the other hand, there is no unemployment assistance system in Japan such as can be found in some European countries, Australia and New Zealand (11 OECD countries have either unemployment benefits or unemployment assistance available for the young unemployed people aged 20 without any employment record; see OECD, 2007f). Therefore, most Japanese youth lacking a sufficient contribution history to the EI appear to depend on their parents to secure their livelihood.

Figure 4.3. **Youth[a] unemployment benefit recipients in selected OECD countries, 1996-2006**



a) Youth aged 15-29 for Japan, 15-24 for Canada and France, and 16-24 for Spain and the United Kingdom.

Source: Administrative data for recipients refer to the yearly average of monthly stocks for all countries [Ministry of Health, Labour and Welfare (MHLW), *Annual Report of Employment Insurance* for Japan]; and national labour force surveys for the unemployed refer to annual averages for all countries [Ministry of Internal Affairs and Communications (MIC), Labour Force Survey for Japan].

In view of the declining role of firms in securing income for young people and the growing income inequality in Japan (OECD, 2008a), the government might consider expanding the effective coverage of unemployed young people by the EI. In this regard, the government might need to ensure that more young workers, especially non-regular workers, are insured by the EI by, *e.g.* expanding the eligibility or raising the compliance of firms and

workers with paying EI contributions. In addition, the government might also consider raising the share of unemployed youth who receive unemployment benefits, by *e.g.* relaxing the benefit eligibility conditions. These measures to expand EI benefit coverage should go hand-in-hand with implementing a "mutual obligations" approach to provide strong incentives for the young unemployed to search actively for a job. This would include an effective threat of moderate benefit sanctions in the event the young job-seeker does not live up to his/her side of the agreement.

4. Key points

Active labour market policies for youth have developed fairly recently in Japan compared with other OECD countries, as the problems in the youth labour market arose only a decade ago. In response to a rapidly rising youth unemployment rates and increasing non-regular employment among youth, the government has introduced various labour market measures alongside measures to enhance the students' awareness of the world of work since the early 2000s.

However, public spending on youth labour market programmes has been relatively low, and the number of participants in these programmes has been limited. Thus, stronger emphasis needs to be placed on expanding the scale and effectiveness of ALMPs for youth. For the existing programmes, more needs to be done to improve targeting, while addressing the difficulties faced by the lower educated group, and also for a thorough evaluation of the outcomes of the programmes.

Furthermore, the proportion of young unemployed receiving benefits also has been relatively low and declining during the past decade. In view of the growing mobility of the youth labour market and the waning role of schools and firms in youth transitions, it is highly desirable that the government, in close consultation with the social partners, steps up its efforts to reinforce employment support and income security measures for youth.

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Jobs for Youth

JAPAN

Improving the performance of youth on the labour market is a crucial challenge in OECD countries facing persistent youth unemployment. As labour markets become more and more selective, a lack of relevant skills brings a higher risk of unemployment. Whatever the level of qualification, first experiences on the labour market have a profound influence on later working life. Getting off to a good start facilitates integration and lays the foundation for a good career, while a failure can be difficult to make up.

Ensuring a good start will require co-ordinated policies to bring the education system closer to the labour market, to help disadvantaged young people to find a job or participate in a training course and to facilitate the hiring of young people by firms.

OECD has launched a series of reports on the school-to-work transition process in sixteen countries including Japan. Each report contains a survey of the main barriers to employment for young people, an assessment of the adequacy and effectiveness of existing measures to improve the transition from school-to-work, and a set of policy recommendations for further action by the public authorities and social partners.

This report is based on the proceedings of a seminar and is published in English only. However, a French translation of the summary and main recommendations has been included in this volume.

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