



Investing in Youth

JAPAN



Investing in Youth: Japan

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Foreword

As highlighted in the OECD Action Plan for Youth, successful engagement of young people in the labour market is crucial not only for their own personal economic prospects and well-being, but also for overall economic growth and social cohesion. Therefore, investing in youth is a policy priority in all countries, including Japan, requiring concerted action to develop education systems and labour market arrangements that work together well.

Following the launch of the OECD Action Plan for Youth in May 2013, the OECD is working closely with countries to implement the plan's comprehensive measures in their national and local contexts and to provide peer-learning opportunities for countries to share their experience of policy measures to improve youth employment outcomes.

This work builds on the extensive country reviews that the OECD has carried out previously on the youth labour market and vocational education and training (*Jobs for Youth, Learning for Jobs* and *Skills beyond School*), as well as on the OECD Skills Strategy.

The present report on Japan is the seventh of a new series on Investing in Youth which builds on the expertise of the OECD on youth employment, social support and skills. This series covers both OECD countries and countries in the process of accession to the OECD, as well as some emerging economies. The report presents new results from a comprehensive statistical analysis of the situation of disadvantaged young people in Japan exploiting various sources of survey-based and administrative data. It provides a detailed diagnosis of the youth labour market and education system in Japan from an international comparative perspective, and offers tailored recommendations to help improve the school-to-work-transition. It also provides an opportunity for other countries to learn from the innovative measures that Japan has taken to strengthen the skills of youth and their employment outcomes. Additional information related to this review can be found on the OECD web pages (<http://oe.cd/youth-japan>).

The work on this report was mainly carried out within the Social Policy Division of the Directorate for Employment, Labour and Social Affairs

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This review uses survey micro data from the Japanese Household Panel Survey provided by Keio University. The findings and views reported in this review, however, are those of the authors and should not be attributed to Keio University.

In figures, “OECD” refers to unweighted averages of OECD countries for which data are available.

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Acronyms and abbreviations

ALMP	Active labour market programme
BLPP	Basic Livelihood Protection Programme
EI	Employment Insurance
ESC	Education Support Centre
FY	Fiscal year
GDP	Gross domestic product
HW	Hello Work (the Japanese public employment service)
JAVADA	Japan Vocational Ability Development Association
JEED	Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers
JILPT	Japan Institute for Labour Policy and Training
METI	Ministry of Economy, Trade and Industry
MEXT	Ministry of Education, Culture, Sports, Science and Technology
MHLW	Ministry for Health, Labour and Welfare
NEET	Youth not in employment, education or training
NIER	National Institute for Educational Policy Research
PA	Public assistance
PES	Public employment service
PIAAC	Programme for the International Assessment of Adult Competencies

PISA	Programme for International Student Assessment
PVT	Public vocational training
RYSS	Regional Youth Support Stations
SSSP	Support System for the Self-Reliance of the Poor
UB	Unemployment benefits
VET	Vocational education and training

Executive summary

Japan faces the challenge of a shrinking and rapidly ageing population as a consequence of low fertility, greater longevity and limited immigration. To secure future economic prosperity, Japan needs to pursue policies that promote labour force participation and increase workforce productivity. This must include fighting joblessness and unstable employment among young people.

While young people in Japan have been much less affected by the Great Recession than their peers in other OECD countries, significant challenges remain:

- The number of young people in work has shrunk by about 1.5 million since 2007 as a result of the declining youth population. Half of all young people in work are on non-regular contracts, more than twice as many as in the early 1990s. These young people enjoy less job security and lower pay and are less well covered by social protection.
- The share of young people who are not in employment, education or training (the “NEETs”) stood at 10.1% in 2015, corresponding to 1.7 million youth. It has declined over the past decade, but was still higher in 2015 than in the best-performing OECD countries (OECD average of 14.7%). One quarter of all Japanese young people in their twenties are NEET at least once over a four-year period – and about half of them are NEET in multiple years. More than two-thirds of NEETs in Japan are *inactive*, i.e. not actively looking for work.
- The gender gap in NEET rates is more pronounced in Japan than in most other OECD countries as many women in their late 20s withdraw from the labour force to care for children. This is likely due to limited access and affordability of institutional childcare. Survey evidence shows that many young women moreover still aspire to a life as full-time housewives.
- An estimated 320 000 young people below the age of 30 years (about 1.8% of this age group) live in a state of acute social

withdrawal – the so-called *hikikomori*. They have given up personal relationships with anyone outside of their immediate family rarely leaving their home, or even their room, for a period of at least six months – but in many cases much longer. Many of them will require intensive assistance over a long time to find their way back into society and education or work, and – given their withdrawal – are very difficult to reach by social services.

Educational attainment and skills are less linked to NEET status in Japan than in most other OECD countries; over one third of Japanese NEETs even have a tertiary qualification.

The Japanese education system produces excellent academic outcomes. Japanese pupils achieved top scores in mathematics, reading and science in all PISA rounds, and socio-economic background mattered less for academic performance than in most other OECD countries. Pupils tend to face high academic expectations, and many take extra classes at private tutoring schools in the afternoon to boost their chances of being admitted to a prestigious high school and university. Educational reforms and shrinking cohort sizes have, however, mitigated the pressure on students.

Japan does well at ensuring that all young people leave the education system with a qualification. Fewer than 6% of all young people do not obtain an upper-secondary degree – one of the lowest rates across OECD countries. While the share of *futōkō* students – young people who miss school for more than 30 days in an academic year – has doubled since the early 1990s, non-attendance remains low in international comparison. A challenge for Japan is to ensure adequate learning options for young people who cannot attend mainstream schools for personal, social or health reasons.

Vocational training in Japan is traditionally provided on-the-job by employers, who recruit high school graduates through a strictly regulated procedure involving schools and the public employment service Hello Work (HW). This procedure has proven highly successful: nearly 98% of high school graduates who chose to enter the labour market were placed with an employer by the end of the 2015-16 academic year. The model of employer-provided on-the-job training is becoming less viable, however, as employers increasingly hire temporary workers and as the share of workers who remain with their employers for life is declining.

NEETs in Japan can rely on a comprehensive system of social and employment support. HW provides targeted services for young jobseekers, including recently graduated students, through specialised front offices; so-called Job Cafés offer career orientation and counselling in a non-formal setting; 160 Regional Youth Support Stations (RYSS) help NEETs who are not yet job-ready develop a career plan and overcome their employment

barriers. Staff at these institutions have moderate to low caseloads allowing them to engage closely with their users and provide personalised support. Community Hikikomori Support Centres provide counselling and other support to young people living in social withdrawal and their families.

Non-governmental providers play an important role in delivering social services – and to a lesser degree employment services – for NEETs. While the government uses tendering procedures to select these providers, the competition for tendering contracts tends to be weak and compensation is usually not strongly performance-based.

Only limited income support is available to young jobseekers. Unemployed youth with a contribution record of at least 12 months are entitled to relatively generous unemployment benefits, and those who lose their job because their fixed-term contract is not renewed only need to have contributed for six months. Young jobseekers typically receive benefits for only three months, however, and only 15% of jobseekers in their 20s are covered. Young people in low-income households are in principle entitled to mean-tested public assistance. Only around 0.5% of all young people receive such benefits, however, as welfare offices primarily support seniors and persons with low work capacity. The Japanese youth poverty rate is consequently among the highest across OECD countries, at nearly 20% among 18-25 year-olds. This is higher than for seniors, children or other working-age persons.

Key policy recommendations

- Improve the identification of at-risk youth by systematically sharing student attendance data between schools and education authorities.
- Ensure the provision of adequate learning options for students of compulsory-schooling age who struggle in mainstream schooling by expanding special programmes for *futōkō* students and by regulating the role of Free Schools.
- Establish clear follow-up procedures for students who leave school without upper-secondary qualification to ensure that they receive social and employment support quickly.
- Strengthen work-based learning in upper-secondary education by introducing minimum requirements for practical training components, regulating contents and assessment procedures and promoting a closer co-operation of educational institutions and companies.

- Improve social service outreach by strengthening collaboration and information-sharing with schools, for instance by permitting and promoting a more visible RYSS presence at schools.
- Enhance co-ordination and information exchange between Job Cafés and HW to avoid service duplication, and ensure that municipal welfare offices refer all employable users to HW for job search support and placement.
- Improve access to childcare to raise labour market participation of young women.
- Strengthen performance-related components in the selection and compensation of non-governmental employment and social service providers.
- Test small-scale start-up subsidies for young jobseekers with entrepreneurial potential.
- Establish or strengthen procedures for a systematic follow-up of RYSS or HW users after programme completion or job placement.
- Introduce procedures that allow for a systematic and rigorous evaluation of employment and social programme impacts.

Assessment and policy options

Japan faces the challenge of a shrinking and rapidly ageing population. After decades of rapid growth, the size of Japan's population started declining in 2010, and it is projected to fall by almost 25% by 2050. The median age of the population is expected to rise to 53 years. Decades of low fertility and greater longevity have been the main causes for this process. Limited immigration is another contributing factor.

The demographic transition is a drag on economic growth. As Japan's shrinking working-age population needs to support a growing number of non-working seniors, productivity increases observed since the early 1990s have failed to translate into a corresponding rise in per-capita living standards – a trend that is going to accelerate over the next decades. To secure rising economic prosperity, it is vital that Japan pursue policies that promote labour force participation and increase the productivity of its workforce. Young people are a group for whom participation rates are comparatively low by international standards. In light of the enormous demographic challenge, Japan needs to remove obstacles to labour market participation and reduce unstable employment among young people so as not to leave part of its talent potential untapped.

How do Japanese young people fare in the labour market?

Young people in Japan have been much less affected by the Great Recession than their peers in other OECD countries. The youth employment rate declined by a modest two percentage points over the course of the crisis and has already returned to pre-crisis levels. At 55%, it stood above the OECD average among 15-29 year-olds in 2015, though it is below the rates of the best-performing countries in Northern and Western Europe as few young people in Japan combine education and work. In absolute terms, youth employment has dropped by about 1.5 million since 2007, but nearly this entire decline reflects the shrinking youth population.

An increasing share of young workers in Japan work on non-regular contracts – 43% of all employed 15-29 year-olds out of education in 2014. Non-regular workers enjoy less job security, are paid significantly less and

are not as well covered by social protection. They are also cut off from within-firm career paths and therefore have fewer opportunities for firm-provided training and promotions. Women and those without tertiary education are most likely to be affected – among young women with at most upper-secondary education fewer than half had secured a regular position in 2014.

Real hourly wages have stagnated and even declined for many workers in Japan over the past 15 years, a development linked to persistent low labour productivity. Women’s wages were more stable than men’s such that the gender wage gap decreased over this period, though it remains the third-highest across OECD countries. Differences in wages and earnings between young and prime-age workers are bigger in Japan than in other countries, caused by a pay system that traditionally rewards seniority within the firm. Full-time working Japanese men in their early fifties earn 57% more than their early-thirties counterparts, compared to 42% in Korea and 36% in the United States. The picture is less pronounced for women, who are less likely to be regular employees. Non-regular workers in their early twenties make 15-20% less than their peers on permanent contracts, even after accounting for educational attainment. This difference increases with age, as non-regular employees do not benefit from seniority pay.

Who are the NEETs, and what are the risk factors?

The fraction of 15-29 year-olds who are Not in Employment, Education or Training (the “NEET rate”) in Japan has been declining over the past decade, apart from a short increase during the Great Recession. At 10.1%, it was below the OECD average of 14.7% in 2015, but still higher than the rates in the best-performing countries in Northern and Western Europe. More than two-thirds of the 1.7 million NEETs in Japan are *inactive*, i.e. not actively looking for work.

The main reason for high inactivity in Japan is that many women in their late twenties withdraw from the labour force to care for children. Both the employment rate of mothers with young children and the share of children enrolled in formal childcare are below the OECD average. This likely reflects both institutional and cultural factors: childcare costs are comparatively high and there are long waiting lists in many places. Close to 20% of 18-34 year-old unmarried women moreover aspire to be full-time housewives – nearly the same share as one decade ago. Consequently, there is a pronounced gender gap in NEET rates, with young women being 70% more likely to be NEET than men. This is one of the highest differentials across the OECD and significantly above the gap of 40% observed in the OECD on average. NEET women spend substantially more time than NEET

men on unpaid work, such as housework and caring for children and adults (6 vs. 1 hour(s) per day on average) and they have only half as much leisure time (4.5 vs. 9 hours).

Educational attainment and skills in numeracy or literacy are generally important determinants of a young person's risk of being NEET, but the relationship is weaker in Japan than in most other OECD countries. A comparatively high share of NEETs in Japan – over one third – even have a tertiary qualification, and among tertiary educated young people in their late twenties, the NEET rate in Japan matches that for tertiary graduates in the OECD on average. Young people with a tertiary qualification are less likely than other young people to be NEETs for multiple years, however.

The phenomenon of the *hikikomori* – young people who live in an acute state of social withdrawal – represents a serious challenge. They have given up personal relationships with anyone outside of their immediate family rarely leaving their home, or even their room, for a period of at least six months – but in many cases much longer. Estimates suggest that there were about 320 000 *hikikomori* among 15-29 year-olds in 2015; two thirds of the *hikikomori* below 40 are men. The majority of inactive NEET men and over one quarter of all inactive NEETs are *hikikomori*. The implications are severe, as many *hikikomori* will require intensive assistance over a long time period to find their way back into society and education or work, yet are difficult to identify and reach through social services.

The study of NEET patterns over time shows that 24% of Japanese young people in their twenties are NEET at least once over a four-year period – and about half of them are NEET several years. Women, young people with less than tertiary education and those with ill health are over-represented among the long-term NEETs.

Income support and poverty

While the principal goal of public policies for disadvantaged young people must be to help them on the path to self-sufficiency, those on low incomes – especially the NEETs – may require support to avoid poverty.

The Japanese income support system for jobseekers has traditionally had a two-tiered structure:

- Earnings-related unemployment benefits (UB) are available for young jobseekers with a contribution record of at least twelve months. Young people who lose their job because their fixed-term contract is not renewed only need to have contributed for six months. UB payments are relatively generous: in the initial phase of unemployment, a young person with previous earnings at 50% of

the average wage receives nearly 80% of his earlier income in benefits, and payments remain comparatively generous also for higher previous earnings. The maximum duration of benefit payments is generally short, however, at only three months – less than in most OECD countries.

- Persons in low-income households, including those without UB entitlements, can apply for time-unlimited, means-tested public assistance (PA). PA benefits are relatively generous and high enough to lift recipient households out of poverty.

To strengthen the support for jobseekers without UB entitlements, Japan recently introduced two new support schemes between the “first-tier” UB and the “last-resort” PA: the Support System for Jobseekers pays an allowance to unemployed persons without UB entitlements who participate in training; the Support System for the Self-Reliance of the Poor provides consultation services and job search support for “needy” households and temporarily covers rent payments for those affected by recent job loss.

Only very few young people in Japan receive income support, however. A small 0.6%-share of all 20-to-29 year-olds received UB in a given month in 2014. This reflects the low share of unemployed among NEETs, but also weak coverage as only around 15% of all young jobseekers receive UB. Even fewer young people live in households that receive PA, as welfare offices primarily support seniors and persons with low work capacity. Little evidence exists on young people’s living arrangements, and in particular on the share of NEETs who live with their parents or a partner with income. Many unemployed young people, however, likely rely on families and informal networks for income support.

Youth poverty rates are high – a likely consequence of the low benefit coverage among young people. Nearly 20% of 18-25 year-olds lived on incomes below the poverty line in 2012 – one of the highest rates across OECD countries and a greater share than among seniors, children or working-age persons. More generally, the Japanese tax-benefit system does little to reduce the risk of poverty of low-income households, and it redistributes incomes from the young to the seniors.

Raising school completion rates and providing high-quality professional training

The Japanese education system produces exceptional academic outcomes. Japanese pupils achieved excellent scores in mathematics, reading and science in all PISA rounds, and socio-economic background matters less for academic performance than in most other OECD countries.

The share of young people who attain a tertiary qualification is the second-highest across OECD countries, and Japanese adults were the best performers in numeracy and literacy in the PIAAC Survey of Adult Skills. Students tend to face high academic expectations, and many take extra classes at private tutoring schools in the afternoon to boost their chances of being admitted to a prestigious high school and university. Educational reforms and shrinking cohort sizes have, however, mitigated the pressure on students.

Japan does well at ensuring that young people leave the education system with a qualification. Nearly all young people enrol in upper-secondary programmes, and programme drop-out has declined since the early 1990s. Fewer than 6% of young people do not obtain an upper-secondary degree – one of the lowest rates across OECD countries. While the share of *futōkō* students – young people who miss school for more than 30 days in an academic year – has doubled since the early 1990s, non-attendance remains low in international comparison.

A challenge for Japan is to ensure the provision of adequate learning options for young people who cannot attend mainstream schools for personal, social or health reasons: a few mainstream schools offer programmes specifically for *futōkō* students; public Education Support Centres (ESCs) provide subject teaching and counselling to help *futōkō* students return to mainstream schools but are not meant as alternatives to such schools; some *futōkō* students attend private Free Schools, which may co-operate with schools and ESCs, but which operate outside the formal education system and are neither accredited nor supervised by the government. Only a small share of *futōkō* students benefit from these offers.

Vocational training in Japan is traditionally provided on-the-job by employers, who recruit high school graduates in a strictly regulated procedure involving schools and the public employment service Hello Work (HW). This procedure is very successful: nearly 98% of high school graduates who chose to enter the labour market were placed with an employer by the end of the 2015-16 academic year. The model of employer-provided on-the-job training is becoming less viable, however, as employers increasingly hire temporary workers and as the share of workers who remain with their employers for life is declining. And while Japan's post-secondary VET system – with the prestigious *kōsen* – is considered a best practice in many respects, vocational upper-secondary education plays a lesser role. Vocational high school programmes give graduates access to tertiary education, but are generally perceived as less attractive, and enrolment rates are among the lowest across OECD countries.

Social services for young people of schooling age are provided primarily at schools through a network of counsellors and social workers. Outside of schools, Regional Youth Support Stations (RYSS) deliver counselling and employment support to highly disadvantaged young people who are out of education or training. The co-operation of schools and the RYSS has been weakened, however, by a government decision made in 2013 to terminate RYSS support for at-risk students, focusing support instead on out-of-school youth.

Japan could further strengthen the support for disadvantaged young people on their transition from school to work along the following dimensions:

Strengthen educational and social support for at-risk students

- *Share information on school non-attendance:* Schools are required to monitor student attendance, but these data are generally not systematically transmitted to the prefectural or municipal authorities. Stronger information-sharing requirements could help education authorities ensure that non-attendance is adequately dealt with.
- *Improve the collaboration of schools and social services:* At-risk young people benefit from an extensive network of social services provided in and out of school through the municipalities or the RYSS. Co-ordination between these different actors is often weak, however. Better information-sharing between schools and social service providers could help ensure that at-risk students receive social support quickly. This may include mandating the RYSS to again provide services to students with social problems, and strengthening the presence of RYSS at schools.
- *Ensure the provision of diverse learning options:* Few options exist for students of compulsory-schooling age who struggle in mainstream schooling. Japan should consider expanding those options by permitting more schools to offer special programmes for *futōkō* students and by improving educational authorities' co-operation with, and regulation of, private Free Schools.
- *Follow-up on high school drop-outs:* Few young people leave school without upper-secondary qualification. But in cases where a young person does drop out of high school, authorities are currently not required to follow up. To further reduce early school leaving, Japan should consider mandating educational authorities or social services to reach out to all young people who leave school without a high school degree to assess their needs, ensure that they receive the necessary social or health support, and attempt to re-connect them with school quickly.

Make upper-secondary vocational education more attractive

- *Strengthen work-based training:* Upper-secondary vocational education in Japan mostly happens in schools, and work-based components are largely unregulated. Relevant work-based training can greatly contribute to raising the attractiveness of vocational education programmes, however, in particular for students who do not wish to pursue higher education. Japan should consider giving greater weight to work-based learning in upper-secondary education by introducing minimum requirements for practical training components, regulating contents and assessment procedures and promoting a closer co-operation of educational institutions and companies.

Guaranteeing employment or training options for NEETs in Japan

Japan operates a comprehensive system of social and employment support for NEETs. HW provides targeted services for young jobseekers, including recently graduated students, through specialised front offices; so-called Job Cafés offer career orientation and counselling in a non-formal setting; 160 RYSS help NEETs who are not yet job-ready develop a career plan and overcome their employment barriers. Staff at these institutions have moderate to low caseloads allowing them to engage closely with their users and provide personalised support. Community Hikikomori Support Centres provide counselling and other support to young people living in social withdrawal and their families.

Non-governmental providers play an important role for delivering social services – and to a lesser degree of employment services – for NEETs. While the government uses tendering procedures to select these providers, the competition for tendering contracts tends to be weak and compensation is usually not strongly based on performance. The private providers operating Job Cafés, for instance, are paid on a cost basis irrespective of whether their users later successfully find employment.

HW currently relies primarily on job search assistance and counselling, hiring subsidies and vocational training to help young jobseekers find work. International empirical evidence suggests that these types of interventions are indeed most suited to help even disadvantaged young jobseekers find work. Only little is known, however, about the actual impact of Japanese programmes for NEETs on participants' social outcomes, employment or incomes. Spending on labour market programmes is moreover lower than in most other OECD countries.

Japan could further strengthen the support for NEETs along the following dimensions:

Ensure that inactive NEETs are connected quickly

- *Expand outreach of social services:* The RYSS provide high-quality support for NEETs with special barriers to employment, and Community Hikikomori Support Centres are a vital first contact point for families affected by social withdrawal. The RYSS and – at least in some municipalities – also the Community Hikikomori Support Centres engage in relatively little direct outreach, however, relying instead mostly on (self-)referrals to get in touch with their users. Japan could ensure that inactive NEETs are contacted by social services more quickly by strengthening “street outreach” and promoting closer collaboration and information exchange with schools.
- *Improve access to childcare to raise labour market participation of young women:* Families with small children often face long waiting times for a place in childcare and the costs are relatively high by OECD standards. Many Japanese young women in their twenties therefore withdraw from the labour force upon childbirth. By promoting access to childcare and making it more affordable, Japan could reduce the gender gap in NEET rates – currently one of the largest across OECD countries.

Raise the efficiency of service delivery

- *Improve co-ordination and information exchange between employment service providers:* Different institutions provide employment support to NEETs, but co-ordination and data exchange between these actors tends to be weak. Japan could increase the quality and efficiency of service delivery and reduce service duplication by promoting a stronger co-operation. Job Cafés could collaborate more closely with HW, ideally by setting up offices in the same location. This would allow strengthening operations at the local level. Municipal Offices for Health and Welfare could more systematically refer at-risk young people who are employable to HW rather than to provide employment services directly.
- *Strengthen the incentives for non-governmental service providers:* Job Cafés, the RYSS and, in some cases, Community Hikikomori Support Centres are all either operated by non-governmental providers or partly rely on such providers for their service delivery. While public authorities use tendering procedures to select providers, the competition for contracts tends to be weak and compensation is usually not strongly performance-based. Japan

could increase the quality and reduce the cost of service delivery by linking provider selection and compensation more explicitly to clearly specified performance indicators, lengthening contract durations from currently mostly one year and encouraging participation by large national providers and for-profit companies.

Promote sustainable transitions into employment

- *Intensify and broaden the labour market programmes available to young jobseekers:* HW relies primarily on job search assistance and counselling, hiring subsidies and vocational training to help young people find employment, but few jobseekers participate in such programmes. Japan should consider expanding active programme participation among young jobseekers, in particular for longer training programmes that can be very effective for promoting regular employment. HW should also consider testing small-scale start-up subsidies for young jobseekers with entrepreneurial potential – a programme type that has proven effective in other countries. The impact of public-work schemes on participants’ pathways should be evaluated, and these programmes targeted only to very disadvantaged youth. Disadvantaged young parents who find work could benefit from specific support to reduce the cost of institutionalised childcare.
- *Establish or strengthen procedures for systematic follow-up:* Jobseekers who have participated in a programme or found work may require continued support to avoid slipping back into unemployment or inactivity, especially if they have a history of social or health problems. Social and employment services in Japan do not, however, systematically follow up on their former users. To ensure that positive programme effects endure over the long term, Japan should consider introducing formalised follow-up requirements with dedicated financial resources for service providers such as HW and increase existing resources in case of the RYSS.
- *Rigorously evaluate programme impacts:* Helping disadvantaged young people return to education or find work can be difficult and costly, and limited resources should be directed to those programmes that have the largest impact. Japan currently does not, however, systematically evaluate the impact of labour market and social programmes on participants’ outcomes. To increase the effectiveness of support, Japan should systematically collect outcome data for programme participants, introduce evaluation requirements in programme funding contracts and share anonymised administrative data with researchers for evaluation purposes.

Chapter 1

Youth labour market outcomes in Japan

This chapter presents a brief overview of labour market outcomes of young people in Japan. The chapter sets off by summarising the demographic situation in Japan. It describes the situation of young people in the labour market, looking at trends in labour force participation, youth employment and unemployment as well as job quality and earnings. The chapter concludes by outlining the challenge posed by young people who are not in employment, education or training (NEET).

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

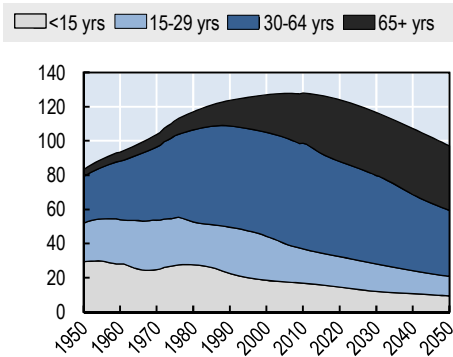
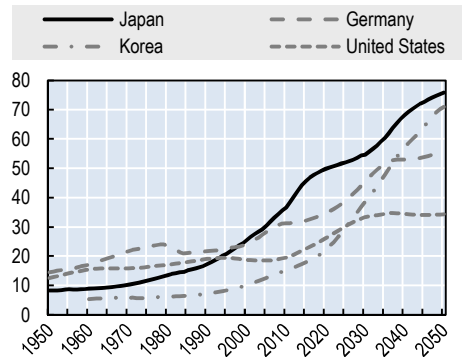
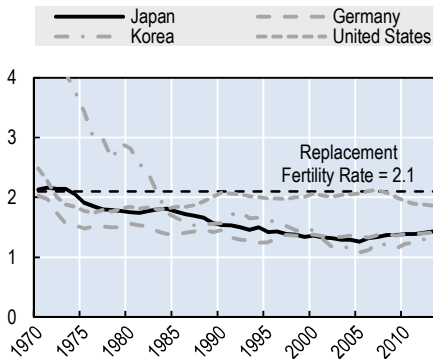
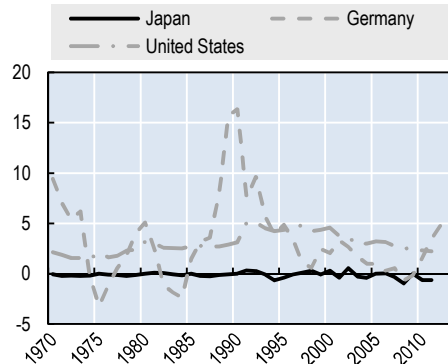
Introduction

Japan faces the challenge of a rapidly ageing and shrinking population. The demographic transition that is underway, and that will accelerate over the next decades, will have implications beyond the labour market and social security systems to many other areas of Japanese society. Recent episodes of sluggish economic growth since the so-called “lost decade” in the early 1990s have been a first sign of these developments. To secure economic prosperity in times of a quickly declining working-age population, Japan needs to fully exploit the potential of its workforce. Part of this must be to ensure that all young people¹ have the opportunity to engage in quality employment, and that they are equipped with the knowledge and skills they need to succeed in the labour market.

This chapter presents a brief overview of the labour market situation of young people and outlines the most recent trends. It sets off by summarising the demographic situation in Japan and highlighting some policy implications (Section 1). It discusses labour market outcomes of young people and their development since the start of the Great Recession looking at trends in labour force participation, youth employment and unemployment as well as job quality and earnings (Section 2). The chapter concludes by describing the challenge of young people who are not in employment, education or training, the “NEETs” (Section 3).

1. The demographic context

After decades of rapid growth, Japan’s population peaked at 128 million in 2010 and has since been declining. It is projected to fall by almost 25% to 97 million by 2050 – a decline that corresponds to more than two times the current population of the Tokyo Metropolis.² The median age of the Japanese population – i.e. the age of the person situated exactly in the middle of the age distribution – more than doubled between 1950 and 2015, from 22 to 47 years, and it is projected to rise to 56 years by 2050 (IPSS, 2012). Seniors consequently account for a growing share of the population: while the fraction of children and young people under the age of 30 has halved since 1950, people aged 65 years and over now represent 27%, five times more than in 1950 (Figure 1.1, Panel A). The ratio of seniors to working-age persons – commonly referred to as the old-age dependency ratio – was by far the highest across OECD countries in 2015 at 44 to 100 – up from 8 seniors for every 100 working-age persons in 1950. It is projected to reach 75 seniors for every 100 working-age persons by 2050 (Panel B).

Figure 1.1. Japan’s population is ageing rapidly**Panel A. Total population, by age group in millions****Panel B. Old-age dependency ratio¹****Panel C. Fertility rates²****Panel D. Net migration rates (per thousand)**

Note: No data on net migration were available for Korea.

1. The old-age dependency ratio gives is the ratio of older dependents – persons older than 64 years – to the working-age population – those aged 15 to 64 years. Results are shown as the share of dependents for every 100 working-age persons.

2. The total fertility rate gives the number of children a woman would on average bear during her lifetime given the prevailing age-specific fertility rates. The replacement fertility rate gives the average number of children per woman needed to hold the population constant at given mortality rates. It is approximately 2.1 in developed countries.

Source: OECD (2016), *OECD Territorial Reviews: Japan 2016*; OECD (2016), “Historical Population Data and Projections (1950-2050)”, http://stats.oecd.org/Index.aspx?DataSetCode=POP_PROJ; IPPS (2012), “Population Projections for Japan (January 2012): 2011 to 2060”, http://www.ipss.go.jp/site-ad/index_english/esuikei/ppfj2012.pdf; OECD (2016), “Demographic References”, http://stats.oecd.org/Index.aspx?DataSetCode=HEALTH_DEMR; OECD (2016), “Population and Vital Statistics (ALFS)”, http://stats.oecd.org/Index.aspx?DataSetCode=ALFS_POP_VITAL.

Low fertility has been the main driver of this demographic transformation. After a period of high fertility in the post-war years, the total fertility rate slipped below the replacement level of 2.1 children per woman – the approximate number necessary to keep the population constant – in the early 1970s, and continued to decline (Figure 1.1, Panel C). In 2005 the total fertility rate hit a low of 1.26 before starting to rise again. At the current rate, Japanese women give birth to only 1.4 children over their lifetime on average – one of the lowest rates across the OECD.³ In the meantime the generation of “baby boomers” born in the post-war years is entering retirement.⁴

High life expectancy is amplifying the effect of low fertility. The recent cohort of retirees has a remaining life expectancy of 24.3 years (women) and 19.5 years (men) at the age of 65 years (MHLW, 2015). This is among the highest values across OECD countries – and it has increased by five to seven years since 1980.⁵

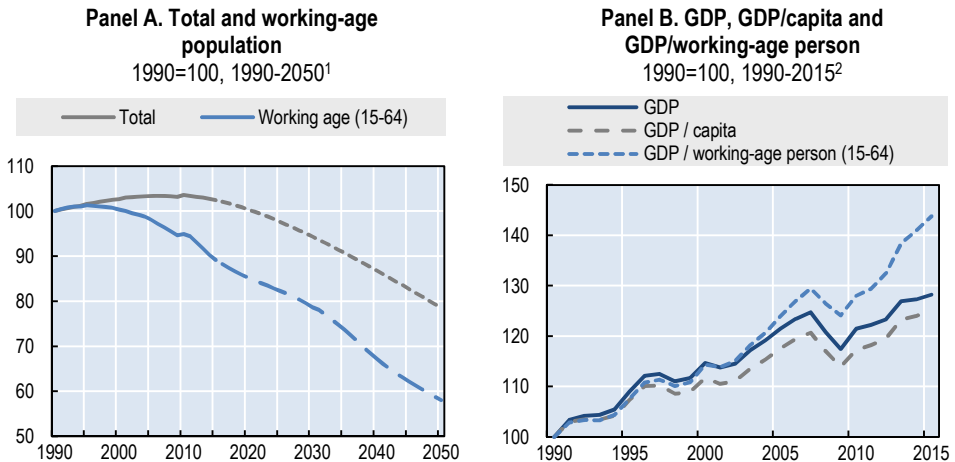
Immigration, by contrast, has made a negligible contribution to demographic growth. In many countries with similar demographic challenges, immigration has helped to slow down population ageing as immigrants tend to be younger than the receiving country’s native population (OECD, 2016a). Japan’s immigration policy, however, has traditionally been to strongly restrict the categories of migrants who are admitted and may settle, and annual net migration rates over the last decades have mostly been even slightly *negative* (Figure 1.1, Panel D).⁶

Demographic change acts as a drag on the Japanese economy. While the country has seen decent productivity growth over the past decades, these gains have been partly offset by the shrinking working-age population (Figure 1.2). Aggregate income growth (+28% in *aggregate* GDP since 1990) has failed to keep pace with productivity growth (+44% GDP *per working-age person*).⁷ The wedge between productivity gains and increases in aggregate income will widen as the decline of the working-age population accelerates over the next decades, such that healthy productivity growth rates of nearly 2% per year will be needed for aggregate income to continue growing.⁸ By the same token, living standards – as measured by GDP *per capita* – will fail to keep up with productivity growth as the working-age population shrinks more quickly than the overall population.

Population ageing may also reduce economic growth by affecting productivity directly. A recent study from the United States, for instance, which exploits variation in fertility across states, shows that population ageing slows down productivity growth of workers across the entire age distribution, including for younger workers (Maestas et al., 2016). This productivity effect is estimated to be twice as high as the effect on the size

of the labour force. It primarily reflects a loss in output per hour worked rather than in the *number of hours* worked, possibly because lower labour force growth reduces complementarities between workers of different age groups.^{9, 10}

Figure 1.2. The shrinking working-age population is a drag on economic growth



1. Dashed lines in the left panel give projections.
2. GDP growth is in constant prices. Data before 1994 are OECD estimates.

Source: Government of Japan, Cabinet Office (2015), “Gross Domestic Product Account”, http://www.esri.cao.go.jp/en/sna/data/kakuhou/files/2015/tables/27a1_en.xls; OECD (2016), “Historical Population Data and Projections (1950-2050)”, http://stats.oecd.org/Index.aspx?DataSetCode=POP_PROJ; OECD (2016), “Gross Domestic Product (GDP)”, http://stats.oecd.org/Index.aspx?DataSetCode=SNA_TABLE1.

Earlier OECD research suggests, however, that the right policy mix can help mitigate the drop in economic growth in ageing societies, including in Japan (Oliveira Martins et al., 2005). Promoting the labour force participation of older persons, raising the effective retirement age and upskilling the senior workforce are ways to attenuate the decline in the working-age population. Meanwhile, policies that encourage the development of private pension savings can help offset the downward pressure on saving rates that is characteristic of an ageing society in order to support capital accumulation. Population decline may, also, create opportunities for Japan as the OECD’s most densely populated large country, for instance by permitting greater flexibility in land use, reducing housing costs and congestion, and lessening the burden for the environment (OECD, 2016b).

2. The labour market situation of young people

In light of the demographic challenge, Japan needs to pursue policies that enable and encourage labour force participation. Young people are among the groups with the biggest scope for participation gains – and a population for whom the medium-term payoff is likely to be largest. The focus, however, has to be on helping young people into quality employment that promises job stability and the prospect of earnings growth.

Labour force participation

Total labour force participation in Japan has declined with population ageing and is comparatively low by international standards. Only 60% of all over-15 year-olds were active in 2015 – slightly below the OECD average of 62% and much below the rates of 70% or higher achieved in some of the Nordic countries (Iceland, Norway, Sweden).

This reflects primarily the skewed age distribution in the Japanese population, more specifically the large share of seniors who are less likely to work. Indeed, labour force participation rates *for each specific age group* – young people, prime-age and older workers and seniors – are close to, or above, the OECD average, though there is scope for improvement:

- Labour force participation is comparatively weak for young people (aged 15 to 29 years), and has declined especially for young men (Figure 1.3, top panels). This reflects high and rising educational enrolment as well as the low importance of company-based training in Japanese upper-secondary education (see discussion below and in Chapter 4). The gender gap in labour force participation among Japanese youth has narrowed from 10 to 4% between 2000 and 2015, but this reflects primarily lower participation of young men.
- Prime-age and older workers (aged 30 to 64 years) have above-average labour force participation rates (Figure 1.3, middle panels). This is the result of consistently strong labour force participation among men, who achieved a participation rate of 93% in 2015, the third-highest rate across the OECD. Participation of women is much lower at 70%. The steady increase in female labour force participation achieved over the last 15 years merely matches the rise observed in the OECD on average – and at this rate, it would take another 40 years to close the gender participation gap of 30-to-64 year-olds. And while the participation rate of women in this age group is now higher in Japan than that in the United States, it is still lower than in the OECD on average (72%).

- Seniors in Japan (aged 65 years and over) are more likely to be active than their peers across most OECD countries (Figure 1.3, bottom panels). Participation rates for both senior women and men are nearly twice as high as in the OECD on average, at 15% and 31%, respectively. They have declined since the early 1990s, possibly as a consequence of greater longevity, but this trend appears to have reversed over the last few years.

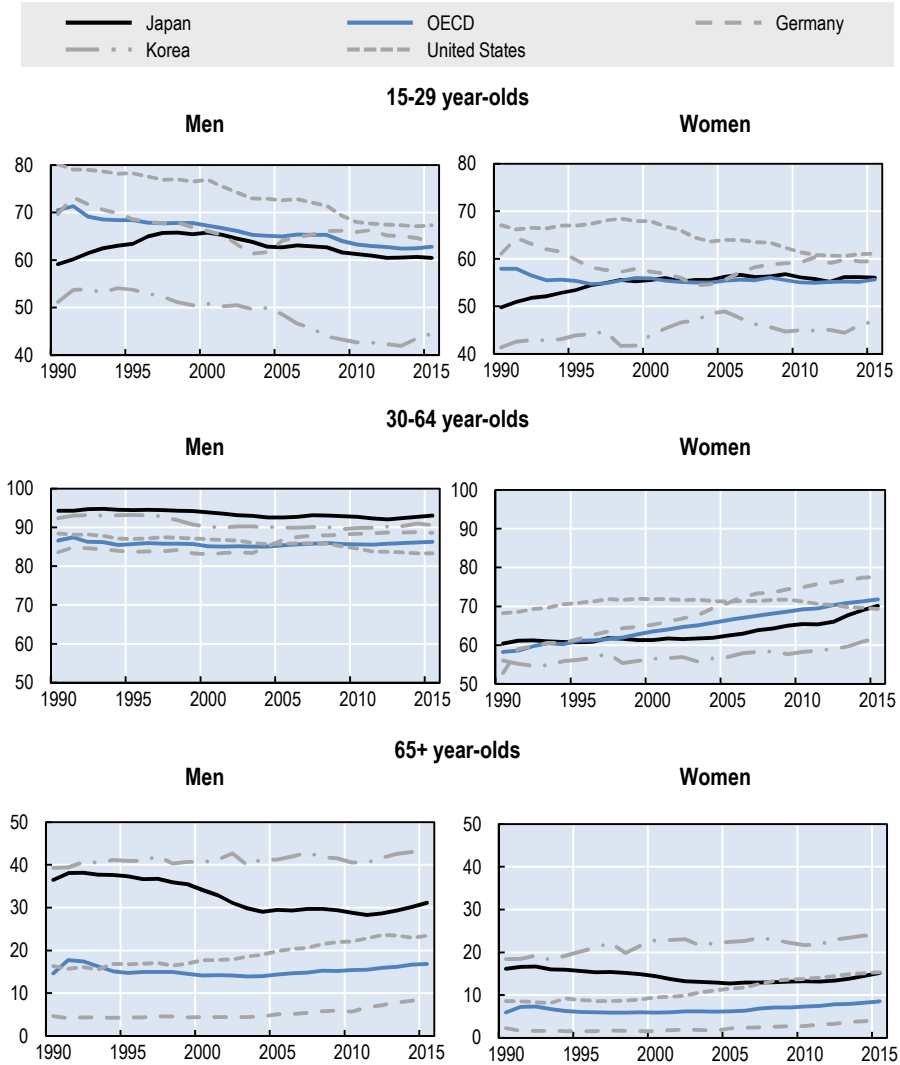
The scope for expanding labour force participation in Japan is largest for working-age women and young people:

- Many inactive prime-age women are highly educated, and making better use of this talent pool will be essential for Japan to exploit its growth potential (OECD, 2014).¹¹ Greater access to childcare for under-3 year-olds and changes to the tax-benefit system to increase work incentives for second earners could make it easier and more attractive for women to enter the labour market (OECD, 2015b; OECD, 2015c).¹²
- Young people's labour force participation can be boosted by expanding options for combining studies and work – notably through dual-style vocational education and training (VET) programmes (see Chapter 4).

Japan recently announced steps aimed at raising labour force participation and boosting workforce productivity, including by strengthening vocational training for groups with weak labour market attachment such as women, young people, the elderly and people with disabilities (see Chapters 4 and 5).¹³ The government also decided to raise the tax exemption for secondary earners in 2018 and to limit it to partners of main earners with an income below a certain maximum threshold (OECD, 2017).

Figure 1.3. Labour force participation is relatively low for women and young people and young people

Percentage of the population that is active in the labour market, by age group, 1990-2015



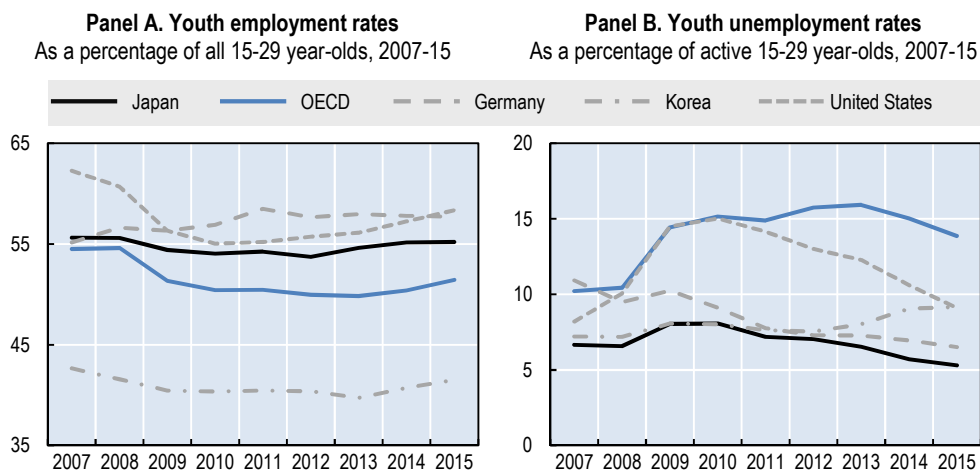
Note: Results exclude the prefectures Iwate, Miyagi, and Fukushima for 2011.

Source: OECD (2016), "LFS – Sex and Age", http://stats.oecd.org/Index.aspx?DataSetCode=LFS_D.

Employment

The Great Recession caused sweeping job losses for young people across the OECD (OECD, 2016d), but it only had a comparatively mild effect on youth labour market outcomes in Japan. The employment rate of 15-29 year-olds declined by a modest two percentage points between 2007 and 2012, and it had returned to its pre-crisis level in 2014 (Figure 1.4, Panel A). At 55% in 2015, it exceeded the average youth employment rate in the OECD (51%), but was lower than the rates in Germany or the United States. The youth unemployment rate – the number of jobseekers as a share of all young people *who are active in the labour market* – rose by just over one percentage point during the crisis, but has since dropped below its pre-crisis level (5.3% in 2015 – Figure 1.4, Panel B).

Figure 1.4. The Great Recession affected youth employment comparatively mildly



Note: Results exclude the prefectures Iwate, Miyagi, and Fukushima for 2011.

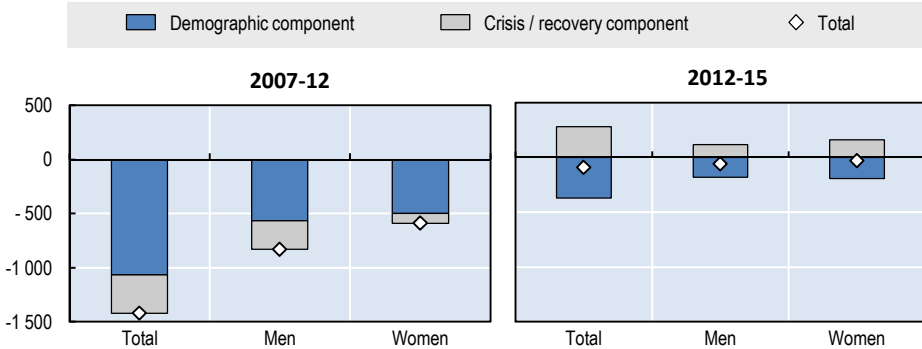
Source: OECD (2016), “LFS – Sex and Age”, http://stats.oecd.org/Index.aspx?DataSetCode=LFS_D.

In spite of these stable youth employment rates, the *number of young people in work* in Japan has substantially fallen since the start of the crisis as a consequence of population decline. Nearly 1.4 million fewer young people were employed in 2012 than in 2007 – the shrunken youth population accounted for about three quarters of this drop, only the remaining one quarter reflected the economic crisis (Figure 1.5, left panel). And youth employment has not bounced back since: while the recovery created about 280 000 additional jobs for young people in 2012, about 370 000 disappeared as a result of population decline over the same time (Figure 1.5,

right panel). The number of employed youth was hence lower still in 2015 than at the start of the recovery in 2012 – by about 90 000.

Figure 1.5. Fewer young people work today than in 2007, mostly because of population decline

Change in the number of employed youth, in thousands, 15-29 year-olds, 2007-15



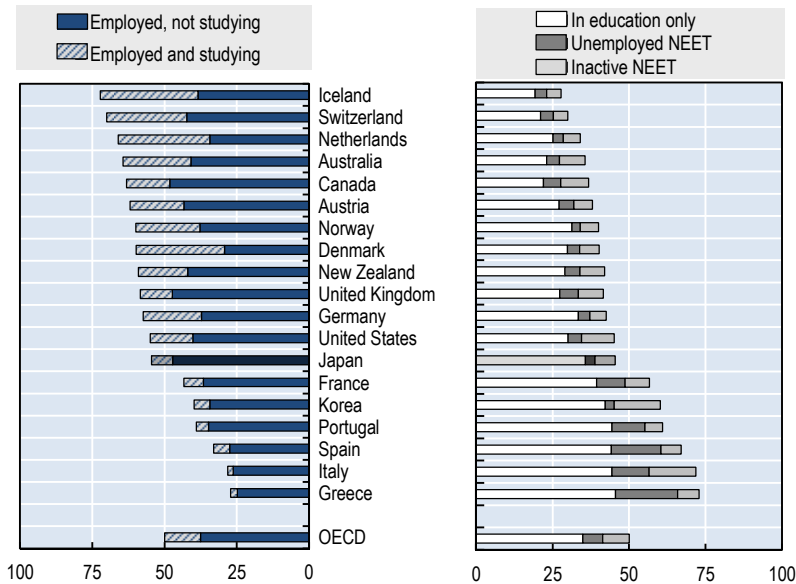
Note: The demographic component of the change in youth employment has been estimated by applying the percentage change in the youth population over the period to the number of employed youth at the start of the period. The crisis / recovery component is the difference between the observed change in youth employment that cannot be accounted for by the demographic component.

Source: OECD calculations based on tabulations from the Japanese Labour Force Survey produced by Statistics Japan (<http://www.stat.go.jp/data/roudou/longtime/zuhyou/lt03-01.xls>, <http://www.stat.go.jp/data/roudou/longtime/zuhyou/lt03-03.xls>).

The comparatively low employment rates – and hence labour force participation rates – in Japan result from the fact that few young people combine studies and work. The share of young people in education *and* employment was 7% in Japan in 2014, compared to 12% in the OECD on average (Figure 1.6). It is around or above 20% in countries with dual-type apprenticeship systems like Austria, Germany and Switzerland. This reflects the fact that vocational training in Japan is typically company-based without much formal classroom learning. Countries with dual-style VET systems that combine classroom learning with a strong company-based training component, such as Germany, achieve much higher employment rates.

Figure 1.6. Only very few young people in Japan combine education and work

Labour market and educational status of young people as a percentage of all 15-29 year-olds, 2014



Note: NEET refers to young people not in employment, education or training. Countries are sorted by the employment rate in descending order. Data are for 2013 for Korea.

Source: OECD calculations based on the Japanese Labour Force Survey, the EU-LFS, national labour force surveys and OECD (2016), “Transition from School to Work”, http://stats.oecd.org/Index.aspx?DataSetCode=EAG_TRANS (for Australia, Germany, Korea and New Zealand).

Job quality and non-standard employment

An increasing share of the Japanese workforce, and especially young people, work as “non-regular” employees – this includes part-time work, temporary work and worker dispatch (sub-contracted work for a temporary labour agency). Non-regular workers enjoy less job security, receive significantly lower pay (see next subsection) and are less well covered by social protection. They also have fewer opportunities for firm-provided training and promotions as within-firm career paths tend to be restricted to regular employees (Sano, 2012, and Chapter 4). As a consequence, the Japanese labour market, especially for recent graduates and young people, is characterised by a pronounced duality, with standard employment offering high earnings, the prospect of promotions, raises and job security, while

non-standard employment affords little perspective of training and advancement.

This section discusses the evolution and incidence of non-regular employment among young people in Japan, and the characteristics of young non-regular employees.

Evolution and incidence

Since the Second World War, the Japanese labour market has been organised around the ideal of entering full-time employment on a permanent contract upon graduation from upper-secondary school or university, and remaining with the same employer for an extended period of time, preferably until retirement. This model was embedded in a variety of labour market practices, including a formal procedure of placement of new upper-secondary graduates by schools (see Chapter 4), firm-based vocational training, and seniority-based wages, and supported by employment protection legislation (Kosugi, 2008; OECD, 2009). In this context, large companies offering big internal labour markets and more opportunities for promotion have been considered to be the most attractive employers, given the relatively low turnover in the Japanese labour market.

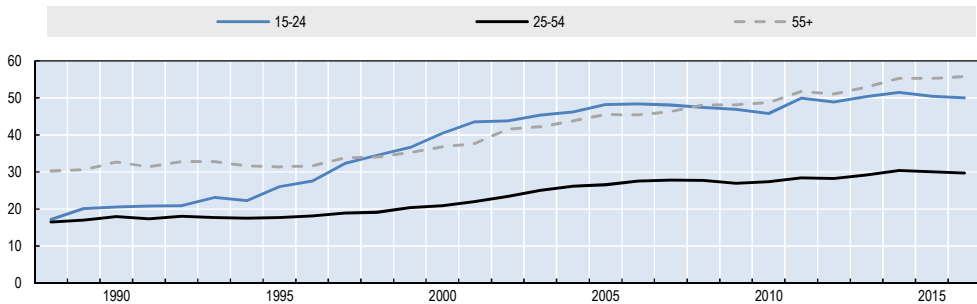
This clear pathway began to disintegrate with the recession of the 1990s, when firms became increasingly reluctant to offer recent graduates permanent contracts, and began to rely more and more on non-standard employment such as temporary contracts or part-time work. The share of recent upper-secondary graduates who were placed with a company by their schools decreased from close to 100% in the early 1990s to below 90% at the beginning of this century (Figure 4.13; Kosugi, 2008). As a consequence, casual, temporary work, or *Arbeit* – formerly associated with students gaining a small additional income – became more and more prevalent among young people who had finished their education, the so-called *furiitaa* (“freeters”).¹⁴ The share of employed young people aged 15-24 on non-regular contracts more than doubled throughout the 1990s and early 2000s, levelling out at 50% of all young workers around 2010. While this is still below the OECD average of around 57% (*not shown*),¹⁵ non-regular work tends to be a more long-term status for young people in Japan than in comparable OECD countries (see below). Non-regular employment increased much more modestly for prime-age persons (aged 25-54) and those aged 55+ (Figure 1.7).

Cost savings are the main reason why companies hire non-regular employees (and especially part-time workers), followed by the need to adjust to a fluctuating workload. In a business survey carried out by the Japan Institute for Labour Policy and Training (JILPT) in 2010, only about one third of responding firms stated that they use non-standard employment to access

specialised skill and expertise; and only 33% of all firms hiring part-time workers reported responding to the employee’s desire to work part-time (Asao, 2011).

Figure 1.7. Non-regular employment has risen especially for young people

Non-regular employees as a percentage of all employees, by age group, 1988-2016



Note: Data refer to February until 2001, and to the first quarter since 2002.

Source: Ministry of Internal Affairs and Communications, Special Survey of the Labour Force Survey from 1984 to 2001; and Labour Force Survey, detailed tabulations, 2002-2016; Labour Force Survey – Detailed Tabulation – Historical data – Table No. 9 (database), http://e-stat.go.jp//SG1//estat//GL38020103.do%3f_toGL38020103_&tclassID=000001007607&cycleCode=0&requestSender=estat.

Characteristics of non-regular employees

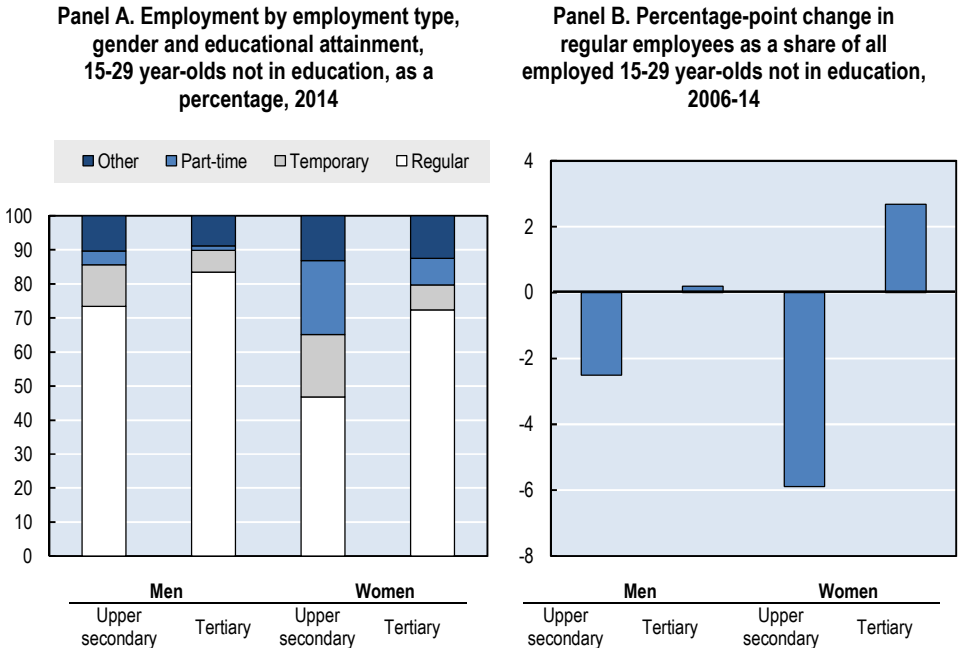
The continuous rise of non-regular employment among young people is linked to rising educational enrolment. While non-regular work is becoming more prevalent among young people who have completed their education, a significant share – one third in 2014 – of all non-regular workers are still students; and almost all working students are non-regular employees.¹⁶ In fact, the increase in the share of non-regular employment among young people between 2006 and 2014 was entirely driven by rising educational enrolment, and rising employment among students.¹⁷

Among young people who have left education, women and those without tertiary education are most likely to work on non-regular contracts. Only 47% of employed women with no more than an upper-secondary degree are regular employees, compared to 83% of young male employees with a university degree. Women with tertiary education are equally likely to be regular employees as men with no more than upper-secondary education (Figure 1.8, Panel A).

However, female part-time work is not the main driver of non-regular work among young people. Only 8% of university-educated female

employees and only 22% of those without a university degree are part-time workers. Women are almost equally likely to work in temporary contracts and “other” forms of employment, including as dispatched workers, contract- and entrusted employees (Figure 1.8, Panel B).

Figure 1.8. Women without tertiary degree are most likely to be in non-standard employment



Note: “Other” comprises dispatched workers, contract employees, entrusted employees, and other employees.

Source: OECD calculations based on tabulations from the Japanese Labour Force Survey.

The rise in non-regular employment over the last decade has been most pronounced for young women with at-most upper secondary education – between 2006 and 2014, the share of regular employment in this group fell by six percentage points, while it increased for university-educated women (Figure 1.8, right panel). Male employment patterns developed in the same direction, albeit less pronouncedly. As a result, the gender gap in employment quality, measured as the share of young men and women who secure regular employment, has been narrowing among university graduates, but widening among those with at most upper-secondary education.

Non-regular employment is often involuntary. According to results from a JILPT survey (Asao, 2011), the main reported reasons for temporary work among those who have left education are the inability to find regular employment and the hope to be able transfer to regular employment within the same firm after a fixed-term period. Temporary workers account for over 10% of all employed young people who have left education. Part-time work is more often voluntary, with a significant share of part-timers choosing this type of employment for lifestyle reasons or caring responsibilities.

Neither does non-regular employment seem to serve as a stepping-stone towards regular employment. Only one fifth of all firms employing non-regular workers stated in the JILPT survey that they saw temporary contracts as a way to vet potential regular employees (Asao, 2011). For a sample of non-standard workers in 2004, Shikata (2012) showed that only 11% transitioned into regular employment within three years, while 72% continued in non-standard employment and 18% stopped working. In contrast, 60% of German and 45% of French non-regular employees took up regular employment within the same time frame. While workers under the age of 30 were more likely to transition into regular employment than older workers, the transition probability was significantly lower for young women than for young men.¹⁸ The development of contract types by age also points in this direction: 15-19 year-olds are only slightly more likely to be non-regular employees than 25-29 year-olds.¹⁹

Earnings

Real hourly wages have stagnated or even declined for many workers in Japan over the past 15 years (Figure 1.9). The weak development of wages in Japan is linked to persistent low labour productivity (OECD, 2015b). As women's wages were more stable than men's, the gender wage gap fell over this time period (from 31% to 26% between 2004 and 2014, OECD 2016c), though it remains the third-highest across OECD countries.

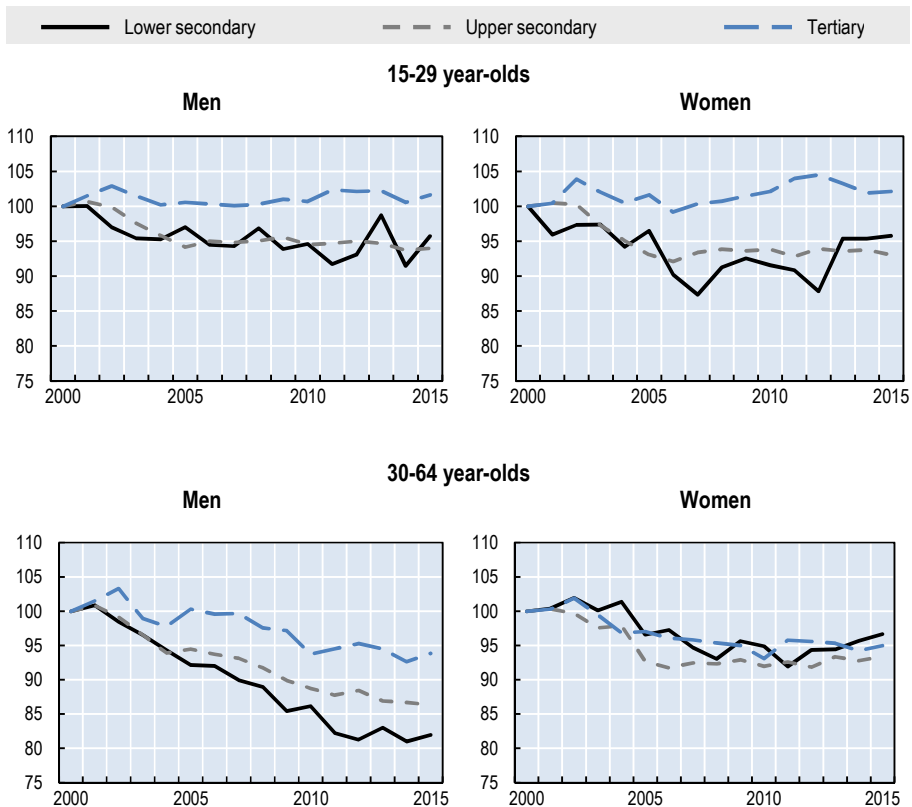
Those without tertiary education suffered the largest wage losses, in line with an international trend of increasing skill premiums. These losses were particularly high among men aged 30-64 and among young women without upper-secondary education who find it increasingly difficult to secure a well-paying, permanent contract. Only young people with a university degree saw their real wages grow somewhat compared to 2000.

Differences in wages and earnings between young workers and those in their prime-earning years are bigger in Japan than in other countries, particularly for men. This reflects the importance of pay rises based on seniority with the firm. Full-time working Japanese men in their early fifties earn 57% more than their early-thirties counterparts, compared to 42% in

Korea and 36% in the United States. Their earnings also peak later (Figure 1.10, left panel). The picture is less pronounced for women, in line with the fact that they are less likely to be regular employees on a within-firm career path. The age-earnings profile of women has been approximating that of men in recent years, however. Women now also see their earnings increase into their forties, albeit to a smaller degree than men (see Figure 1.A2.1 in the annex).

Figure 1.9. Real earnings have declined except for young people with tertiary education

Development of average real (hourly) earnings of full-time employees, by sex, age and educational attainment, 1999=100, 2000-15



Note: Tertiary includes post-secondary (professional school, junior college). Gross hourly earnings calculated as contracted monthly earnings including one twelfth of annual special earnings, divided by monthly hours worked including overtime. Only firms with more than ten employees are sampled.

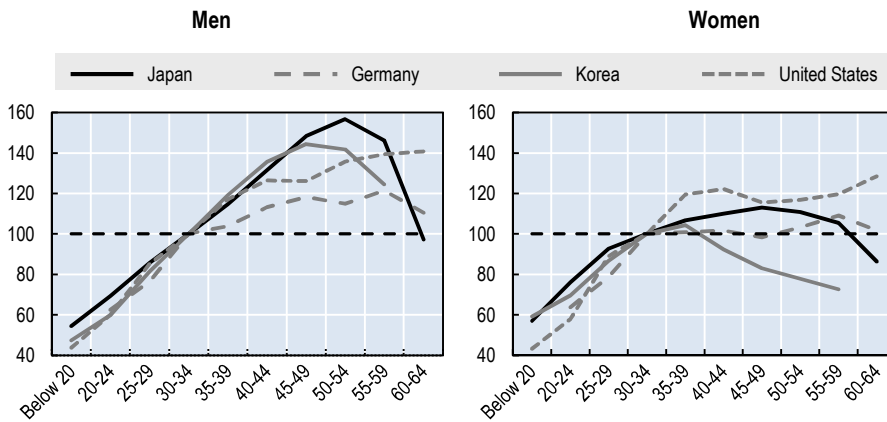
Source: Basic Survey of Wage Structure.

Non-regular employees receive significantly lower baseline pay than regular employees, and this gap widens with age. In their early twenties, non-regular full-time workers make 15-20% less than their peers on permanent contracts with the same level of education. Over the course of their careers, non-regular employees do not benefit from seniority pay, and therefore experience much more moderate earnings gains over their prime earning years (see Figures 1.A2.2 and 1.A2.3 in the annex).²⁰ Men on non-regular contracts earn only 16% more in their late fifties than in their early thirties (Figure 1.A2.2). The earnings of working women on non-regular contracts dwindle from their early thirties to retirement age.²¹ The earnings penalty is more severe for better-qualified employees who have steeper age-wage profiles (Figure 1.A2.3).

Households headed by a regular worker consequently enjoy substantially higher incomes than those headed by a non-regular worker (OECD, 2015b).

Figure 1.10. Earnings strongly depend on seniority in Japan, especially for men

Relative earnings of full-time employees by age group, 30-34=100, 2013

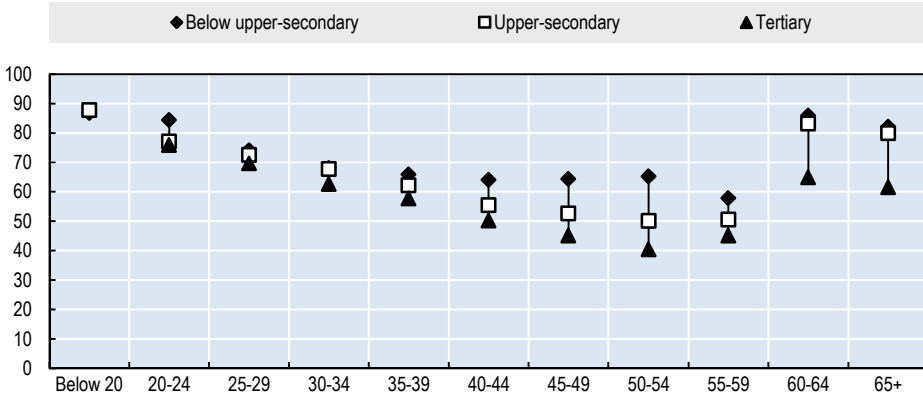


Note: Japan: Gross hourly earnings calculated as contracted monthly earnings including one twelfth of annual special earnings, divided by monthly hours worked including overtime. Only firms with more than ten employees are sampled. Germany: Gross monthly earnings. Korea: Gross monthly earnings including one twelfth of annual special payments. Only firms with more than four regular employees are sampled, agriculture, forestry, fishing, and the public sector are excluded. United States: Gross usual weekly earnings.

Source: Japan: Basic Survey of Wage Structure, Germany: German Socio-Economic Panel, Korea: Wage Structure Survey, United States: Current Population Survey.

Figure 1.11. Non-regular employees suffer a substantial earnings penalty

Gross hourly earnings of non-regular full-time employees as a percentage of earnings of regular full-time employees, by educational attainment and age group, 2015



Note: Tertiary includes professional school and junior college. Gross hourly earnings calculated as contracted monthly earnings including one twelfth of annual special earnings, divided by monthly hours worked including overtime. Only firms with more than ten employees are sampled.

Source: Basic Survey of Wage Structure.

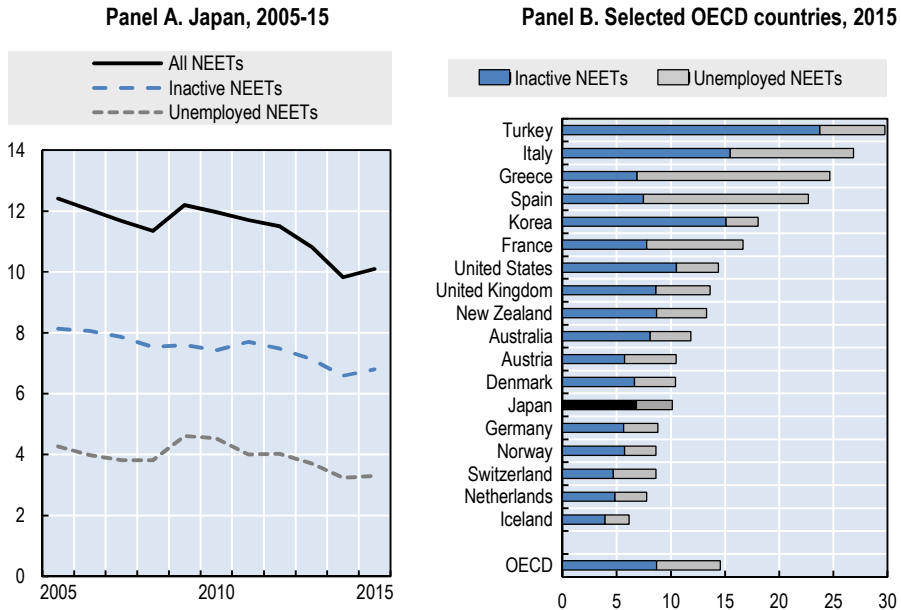
3. The NEET challenge

With unemployment rates being the most widely-used measure of the labour market situation of young people, there is a genuine risk of overlooking those young people who are not studying or working but also not looking for work. Indeed, youth unemployment rates give the number of jobseekers as a share of the *active youth population* not capturing those who are not actively seeking to find a job (see Box 1.1). A more complete measure of the labour market situation of young people is the share of young people who are Not in Employment, Education or Training – the NEET rate.²²

The Japanese NEET rate has been declining over the last decade and is relatively low by international standards. In 2015, 10.1% of 15-29 year-olds in Japan – 1.7 million young people – were not in employment, education or training, down from 12.4% in 2005 (Figure 1.12, Panel A). The rate is much lower than the 15%-share observed in the OECD on average, but still higher than the NEET rates in the best-performing countries in Northern or Western Europe, including Iceland (6%), the Netherlands (8%), or Germany, Norway and Switzerland (all 9%, Figure 1.12, Panel B).

Figure 1.12. A declining share of Japanese youth are NEET, but two-thirds of NEETs do not look for work

Inactive and unemployed NEETs as a percentage of all 15-29 year-olds



Note: Data for Korea are for 2013. Countries in Panel B are sorted by the NEET rate in descending order.

Source: OECD (2016), *OECD Employment Outlook 2016* and OECD calculations based on the Japanese Labour Force Survey.

A breakdown of NEET rates into those *who do* and those *who do not* actively seek employment illustrates the importance of looking beyond unemployment rates when discussing the labour market situation of young people. *Inactive* NEETs, i.e. those who do not actively look for work, accounted for two-thirds of Japanese NEETs, or 6.8% of all young people, with only one-third, or 3.3%, being *unemployed*. The decline in NEET rates since 2005 has moreover been weaker for *inactive* than for *unemployed* NEETs. Earlier analyses illustrate more generally that the *inactive* NEET rate is rather stable and insensitive to business cycle fluctuations, while the *unemployed* NEET rate strongly rose in many countries during the Great Recession and declined again in the subsequent recovery (Carcillo et al, 2015).

Box 1.1. Measuring youth unemployment

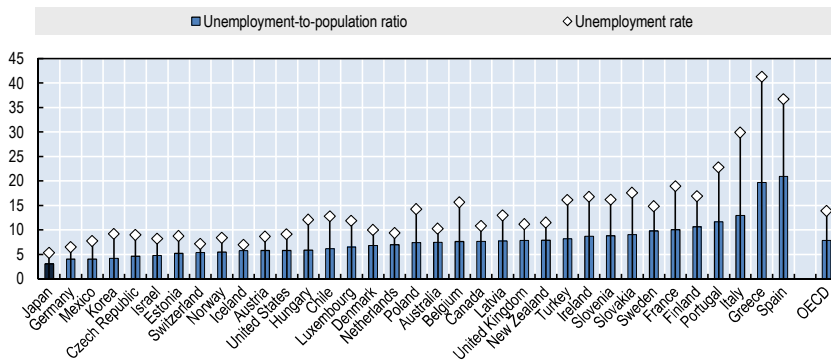
The *unemployment rate* – calculated as the share of active jobseekers among all those participating in the labour market (i.e. unemployed or in work) – is one of the most-widely used labour market indicators. It can be misleading, however, when applied to young people, because many are not active in the labour market being either students or *inactive* NEETs.

Participation rates of young people in the labour market differ widely across countries – ranging from 43% in Italy to 83% in Iceland. Such variations result not only from different national economic climates, but reflect the architecture of countries’ education systems. In particular, labour market attachment of young people tends to be higher in countries with apprenticeship systems – vocational upper-secondary pathways that combine on-the-job training and classroom instruction. The youth unemployment rate will, however, be lower in countries with higher labour force participation if the share of young people who are unemployed is similar.

A more intuitive measure of youth unemployment – and one that is easier to compare across countries – is the *unemployment-to-population ratio* (or *unemployment ratio*) – the number of unemployed as a share of the *entire youth population*.¹ It is, by definition, lower than the youth unemployment rate. At youth participation rates of around 50%, as in Greece and Spain, the *unemployment ratio* will be only about half as high as the corresponding *unemployment rate* (Figure 1.13). In Japan, where the labour force participation rate was 58% in 2015, unemployment ratio and rate stood at 3.1% and 5.3%, respectively.

Figure 1.13. Unemployment rates are always higher than unemployment-to-population ratios

Unemployment rates and unemployment-to-population ratios as percentages, 15-29 year-olds, 2015



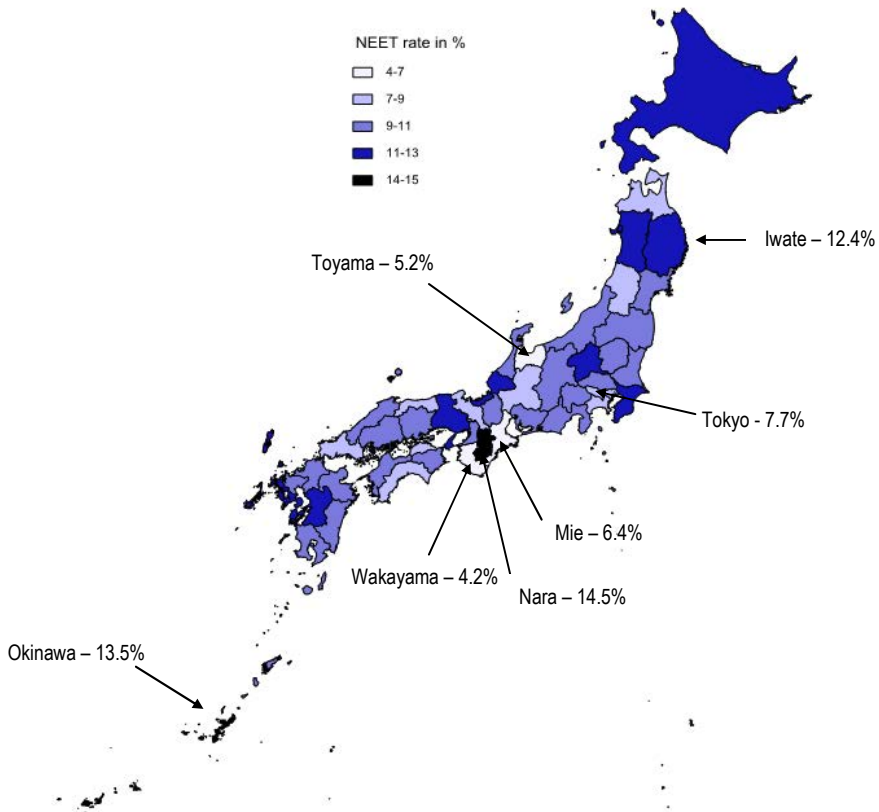
Note: The unemployment ratio is calculated as the number of young people as a share of all young people. The unemployment rate gives the number of young people as a share of all active youth, i.e. those either employed or looking for work.

Source: OECD (2016), *Society at a Glance*, based on data from OECD (2016), “LFS – Sex and Age”, http://stats.oecd.org/Index.aspx?DataSetCode=LFS_D.

1. The unemployment ratio is nearly identical to the rate of unemployed NEETs, the exception being that the former includes young unemployed who are in education or training.

Figure 1.14. NEET rates vary across prefectures

NEETs as a percentage of 15-29 year-olds, by prefecture, 2014



Note: Tokyo Metropolis and the three prefectures with the lowest and highest NEET rates are indicated.

Source: OECD calculations based on the Japanese Labour Force Survey.

NEET rates vary substantially across Japanese Prefectures. In the Tokyo Metropolis, the NEET rate was significantly below the national average at 7.7% in 2014 (Figure 1.14). Much lower rates still were for instance observed in the comparatively rural Wakayama Prefecture (4.2%) and more industrial Mie Prefecture (6.4%), both in the southern-central Kansai region, while the neighbouring Nara Prefecture had the highest NEET rate of 14.5%. This variation reflects geographic disparities in labour market opportunities for young people, but possibly also differences in the educational options or support available for at-risk young people.

Round-up

Japan faces the challenge of a rapidly shrinking and ageing population. Decades of low fertility, increasing longevity and a lack of immigration have been the main causes for this ageing process. The demographic transition is a drag on economic growth. As Japan's working-age population declines, aggregate income and per-capita living standards fail to keep pace with the rise in productivity – a trend that is going to accelerate over the next decades. To secure rising economic prosperity, it is vital that Japan pursue policies that promote labour force participation and increase the productivity of its workforce, including for young people.

Young people in Japan have been affected much less by the Great Recession than their peers in other OECD countries. Still, the number of young people in work has dropped by about 1.5 million since 2007, with nearly this entire decline reflecting the shrinking youth population. Japan's youth employment rate of 55% among 15-29 year-olds in 2015 was much below the rates of the best-performing countries in Northern and Western Europe. Unlike in these countries, school-based vocational education programmes in Japan typically have only a minor company-based training component such that few young people in Japan combine education and work.

An increasing share of young workers in Japan work on non-regular contracts – 43% of all employed 15-29 year-olds out of education in 2014. Non-regular workers enjoy less job security, receive significantly lower pay and are not as well covered by social protection.

Real hourly wages for many workers in Japan have stagnated and even declined over the past 15 years, a development linked to persistent low labour productivity. Differences in earnings between young workers and those in their prime-earning years are bigger than in other countries, because the Japanese pay system traditionally strongly remunerates employees' seniority within the firm. Non-regular workers receive significantly lower pay than regular workers: in their early twenties, they make 15-20% less than peers on permanent contracts and this difference increases with age, as non-regular employers do not benefit from seniority pay in the same way.

The fraction of 15-29 year-olds who are Not in Employment, Education or Training (the "NEET rate") in Japan has been declining over the past decade in spite of a short increase during the Great Recession. At 10%, it was below the OECD average in 2015, but still higher than in the best-performing countries in Northern and Western Europe. More than two thirds of the 1.7 million NEETs in Japan were *inactive*, i.e. not actively seeking employment.

Notes

1. Unless noted otherwise, young people are defined throughout this review as individuals aged 15/16 to 29 years.
2. The Tokyo Metropolis, or Tokyo Prefecture, had 13.5 million inhabitants in 2016 (Tokyo Metropolitan Government, 2016).
3. Total fertility rates are even lower for instance in Greece, Korea, Poland and Portugal (all 1.2 to 1.3). They are highest in Israel (3.0), Mexico (2.2) and Turkey (2.1). The OECD average was 1.7 in 2013.
4. In the late 1940s, total fertility rates in Japan were above four children per woman (Hashimoto, 1974).
5. Life expectancy at birth in Japan was the highest across OECD countries at 83.7 years in 2014 – nearly five months longer than in second-placed countries Spain and Switzerland.
6. The net migration rate reached five persons per 1 000 in Germany – a country with comparably low fertility rates – and 10 per 1 000 in traditional migration countries such as Australia or New Zealand.
7. In other words, the Japanese economy would have grown by another 15% since 1990 if the size of the working-age population had remained constant, all other things being equal.
8. The reverse process – in which a growing working-age population brings aggregate income gains at given productivity levels – is often referred to as yielding a “demographic dividend”.
9. Maestas et al. (2016) find that the reduction in labour supply is concentrated among older age groups. They interpret productivity losses for younger workers as an indication that the productivity of senior workers affects the productivity of younger workers, or that positive spillovers from older to younger workers are lost as older workers leave the labour force.
10. There are also contrasting findings, however: a recent study found a *positive* relation between ageing and GDP growth per capita across countries between 1990 and 2015. The authors suggest that the shortage of young and middle-age workers in rapidly ageing countries may trigger

a faster adoption of new automation technologies, which neutralises or even reverses the negative effects of a labour scarcity (Acemoglu and Restrepo, 2017).

11. Results from the Survey of Adult Skills show that 18% of tertiary-educated adults with a high or very high level in literacy proficiency are inactive, the highest share across all countries participating in the survey; 32% of women with tertiary education and high or very high literacy skills are inactive.
12. Municipal governments are required to provide childcare for children whose parents are working, ill or caring for a family member. Waiting lists in many places are long, however.
13. These measures are outlined in the MHLW's 10th Basic Plan for Human Resource Development for the period 2016-2020.
14. The Japanese word "*furiitaa*" is the short for "*furii arubaitaa*", "*furii*" meaning "free" and "*arubaitaa*" deriving from the German "*Arbeit*" ("work"). "*Arubaito*" acquired the meaning of casual work in Japanese, and is often used to refer to fixed-term or seasonal work (Kosugi, 2008).
15. OECD calculations based on national labour force surveys. The OECD average excludes Australia, Germany, Israel, Korea, Mexico and the United States.
16. 97% of working students in 2014 were temporary employees.
17. Long-term data on employment type and educational enrolment are not available.
18. 36% of men under the age of 30 transitioned into regular employment within a year, mostly within the same firm. For women under 30, this share was only 27%, and many had to switch firms.
19. Both men and women are somewhat more likely to be regular employees in their late twenties than in their late teens, however: 80% of men aged 25-29, and 61% of women in the same age group, compared to 75% of men and vs. 55% of women aged 15-19.
20. The uptick in the hourly earnings of full-time non-regular employees between 60 and 64 in Figure 1.11 is likely due to the common practice of re-hiring retired employees on a contractual basis. This drives up the number of non-regular employees in this age group, and likely their average wages through a composition effect.
21. The growing earnings differential between regular and non-regular employees may also reflect compositional effects as non-regular workers

in their thirties may have other occupations and work in different sectors than those in their fifties.

22. This review defines NEETs as all young people who are neither employed nor in *formal* education or training, though some of them may participate in *informal* education. Some earlier research in Japan used a narrower definition, excluding for instance inactives engaged in housework.

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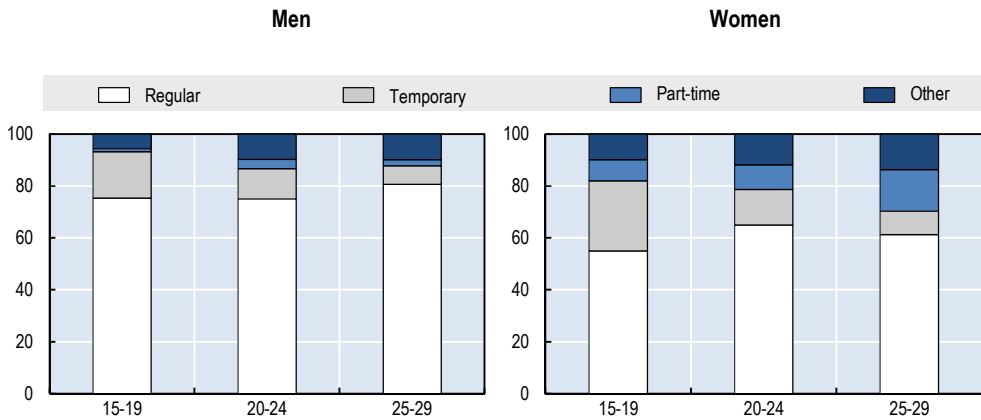
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Annex 1.A1

Job quality – additional statistics

Figure 1.A1.1. Non-regular employment not necessarily a transient phenomenon

Employment by type and age, workers aged 15-29 not in education, as a percentage, 2014



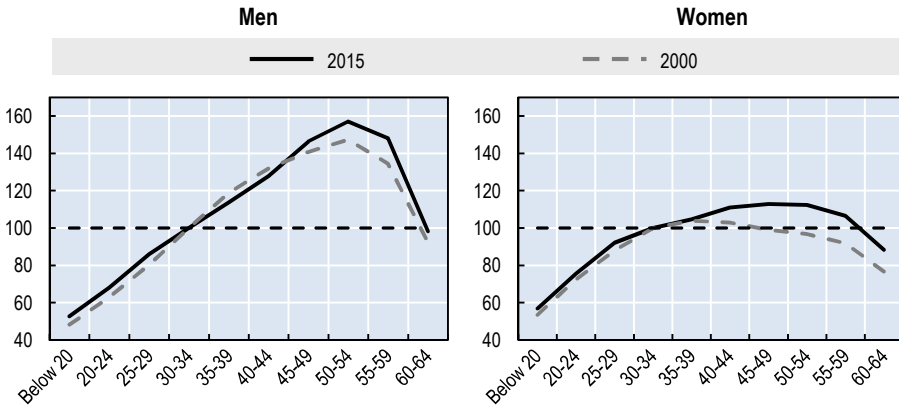
Source: OECD calculations based on tabulations from the Japanese Labour Force Survey.

Annex 1.A2

Wages and earnings – additional statistics

Figure 1.A2.1. Seniority pay is gaining significance for women

Real hourly wages by sex and age group, 30-34=100, 2000 and 2015 (full-time workers)

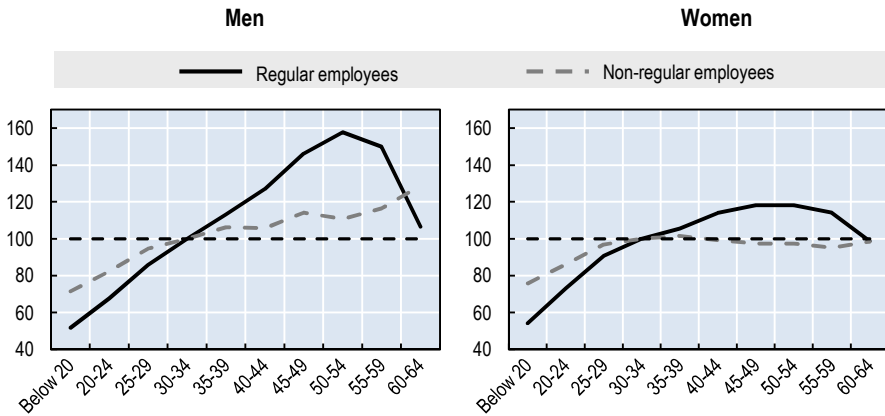


Note: Hourly earnings calculated as contracted earnings including one twelfth of annual special earnings, divided by hours worked including overtime. Only firms with more than ten employees are sampled.

Source: Basic Survey of Wage Structure.

Figure 1.A2.2. Seniority pay is mainly relevant for regular employees

Real hourly wages by sex and age group, 30-34=100, 2015 (full-time workers)

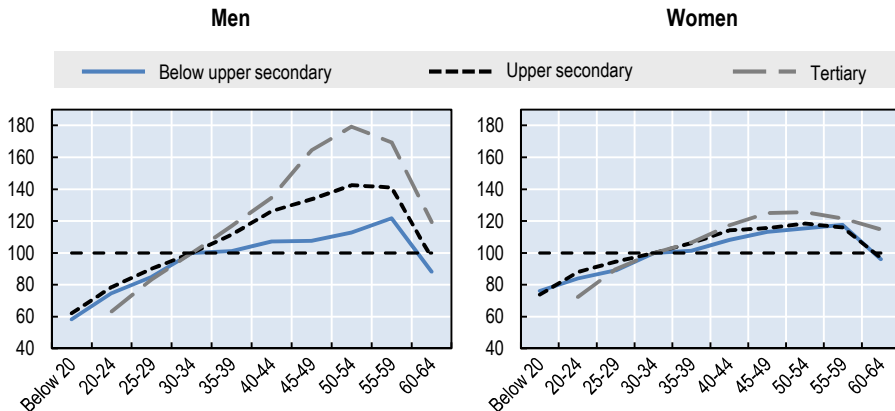


Note: Hourly earnings calculated as contracted earnings including one twelfth of annual special earnings, divided by hours worked including overtime. Only firms with more than ten employees are sampled.

Source: Basic Survey of Wage Structure.

Figure 1.A2.3. Age-wage profiles are steeper for university graduates

Real hourly wages by sex and age group, 30-34=100, 2015 (full-time workers)



Note: Hourly earnings calculated as contracted earnings including one twelfth of annual special earnings, divided by hours worked including overtime. Only firms with more than ten employees are sampled.

Source: Basic Survey of Wage Structure.

Chapter 2

Characteristics of young people not in employment, education or training (NEETs) in Japan

This chapter examines the characteristics of young people who are not in employment, education or training (NEETs) in Japan. It describes risk factors of NEET status, presents evidence on how NEETs and other young people spend their time, and characterises the types of households that NEET young people live in. It then presents an analysis of the dynamics of NEET status, looking at the incidence and duration of NEET spells among young people.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Introduction

Japan was hit much less heavily by the Great Recession than most other OECD economies, and the share of young people not in employment, education or training (NEET) has been trending downward over the last decade. Still, 1.7 million young people between the age of 15 and 29 years were out of education or work in 2015 – 10.1% of all young people in Japan. Over two-thirds of these NEETs are *inactive*, i.e. they do not actively look for work.

This chapter presents a profile of Japanese NEETs. It identifies the principal risk factors for becoming NEET (Section 1), before examining the persistence of NEET status over time and characterising young people who are at-risk of remaining NEET for long periods (Section 2).

1. Who are those not in employment, education or training (NEET)?

NEETs are a diverse group facing various hurdles to participation in education or employment. Measures and programmes therefore have to be adapted to the individual if they are to be effective. Some young people are closer to the labour market and require only minimal assistance; others, such as those who lack basic skills or have a disability, need more intensive support.

This section seeks to provide a detailed portrait of young people out of employment, education or training Japan. It looks at the relationship between personal characteristics such as educational attainment and gender and the risk of being NEET, explores how young NEETs spend their time, and examines the living arrangements of NEET and non-NEET youth.

NEET status and gender

Women generally face a greater risk of being NEET than men, and the gender gap in NEET rates is larger in Japan than in most OECD countries. In Japan, 12% of all young women and 7% of young men were NEET in 2014. Thus, women were 70% more likely to be NEET than men, compared to only 40% in the OECD on average (Figure 2.1, Panel A). Women made up over 60% of Japanese NEETs in 2014.¹

Higher NEET rates among women are driven by women in their late twenties withdrawing from the labour force. While young women are *less likely* to be *unemployed* than young men, they are significantly *more likely* to be *inactive*, particularly between the ages of 25 and 29 years (Panel B). This pattern holds generally across OECD countries, but it is especially pronounced in Japan: among female 25-29 year-olds, the share of inactives

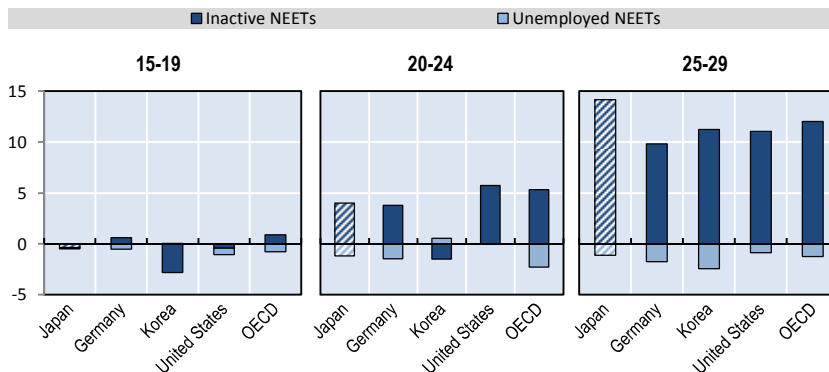
is over 14 percentage points higher than for their male peers, compared to a gap of 12 points across the OECD on average, and around 10 points in countries such as Germany, Korea and the United States.

Figure 2.1. Many women in their late twenties are inactive

Panel A. NEET rates as percentage of 15-29 year-olds, by sex, 2014



Panel B. Gender gap in NEET rates (women – men) in percentage points, by age group, 2014



Note: Countries in Panel A are sorted by the NEET rate in ascending order. Data are for 2014 except for Chile, Germany, Korea and Turkey (all 2013).

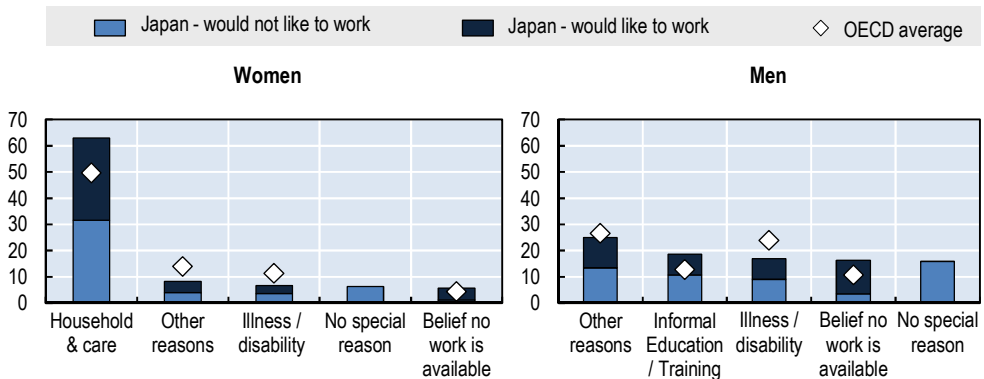
Source: OECD calculations based on tabulations from the Japanese Labour Force Survey, the EU-LFS, national labour force surveys and the *OECD Education Database* (for Australia, Israel, Korea and New Zealand, https://stats.oecd.org/Index.aspx?datasetcode=EAG_TRANS).

The main reason for this high rate of inactivity among young women is that Japanese women still exit from the labour market upon family formation. Nearly 25% of all women who got married between 2002 and

2010 are estimated to have withdrawn from the labour force upon marriage, and a further 30% left after having their first child (Nagase, 2015). The employment rate of mothers with children under the age of two was 48% in 2014 – below the OECD average of 52% and much below rates of 70% or more achieved in the best-performing countries, including Denmark, the Netherlands and Portugal. This is also reflected in the main reported reason for being NEET: over 60% of inactive NEET women in Japan below the age of 35 are not looking for work because of care and domestic responsibilities, compared to approximately 50% across the OECD on average (Figure 2.2). About half of them would like to work. The majority of inactive young men, in contrast, are not looking for work because they are ill or disabled (17%), in informal education such as preparing for a university entrance exam (19%), or for “other reasons” (25%).

Figure 2.2. Caring responsibilities are the main cause of inactivity among women

Main reasons for NEET inactivity among young women and men as percentages, 2014



Note: Data are for 2014 except for Japan (2012), Chile, Germany, Mexico and Turkey (all 2013). Results refer to under-35 year-olds for Japan, and 16-29 year-olds for all other countries. For Japan, “Belief that no work is available” includes the answers “I have no confidence in my knowledge or skills” and “I have no confidence to do a job”, “Caring / family responsibilities” includes “Housework other than caring”.

Source: OECD calculations based on tabulations from the Japanese Employment Status Survey, 2012 (<http://www.e-stat.go.jp/SG1/estat/XlsdlE.do?sinfid=000021291789>) and national labour force surveys. The OECD average excludes Australia, Israel, Korea and New Zealand.

Cross-country differences in female, and especially maternal, employment rates can be driven by institutional reasons, such as the availability of affordable childcare, and cultural reasons, such as the social acceptance of working mothers.

Indeed, childcare enrolment rates are relatively low in Japan: only 25% of all children under the age of two participated in childcare or pre-primary education in 2010, compared to 35% in the OECD on average (Adema et al., 2015). This may in part reflect low availability, with parents often facing long waiting lists for a place in childcare (Imamura, 2015). Also the costs of childcare in Japan are slightly above the OECD average.² Facilitating the employment of mothers is a policy priority in Japan, and the government plans to extend the availability of childcare under the recently announced “Plan to Accelerate the Elimination of Childcare Waiting Lists” (General Bureau for Economic Recovery, 2016).

But Japan still looks sceptically on working mothers. In a 2012 survey, 54% of Japanese respondents stated that mothers should not work until their children reached school age, compared to 28% in the United States, and only 11% in Sweden (OECD, 2017). And while Japan has the second-most-generous paid-leave entitlements for fathers among OECD countries, only about 2% of employed fathers with a new-born child make use of parental leave (OECD, 2016c, 2016d).³

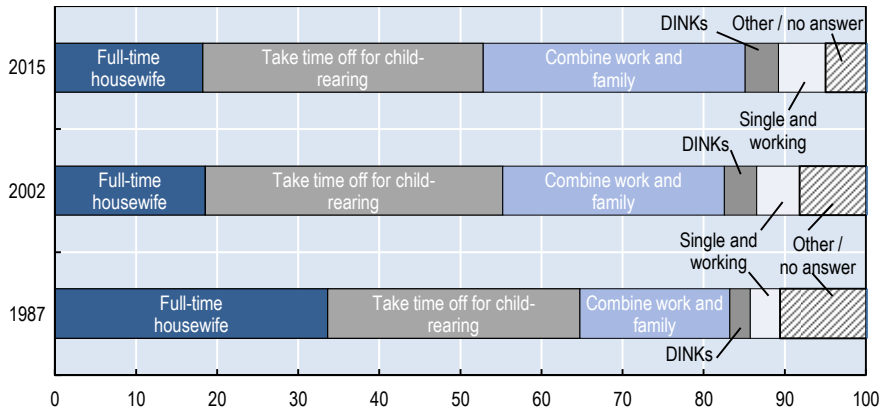
Young women increasingly want to combine work and family, however. In 1987, 34% of unmarried women aged 18-34 still saw becoming full-time homemakers as their ideal life script – this share had fallen to 18% by 2002 (see Figure 2.3, Panel A). This shift mainly reflected an increase in the share of women who considered combining work with marriage and children as ideal. Other life models that gained popularity were to live with a partner but without children (the so-called “Dual-Income-No-Kids” households, or “DINKs”) or to work and remain single. This distribution of ideal life scripts has remained relatively stable since 2002.

Also the type of life courses that young women *expect to take* shifted over the past decade. Fewer women today assume that they will completely withdraw from work (8% in 2015 vs. 14% in 2002), while more anticipate to both work and have a family (from 18 to 28% over the same time period). And while only 6% of young women would like to remain single, one-in-five unmarried women anticipated that they would (Panel B). Over the past decade, paid work thus became more prominent in the futures young women anticipated for themselves.

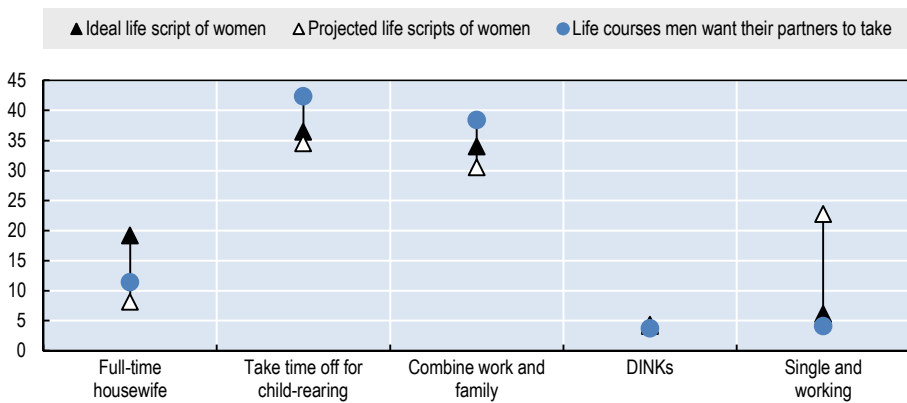
Meanwhile, also men adapted their expectations of women and marriage. While in 1987, 38% of unmarried men below the age of 34 wanted their wife or partner to become a full-time homemaker, only 10% did in 2015. This implies that, today, more young women than men aspire to traditional gender roles.

Figure 2.3. Fewer women want to leave the labour force upon family formation

Panel A. Ideal life scripts of unmarried women, 18-34 years, as a percentage of responding women



Panel B. Women’s ideal and anticipated life courses, life courses men expect from their partners, unmarried men and women, 18-34 years, as a percentage of respondents



Note: DINKs = “Dual-Income-No-Kids”. The shares refer to young people who answered the question; between 13% and 5% of unmarried respondents did not answer, depending on the survey year.

Source: Adapted from Figure I-4, “The fifteenth Japanese National Fertility Survey in 2015 – marriage process and fertility of married couples, attitudes toward marriage and family among Japanese singles, highlights of the survey results on married couples / singles”.

NEET status and educational attainment

Labour markets in OECD economies increasingly demand high-skilled workers while manual and routine jobs gradually disappear as a result of globalisation and technological progress. Young people who do less well at school and fail to acquire relevant practical skills therefore often find it hard

to secure stable employment. In Germany or the United Kingdom, for instance, the NEET rate of early school leavers, i.e. young people who fail to obtain a high school degree, is around 40% (OECD, 2016b).

Low educational attainment does not, however, appear to be one of the main risk factors for being NEET in Japan. Estimates presented in Chapter 4 suggest that early school leaving is less prevalent in Japan than in nearly all other OECD countries – around 6% of 25-34 year-olds quit school without a high school degree. And while comparable data are lacking that would permit studying the labour market situation of early school leavers,⁴ young people with weak numeracy or literacy skills only face a slightly higher risk of being NEET than those with medium or good skills in Japan (see Figure 2.A1.1 in the annex).

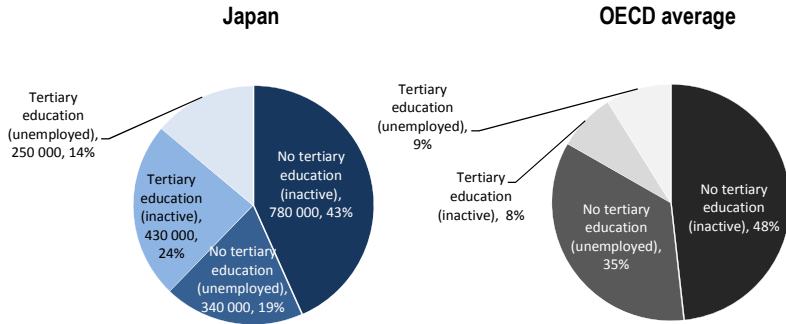
Many NEETs moreover have very good educational qualifications. The share of tertiary educated young people among NEETs is more than twice as high in Japan as in the OECD on average – at 38% in 2014 (Figure 2.4, Panel A). This reflects two factors:

- Educational attainment is high overall, with Japan having one of the greatest shares of tertiary educated young people across the OECD (OECD, 2016a).
- A young person's risk of being NEET moreover depends less strongly on educational attainment in Japan than elsewhere (Panel B). NEET rates are 1.5 times higher for 25-29 year-olds without tertiary education than for tertiary educated young people – in Germany, the United Kingdom or the United States, NEET rates for the two groups differ by a factor of two to three.

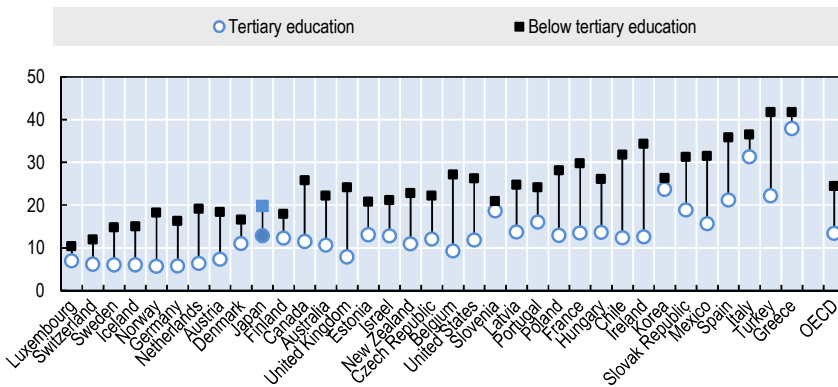
High NEET rates among tertiary graduates should not necessarily be interpreted as an indication that tertiary studies insufficiently prepare young people for the labour market. The large majority of NEETs with tertiary education are not looking for work: nearly two-thirds of them are *inactive*, accounting for one quarter of all NEETs (Panel A).

Figure 2.4. Many NEETs in Japan have tertiary education, and most of them are inactive

Panel A. Breakdown of NEETs (15 to 29 years) by educational attainment and activity status, 2014



Panel B. NEET rates of 25-29 year-olds as percentages by level of educational attainment, 2014



Note: Data are for 2014 except for Australia, Chile, Germany, Israel, Korea, Mexico, New Zealand and Turkey (all 2013). In Panel A, the OECD average does not include Australia, Israel, Korea and Mexico. Countries in Panel B are sorted by the NEET rate in ascending order. In Japan, a Junior College degree is considered as tertiary education.

Source: OECD calculations based on tabulations from the Japanese Labour Force Survey, the EU-LFS and national labour force surveys and the *OECD Education Database* (for Australia, Israel, Korea and Mexico, https://stats.oecd.org/Index.aspx?datasetcode=EAG_TRANS).

Young people living in social withdrawal – the hikikomori phenomenon

A group of NEETs in Japan that deserves special attention are the *hikikomori* – persons living in a state of acute social withdrawal.⁵ The term is used since the mid-1980s to refer to persons of any age who are out of

education and employment and who give up personal relationships with anyone outside of their immediate family for a period of at least six months – but in many cases much longer.

The number of *hikikomori* in Japan is high, but reliable figures are inherently hard to obtain because it is difficult to identify *hikikomori* in administrative data or to reach them through surveys. The Cabinet Office estimated, based on the recent Survey on the Lives of Young People, that around 541 000 15-to-39 year-olds were *hikikomori* in 2015 – 1.6% of all people in this age group.⁶ Young people below the age of 30 accounted for 60% of them (320 000 young people). Another 1.2 million persons below the age of 30 years indicated affinity to social withdrawal reporting for instance a desire to lock themselves up at home in unpleasant situations or having previously considered withdrawing from society (Tajan et al., 2017). Most *hikikomori* remain isolated from society for a long time: about half of all *hikikomori* respondents report that their period of seclusion has been lasting for longer than five years (Tajan et al., 2017), and social withdrawal can last for decades in extreme cases (Chan, 2016).

Hikikomori's profiles or potential risk factors are still largely unknown. Social withdrawal is often understood to primarily affect men – and 63% of respondents who expressed symptoms of social withdrawal in the recent Cabinet Office survey were male. Some researchers have argued, however, that *hikikomori* cases among women may more easily go unnoticed or unreported because withdrawal of women into their homes may be perceived as more natural. For some *hikikomori*, experiences of low-achievement and bullying at school have triggered withdrawal. A prevailing perception is, however, that *hikikomori* often performed above average academically and that they come disproportionately from middle-class households. Practitioners even report cases of *hikikomori* who withdrew from social life after successfully completing their studies at an elite university (Furlong, 2008). Social withdrawal is not limited to young people, moreover: There is a growing concern about *hikikomori* in their forties or fifties who live secluded in their parents' homes.

The debate about the root causes of the phenomenon is ongoing and somewhat inconclusive. Clinical scholars point out that *hikikomori* behaviour could be associated with various existing psychiatric conditions including schizophrenia, neurosis and stress-related disorders. Others see it as a distinct psychiatric disorder that still lacks appropriate diagnosis. Researchers have moreover suggested various socio-cultural factors that may favour social withdrawal in Japan: a rigid school system that leaves little room for non-conformity; structural changes in the school-to-work transition and greater labour market uncertainty coupled with high societal expectations; changes in parenting styles and in particular an over-protection

of the current generation of young adults by their parents; a perceived lack of motivation and desires among the current generation of young adults or a decline in the appreciation of work as a result of greater economic comfort (Chan, 2016).

The implications of the *hikikomori* phenomenon are severe: The Cabinet Office estimates imply that around one quarter of all inactive NEETs are *hikikomori*.⁷ While their personal situation can vary greatly, a substantial share of them struggle with more or less severe mental health problems and require intensive assistance over an extended time period to find their way back into society and ultimately education or work. A major challenge for providing support to young *hikikomori* is moreover to identify them in the first place, as they may be hesitant to reach out for help on their own initiative while their families may not dare to seek support out of a sense of shame. This underlines the importance of specialised support services that reach out and provide support to *hikikomori* and their families, such as the Community Hikikomori Support Centres that exist in many places (see Chapter 5).

How NEETs spend their time

Time use patterns of NEETs reflect gender differences in the main causes of NEET status for young women and men. Available data on the various activities that young people spend their time on corroborate the finding that most NEET women do not work or study because they have domestic or care responsibilities, while NEET men appear to enjoy substantial free time.

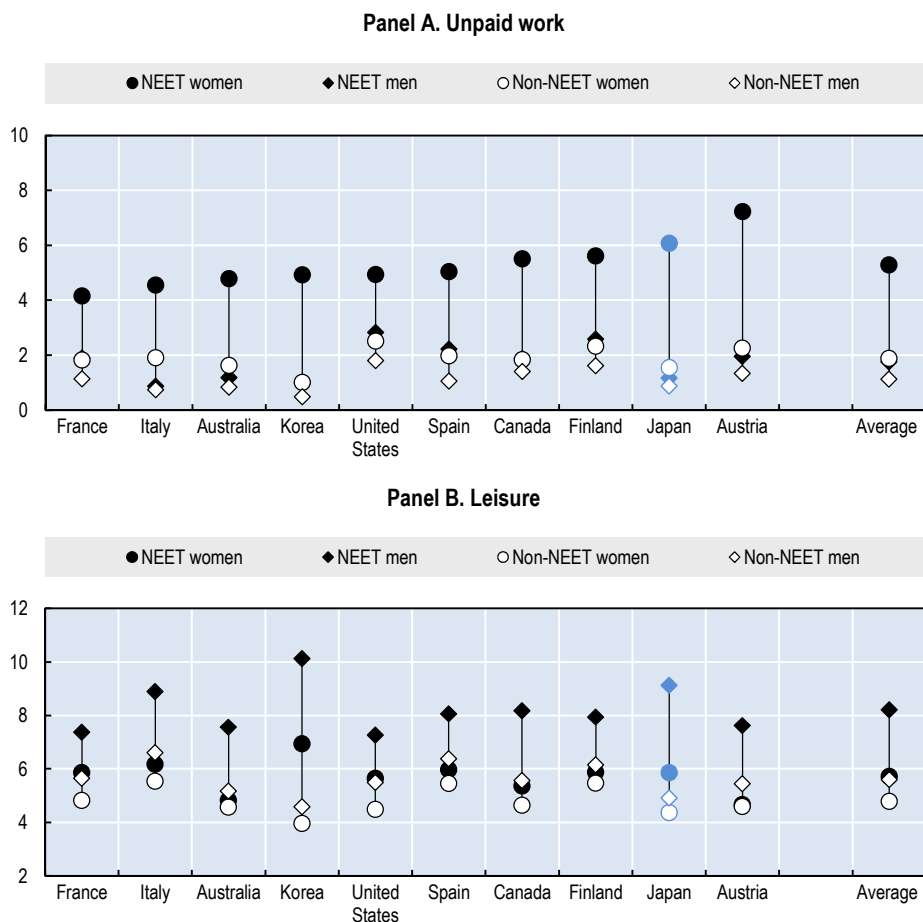
Across a selection of countries,

- NEET women spend over five hours per day on unpaid work, including on doing housework and caring for children or for adults who are ill or disabled. This is three to four hours more than NEET men or young men or women who are studying or working (Figure 2.5, Panel A). NEET women also have about one additional hour of leisure time per day compared to non-NEET women (Panel B).
- NEET men have around eight hours of leisure per day – 2.5 hours more than NEET women and around three hours more than young people in work or studies. They also spend half an hour more per day on sleeping, meals and personal care than female NEETs and about one hour more than non-NEET youth (*not shown*).

Both NEET men and women spend, by definition, much less time on paid work and study than their non-NEET peers – a difference of about four to five hours per day over weekdays and weekends.

Figure 2.5. Among NEETs, women spend a lot of time on unpaid work, while men have a lot of leisure

Average number of hours spent per day on unpaid work and leisure activities, 15-29 year-olds



Note: Results give the average time spent across both weekdays and weekends. Data are from 2006 for Australia, 2008 for Austria and Italy, 2009 for Finland, France, Spain and Korea, 2010 for Canada and the United States and 2011 for Japan. Averages have been calculated across the ten countries shown.

Source: OECD calculations based on national time use surveys and tabulations prepared by the Australian Bureau for Statistics and Statistics Japan (<http://www.e-stat.go.jp/SG1/estat/ListE.do?bid=000001040666&cycode=0>).

Gender differences in time use are again particularly pronounced in Japan, especially when compared to countries such as France or Italy, where a higher share of NEET women are unemployed:

- NEET women do six hours of unpaid work per day on average, compared to just over one hour for NEET men (Figure 2.5, Panel A). Among the countries studied, only in Austria do NEET women spend more time on unpaid work.
- Combining unpaid and paid work, NEET women work or study only a good two hours less than non-NEET women, even though “work” includes the time spent commuting to the workplace and back. For men, the gap between NEETs and non-NEETs in the time spent on paid work, unpaid work or study is over six hours.
- NEET men consequently have a lot of leisure time: nine hours a day on average, compared to a little more than seven hours in the United States, where NEET men do more unpaid work, and 7.5 hours per day in Austria, where NEET men engage in more work-related activities including job search (Panel B).

The living arrangements of NEETs

Young persons’ living arrangements are often closely tied to their schooling or labour market status, and information on the types of households that NEETs live in can help shed light on their personal situation. For many young people, the first job brings the financial independence that is a prerequisite for moving out of the parents’ home and forming a family. As recent cohorts of young people have remained in education longer, they are more likely to live with their parents into their mid- and late twenties. Higher unemployment and lower job security and earnings in the wake of the Great Recession have moreover induced young people in many countries to delay their move out of the parental home. Especially for young couples, NEET status may in turn reflect living arrangements to the extent that women often stop working after childbirth or even already after marriage.

The living arrangements of NEETs in Japan reflect the above-described gender differences in the causes of unemployment or inactivity, and they can provide insights on support needs (Figure 2.6):

- The large majority of NEET women, but only relatively few NEET men, are household heads or the heads’ spouses in multi-person households (68 vs. 10%). Many of these NEET women are likely staying at home to care for children or do housework while the spouse is the breadwinner. The NEET men who are heads of multi-

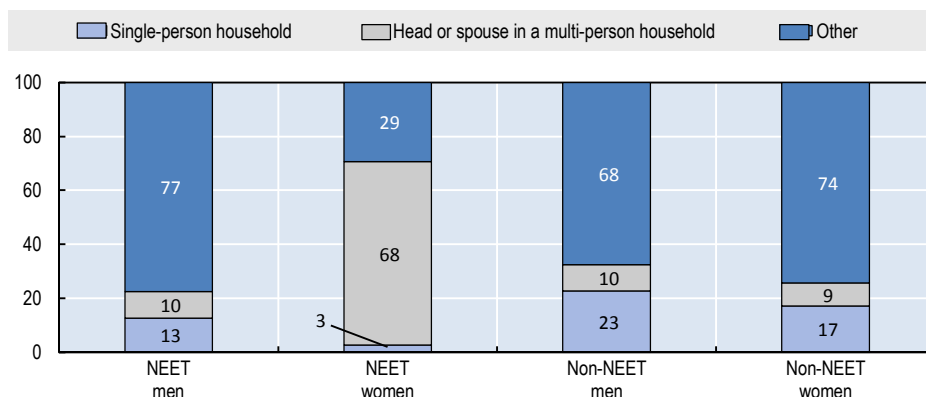
person households are likely unemployed living with a partner or other household members who may or may not be income earners.

- A considerable share of NEET men, but very few NEET women, live in single-person households (13 vs. 3%). Many of these young people likely live on income support or financial support from their parents.
- The large majority of NEET men and nearly one third of NEET women (77 vs 29%) live in other types of households, in most cases presumably with their parents.

NEET men who are heads of multi-person households and NEETs in single-person households are hence more likely to require assistance than NEETs with other types of living arrangements.

Figure 2.6. Most NEET women live with their partner

Breakdown of 15-29 year-olds by sex and household type as a percentage, by NEET status, 2012



Note: “Other” household types typically denote young people living with their parents, but may also include young people living with persons other than their spouse. The head of a multi-person household need not necessarily live with a partner but may also share a flat with friends.

Source: OECD calculations based on tabulations from the Employment Status Survey, 2012 (<http://www.e-stat.go.jp/SG1/estat/XlsdlE.do?sinfid=000021428592>).

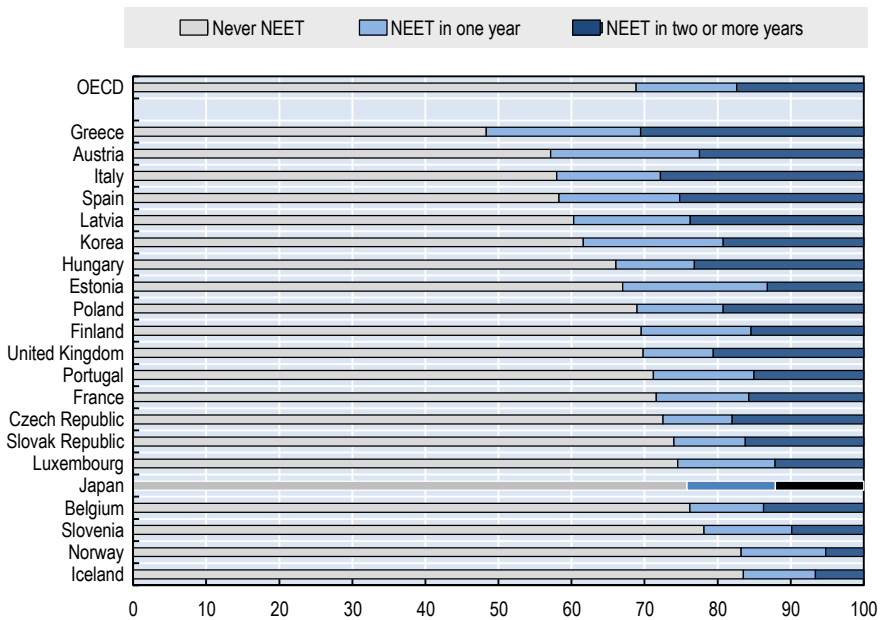
2. Time patterns of NEET status

So far, this chapter profiled young NEETs without considering *how long* young people remain NEET. Being NEET for a short time may not necessarily be a negative outcome in itself, however. For instance a young person may take time out to care for children or to travel. Young people may

also go through short bouts of inactivity or unemployment after completing their education, as it can take time to find work and as jobs tend to be less stable at the beginning of a career. Longer stretches out of education and employment are much more problematic: they inhibit young people from building up skills, work experience and professional networks and may have long-lasting “scarring” effects by negatively affecting future employment opportunities (Schmillen and Umkehrer, 2013; Möller and Umkehrer, 2016) and earnings (Umkehrer, 2015).

Figure 2.7. One in ten Japanese young people were long-term NEETs

Young people who were never NEET, NEET in one year or NEET in two or more years between 2009 and 2012 as a percentage of all young people



Note: Results are for young people aged 20 to 29 years in 2009, who are followed up over a period of four years until 2012. NEET status is measured in a single month, typically January, during the respective year. NEET spells that occur between interview dates are not accounted for. For young people who are NEET in two or more years, the analysis may therefore capture one single, long spell or repeated shorter spells.

Source: OECD calculations based on the Japanese Household Panel Survey (JHPS), the Korea Labor and Income Panel Study (KLIPS) and the European Union Statistics on Income and Living Conditions (EU-SILC).

This section extends and complements the earlier *cross-sectional* analysis – which gave a snapshot picture of NEETs in Japan at a single point in time – by presenting evidence on the *time patterns* of NEET status. It provides insights on the share of young people in Japan who are NEET *at some point* during their transition from school to work, and characterises those who remain NEET for longer. The analysis is based on data for a sample of 20-to-29 year-olds in 2009 who were interviewed in four consecutive years (until 2012) in Japan, Korea and 19 European countries.⁸ Annex 2.A3 provides further details on the methodology and data used.

Fewer young people experience periods as NEETs in Japan than in most other OECD countries. Among 20-29 year-olds in 2009, only 24% were out of employment, education or training at one or several annual interviews over the next four years (Figure 2.7), compared to 31% on average across all countries studied and 38% in Korea. This share is lower still, however, in some Nordic countries such as Iceland (16%) and Norway (17%). By contrast, in some Southern European countries and in Latvia, nearly every second young person was NEET at least once during the four-year period. One reason for the high share of long-term NEETs in these countries is, of course, that the observation period includes the Great Recession when NEET rates in Southern Europe peaked at 25% or more.

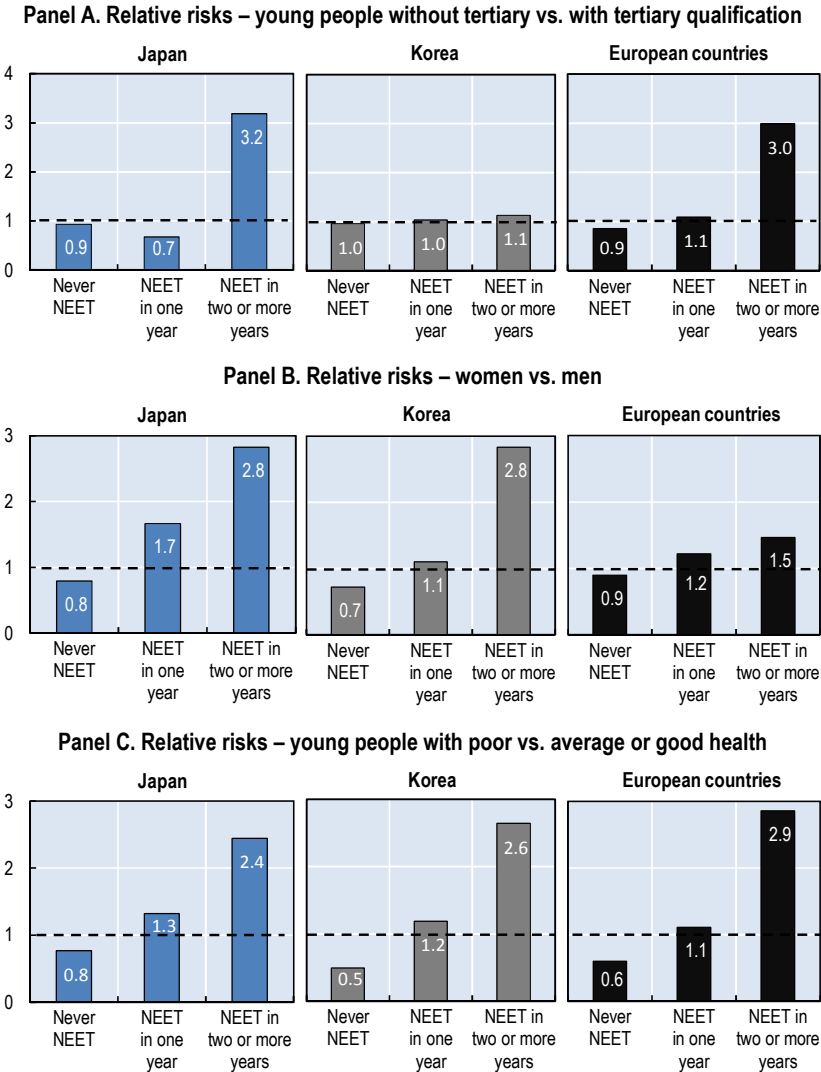
Periods out of education or employment can be long. Half of all Japanese young people with a NEET episode during the four-year period are NEET in at least two of the four years. This corresponds to 12% of all young people. This rate is substantial, especially considering that the analysis focuses only on a young person's activity status *at the time of each annual interview*, i.e. that it ignores possible periods out of employment or education at other times during the year (see discussion in Annex 2.A3).

The risk of becoming a long-term NEET relates closely to some of the characteristics that were identified earlier as being associated with an increased chance of being NEET at a specific point in time:

- Young people without tertiary-level educational qualification in Japan were three times more likely to have been NEET at least twice at the time of the interview between 2009 and 2012 than those with tertiary education (Figure 2.8, Panel A). In other words, young people without tertiary education are clearly overrepresented among *long-term* NEETs, even though the NEET rates for young people with and without tertiary qualification differ comparatively little (Figure 2.4, Panel B).

Figure 2.8. Young women, young people with poor health and those without tertiary education are more likely to remain NEET for longer

Relative risks of being never NEET, NEET once or NEET several times over four years, by observable characteristics, 2009-12



Note: See note to Figure 2.7. Young people with poor health are those who self-report having “poor” or “very poor” health at any time during the four-year period.

Source: OECD calculations based on the Japanese Household Panel Survey (JHPS), the Korea Labor and Income Panel Study (KLIPS) and the European Union Statistics on Income and Living Conditions (EU-SILC), 2009-2012.

- Young women face a much greater risk of being long-term NEET: they are 1.7 times more likely than young men to have been NEET at least once during the four-year period, and 2.8 times more likely to have been NEET in more than one year (Panel B). The gender differential in long-term NEET rates is identical in Japan and Korea, but nearly twice as large as in the European countries studied. This reflects that in Japan and Korea – much more than in European countries – many young women withdraw from the labour force upon marriage or child birth.
- Also ill health is associated with a greatly increased risk of being NEET for longer (Panel C). Young people in Japan who report suffering from “poor” or “very poor” health are slightly more likely to have been NEET in one of the four years between 2009 and 2012 than young people with at least “average” health. They are 2.4 times more likely to have been NEET in multiple years. The pattern is very similar in Japan as in Korea and the European countries studies.⁹

Round-up

The NEET rate in Japan has been trending downward for the last decade to reach 10.1% in 2015. Still, 1.7 million 15-to-29 year-olds were out of education or work, and over two-thirds of them were not looking for work. One quarter of young people in their twenties are NEET at least once over a four-year period – and about half of those are NEET in several years.

The relationship between educational attainment and NEET status is weaker in Japan than in most other OECD countries, and over one third of NEETs have a tertiary qualification. Young people with a tertiary qualification are less likely, however, than other young people to be long-term NEETs.

As many women in their late twenties withdraw from the labour force to care for children, there is a pronounced gender gap in NEET rates. This may reflect the high costs and insufficient availability of childcare, but also the fact that a significant share of unmarried young women still aspire to be full-time housewives. NEET women spend substantially more time than NEET men on unpaid work, including on doing housework and caring for children and adults and they have only half as much leisure time.

Especially among young men, the phenomenon of the *hikikomori* – young people who live in an acute state of social withdrawal for long periods – represents an enormous challenge. Estimates suggest that there were about 320 000 *hikikomori* among 15-29 year-olds in 2015, many of whom will require intensive assistance over a long time period to find their way back into society and education or work.

Notes

1. The gender gap in NEET rates is significantly higher than in Japan only in the Czech Republic, Mexico and Turkey.

In Japan, the gender gap tends to be more pronounced for young people without tertiary education than for tertiary graduates. Among 25-29 year-olds, an age group that can be expected to have completed their education, women without tertiary education are 70% more likely to be NEET than those with tertiary education, compared to a 50% difference among men.

2. Out-of-pocket costs for full-time childcare for a two-earner family with one parent at 100% and one parent at 67% of the average wage are 15% of net family income, compared to 13% in the OECD on average. In Korea, childcare is free of charge, and costs are below 5% of family income in Austria, Greece and Hungary (OECD, 2016b).
3. In Japan, mothers and fathers are each entitled to 12 months of paid parental leave until the child is 12 months old, or for 12 months until the child is 14 months old if both parents take leave.
4. In most countries, the labour force survey is a useful source of information on educational attainment in the population, and hence also on early school leaving. The Japanese Labour Force Survey, however, unfortunately does not distinguish between respondents who graduated from high school and those with a junior high school degree or below. It can therefore not be used to estimate the share of young people who leave school without an upper-secondary qualification.
5. The word *hikikomori* is derived from the verb *hikikomoru*, which means “to seclude oneself in one’s room or house”.

A number of recent studies have documented *hikikomori* cases also outside of Japan, including in Canada (Chong and Chan, 2012), France (Guedj-Bourdiau, 2011), Hong Kong (Chan and Lo, 2014), Korea (Lee et al., 2013), Spain (Malagón-Amor et al., 2015) and the United States (Teo, 2013). There is no evidence, however, that the phenomenon in these countries is anywhere as widespread as it is in Japan.

6. The survey distinguishes between *hikikomori* in a narrow sense, which describes “those who usually stay at home and only go to a nearby convenience store”, “those who go out of their rooms but not out of their houses” and “those who rarely go out of their rooms”, and a broader category of *hikikomori* “who usually stay at home and go out only when they have something to do which is related to their interest” (Cabinet Office, 2015). The text refers to the broader category.

The estimate is arguably a lower bound. It excludes cases in which social withdrawal was triggered by schizophrenia, a named physical disease or pregnancy. Also those who report being engaged in housework or helping their children with their education are not counted. Earlier estimates by academics and psychiatrists have varied widely ranging from around 200 000 *hikikomori* below the age of 35 up to around 2 million overall (Furlong, 2008; Chan, 2016).

7. Not all *hikikomori* are NEETs: While the survey does not count persons who report working from home as *hikikomori*, around 10% of *hikikomori* indicate that they are currently studying (Tajan et al., 2017), possibly taking remote classes.
8. The following European countries are included: Austria, Belgium, the Czech Republic, Estonia, Finland, France, Greece, Hungary, Iceland, Italy, Latvia, Luxembourg, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain and the United Kingdom.
9. It is worth noting that, while health problems will often be the cause of long-term NEET status, also the reverse relationship may hold as periods of unemployment or inactivity can affect a young person’s mental or physical health.

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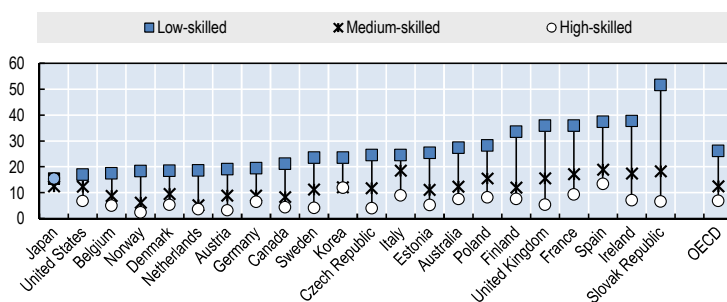
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Annex 2.A1

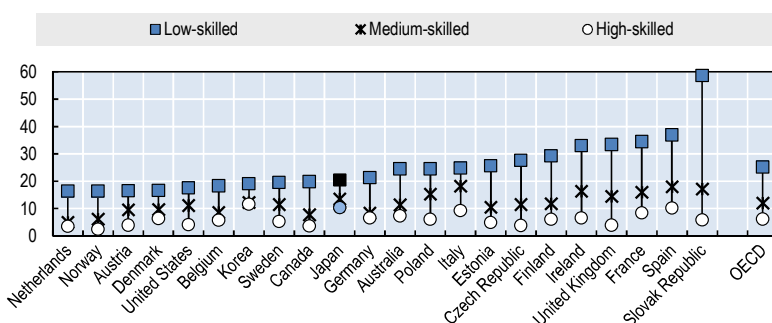
NEET rates by numeracy and literacy

Figure 2.A1.1. NEET rates in Japan are only weakly related to numeracy and literacy

Panel A. NEET rates as a percentage by literacy, 2012



Panel B. NEET rates as a percentage by numeracy, 2012



Note: Literacy and numeracy are rated in accordance with the skills levels in the OECD’s Programme for the International Assessment of Adult Competencies (PIAAC): “Low-skilled” – Level 1 or below, “Medium-skilled” – Levels 2 and 3; and “High-skilled” – Levels 4 and 5. Low literacy skills, as measured by PIAAC, indicate that an individual can only undertake tasks of limited complexity and is less able to integrate information from multiple sources; low numeracy skills indicate that an individual is less capable of performing complex mathematical tasks and uses fewer problem-solving strategies.

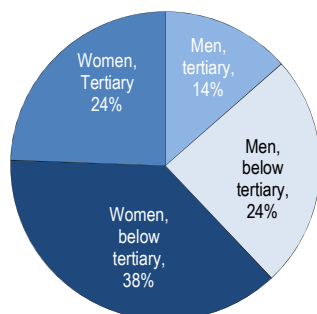
Source: OECD (2015), *OECD Skills Outlook 2015: Youth, Skills and Employability*, OECD Publishing, Paris (based on the Survey of Adult Skills, PIAAC 2012).

Annex 2.A2

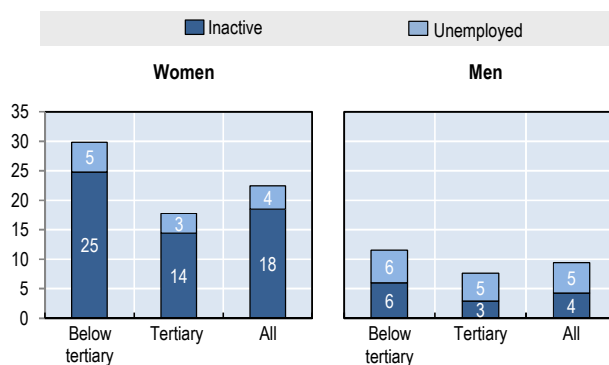
NEET rates by gender – additional statistics

Figure 2.A2.1. Women with below tertiary education are particularly at risk

Panel A. Breakdown of NEETs (15 to 29 years) in Japan by educational attainment and gender, 2014



Panel B. NEET rates of 25-29 year-olds as percentages, by level of educational attainment, 2014



Source: OECD calculations based on tabulations from the Japanese Labour Force Survey.

Annex 2.A3

Data and methodology for the analysis of NEET dynamics

An analysis of NEET dynamics comes with substantial data requirements calling for repeated individual-level information on educational enrolment and labour market participation among young people over a longer time horizon. The data should ideally permit observing a young person's activity status on a month-by-month basis. Alternatively, as in the case at hand, an analysis can be based on single, annual point-in-time observations for several successive years.

The analysis presented in this chapter draws on data from three different sources of longitudinal (i.e. cross-sectional time series) data: the 2009-12 waves of the Japan Household Panel Survey (JHPS) and the Korea Labor and Income Panel Study (KLIPS) and the 2012 panel of the European Union Statistics on Income and Living Conditions (EU-SILC). The longitudinal SILC data are available in sufficient quality only for a selection of 19 European countries. The analysis focuses on individuals aged 20 to 29 years at the beginning of the observation period in 2009, and studies their activity status in January of each year between 2009 and 2012. Young people with missing information on labour market activity or educational enrolment in any of the four years are not included. Persons are defined as NEETs if they report being neither in employment nor in education at the time of the interview, as in the cross-sectional analysis.

A shortcoming of the analysis is that, as a result of data limitations, it cannot shed light on the *number of separate NEET spells* per person. In particular, the data do not permit finding out whether young persons who report being NEET, for instance, in January 2010 and January 2011 remained out of education and employment for the entire 13-month period (i.e. had one long spell), or whether they had two separate shorter periods as NEETs in early 2009 and early 2010. Similarly, NEET periods between interview dates – notably during the summer months – cannot be taken into account. Young people with one or several, possibly longer NEET spells

later in the calendar year will hence not be classified as NEETs as long as they are always in education or employment in January.

Chapter 3

Income support and youth poverty in Japan

This chapter studies the income situation of youth, and in particular NEETs, in Japan. It sets off by describing the social safety net providing a brief analysis of the income support available for young people in the case of unemployment, a disability or caring responsibilities and assessing its generosity. It then discusses recent trends in benefit receipt rates among young people and the coverage for those who are unemployed. The final section provides evidence on benefit adequacy by studying poverty among young people in Japan.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Introduction

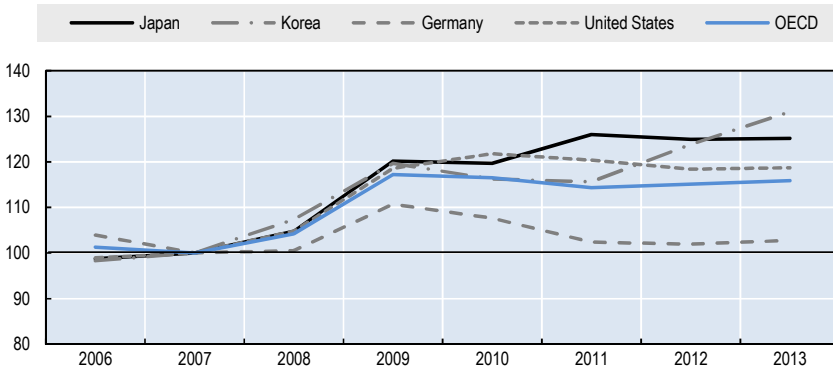
While the main goal of public policies for disadvantaged young people must be to help them on the path to self-sufficiency, those on low incomes – especially the NEETs – may require support to avoid poverty. Income support programmes such as unemployment benefits, social assistance, housing benefits or family benefits play an important role for ensuring decent incomes of young people and their families. They also act as automatic macroeconomic stabilisers, alleviating income shocks for households affected by joblessness or a decline in earnings and hence bolstering aggregate demand.

Japan has continuously expanded social expenditure over the last decades. Public social spending as a share of GDP rose by over 80% between 1990 and the pre-crisis year 2007, albeit from an initially comparatively low level (OECD, 2014). And while nearly all OECD countries reacted to the Great Recession by increasing social spending, the rise was particularly pronounced in Japan, at +26% between 2007 and 2013 (Figure 3.1, Panel A).¹ Japan's level of public social expenditures was higher in 2013 than in the OECD on average at around 23% of GDP, though it remains lower than in many Northern and Western European countries (Panel B).

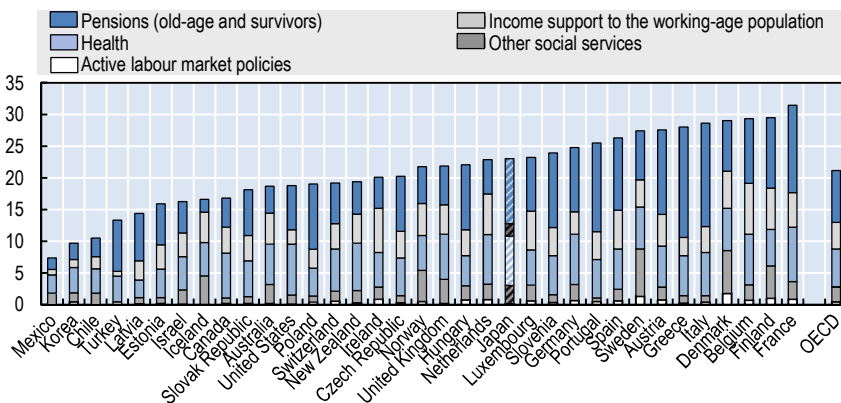
This chapter presents an analysis of the income situation of young people in Japan and of the income support they receive. It sets off by describing the social safety net providing a brief analysis of the benefits available for young people in different life circumstances and assessing their generosity (Section 1). It then looks at benefit receipt rates among young people and at coverage rates for those who are unemployed (Section 2). The chapter concludes by studying youth poverty (Section 3).²

Figure 3.1. Public social expenditures have risen quickly in Japan and are now above the OECD average

Panel A. Change in public social expenditures as a share of GDP, 2006-13 (2007=100)



Panel B. Public social expenditures by broad policy area as a percentage of GDP, 2013/14



Note: In Panel B, income support to the working-age population refers to spending on incapacity benefits, family cash benefits, unemployment benefits and other social policy areas.

Source: OECD (2016), *Social Expenditure Database (SOCX)*, www.oecd.org/social/expenditure.htm.

1. The income support system

The Japanese income support system for jobseekers comes essentially with a two-tiered structure. Earnings-related unemployment benefits (UB, referred to as Employment Insurance benefits in Japan) are available for a limited time for jobseekers with a sufficient contribution record. Persons in low-income households, including those without UB entitlements, can apply for the minimum-income public assistance (PA), the Basic Livelihood

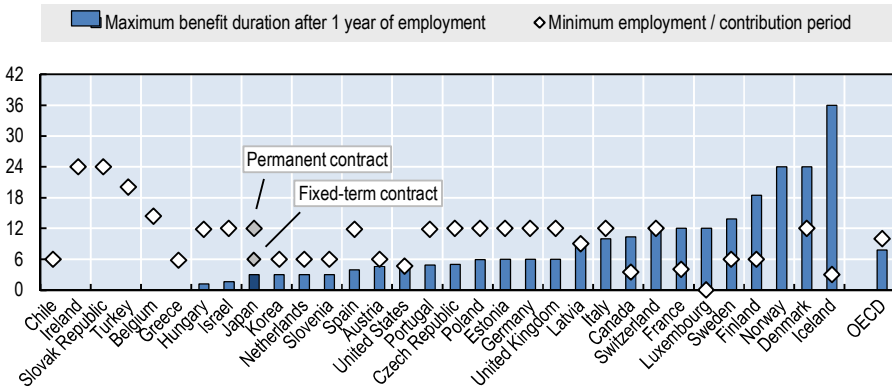
Protection Programme (BLPP). To strengthen the support for jobseekers without UB entitlements, Japan recently introduced two new support schemes between the “first-tier” UB and the “last resort” PA: the Support System for Jobseekers and the Support System for the Self-Reliance of the Poor. This section describes the availability and generosity of different types of income support for young people and their families.

Income support for young jobseekers

Young jobseekers with a sufficient contribution record can apply for UB paid through Japan’s national public employment service Hello Work (HW). To be eligible, they need to have been insured for at least 12 months in the two years preceding unemployment and be able and willing to work.³ This is in line with the requirements in many other OECD countries (Figure 3.2). A shorter minimum contribution period of six months applies for claimants who are unemployed because their fixed-term contracts were not renewed and those who have lost their jobs as a result of bankruptcy or dismissal.

Figure 3.2. Young jobseekers in Japan qualify for unemployment benefits after 12 months of previous employment, but the maximum benefit duration is typically short

Minimum employment / contribution period and maximum duration of unemployment insurance benefits for a 20-year-old, 2015



Note: In Belgium, Ireland, the Slovak Republic and Turkey, 20-year-olds with a contribution record of one year do not qualify for unemployment insurance benefits. In Greece, social insurance contributions in each of the previous two years are required. Norway has no minimum contribution period but a minimum earnings requirement. No maximum benefit duration applies in Chile. Results for the United States are for the State of Michigan. No results are available for Mexico. There are no unemployment insurance schemes in Australia and New Zealand. The OECD average for the maximum benefit duration is calculated for the countries where such a limit exists.

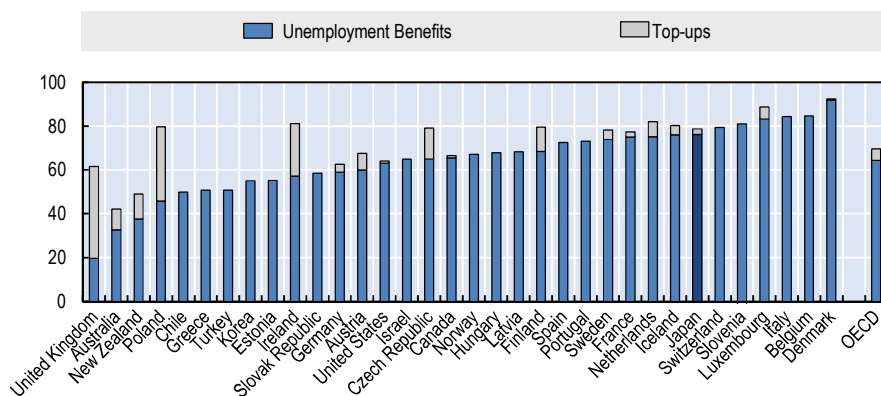
Source: OECD Tax-Benefit models, www.oecd.org/social/benefits-and-wages.htm.

The maximum period for which UB can be paid in Japan is typically short, however. Jobseekers under the age of 45 years with a contribution period of less than five years – in other words most young people – only qualify for 90 days of benefits. This is much shorter than in the majority of OECD countries, where young jobseekers with a one-year contribution record are often eligible for payments for at least half a year and often for a year or longer (Figure 3.2). Those judged difficult to employ in Japan, including persons with a disability, benefit from an extended payment duration of up to 300 days, or 150 days for those with a contribution history of less than one year.⁴ Jobseekers who no longer require benefits because they have found employment or started a business may be entitled to receive 60-70% of their outstanding benefits as a lump-sum “re-employment allowance”.⁵

The generosity of UB payments in Japan depends on the jobseeker’s previous earnings. The replacement rate, i.e. the share of previous earnings received in the form of benefits, ranges from 50% for jobseekers with high previous earnings to 80% for those with low earnings.⁶

Figure 3.3. Unemployment benefits are more generous in Japan than in the OECD on average

Net replacement rates in the 2nd month of unemployment for a 20-year-old jobseeker with previous earnings at 50% of the average wage, as a percentage of previous net income, 2015



Note: The net replacement rate is that of a single, childless person who has been in continuous employment for 24 months. The average wage is not available for Turkey, such that calculations are based on wages for the Average Production Worker in the manufacturing sector. Top-ups may consist of social assistance and housing benefits, with housing costs being assumed to equal 20% of the average wage. Where receipt of social assistance or other minimum-income benefits is subject to activity tests, such as active job search or being “available” for work, these requirements are assumed to be met. No results are available for Mexico.

Source: OECD Tax-Benefit models, www.oecd.org/social/benefits-and-wages.htm.

This makes UB for young people somewhat more generous in Japan than in the OECD average. A 20-year-old with a two-year contribution history and previous earnings at 50% of the average wage receives UB payments amounting to 76% of previous net earnings, one of the highest replacement rates across OECD countries in the initial phase of unemployment (Figure 3.3). The young person may moreover qualify for a top-up in the form of means-tested PA, which would lift up the replacement rate to 79%. The net replacement rate declines as previous earnings rise, but remains above the OECD average for Japanese jobseekers with previous earnings up to around 100% of the average wage.

Jobseekers who are not eligible for support through the Employment Insurance (EI) and who are in need of training may benefit from the Support System for Jobseekers (SSJ).⁷ Introduced in 2011 as a follow-up for training support programmes developed during the economic crisis, the SSJ offers privately provided training in combination with job search support through Hello Work. Participants receive a monthly allowance of JPY 100 000 (EUR 720) plus a reimbursement of transportation expenses for the duration of the training, up to two years in total (see Chapter 5, OECD, 2015b and Fujimoto, 2016).⁸ This is below the typical level of UB that an eligible jobseeker would receive.

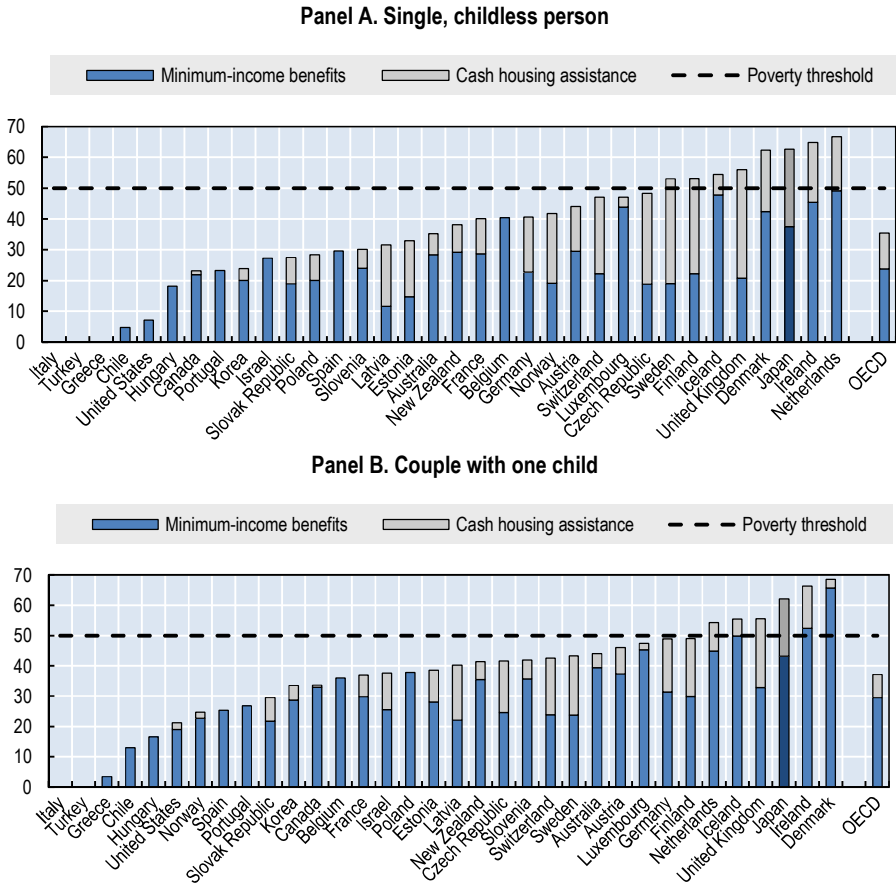
Minimum-income benefits for young people in low-income households

Young people in low-income households, including those without UB entitlements, may receive “last-resort” public assistance through the Basic Livelihood Protection Programme (BLPP). The programme aims to guarantee a minimum standard of living for all citizens and to promote self-sufficiency among those at-risk of poverty. PA is tax-financed and funded primarily through the national government.⁹ The MHLW determines benefit levels, which can vary across regions; local government administer payments through their welfare offices.

The support provided through PA comes in eight subcategories, and recipient households can receive support in any or all of these categories. Its main components are the livelihood assistance, which covers standard living expenses including for food, clothing, heating and water, and the housing assistance¹⁰, which covers rent. Additional payments can cover medical expenses, expenses for long-term care, occupational expenses, education expenses, expenses related to maternity and expenses for a funeral. PA is generally paid in cash, though the expenses for medical care and long-term care assistance are provided in kind.¹¹

Figure 3.4. Public assistance in Japan is comparatively generous

Net income from minimum-income benefits and cash housing assistance as a percentage of median household incomes, 2015



Note: The dashed line gives the poverty threshold, which is defined as 50% of the median household income. Income levels are shown on an equivalised basis and account for all cash benefit entitlements (social assistance, family benefits, housing-related cash support as indicated) of a family with no other income sources and no entitlements to primary benefits such as unemployment insurance. They are net of any income taxes and social contributions. "Cash housing assistance" represents cash benefits for a household in privately-rented accommodation with rent plus other charges amounting to 20% of average gross full-time wages. Calculations for families with children assume a child aged 4 and consider neither childcare costs nor benefits. Median net household incomes are from a survey in or close to 2015, expressed in current prices and before housing costs or other forms of "committed" expenditure. Where benefit rules are not determined on a national level but vary by region or municipality, results refer to a "typical" case (e.g. Michigan in the United States, the capital in some other countries). US results include Food Stamps. No results are available for Mexico.

Source: OECD Tax-Benefit models, www.oecd.org/social/benefits-and-wages.htm.

PA is asset- and income-tested at the household level, and adult household members are required to exhaust all other means of living before receiving benefits. Benefit levels depend on household size and the age of household members and vary by place of residence. For households with some earnings from work or income from UB payments, PA can act as a top-up. Net monthly earnings up to JPY 15 200 (EUR 124), and 10% of earnings above that level, are disregarded in the means test. Recent junior or senior high school graduates and some groups of long-term unemployed benefit from higher disregards for earnings from a “stable” job;¹² teenagers have higher disregards for any earnings.

Minimum-income benefits in Japan are generous enough to lift recipient households out of poverty. PA payments including housing assistance reach 63% of the median equivalised household income for a single, childless person and 62% for a couple with one child (Figure 3.4). These are the third-highest rates across OECD countries. Young jobseekers who lose their UB entitlements after 90 days hence continue to receive comparatively comfortable incomes if they qualify for PA (see Figure 3.A1.1 in the annex).

To promote the self-sufficiency of “needy”¹³ households and reduce their reliance on PA, Japan introduced the Support System for the Self-Reliance of the Poor (SSSP) in 2015. Administered by the local governments through their Offices for Health and Welfare, the SSSP provides consultation services and job search support. The programme can also cover rent payments for up to nine months for needy households affected by job loss in the last two years.

Family benefits for young people

Family benefits can play an important role for bolstering incomes of households with children. In Japan, they are however available only to parents with younger children. The upper age threshold for receipt of Child Allowance is at junior high school graduation age, i.e. 15 years. Many other OECD countries pay family cash benefits for longer, often up to a child’s 18th birthday. About half of them moreover further raise the age threshold if the child remains in education – often up until the early- or mid-20s (see Figure 3.5).

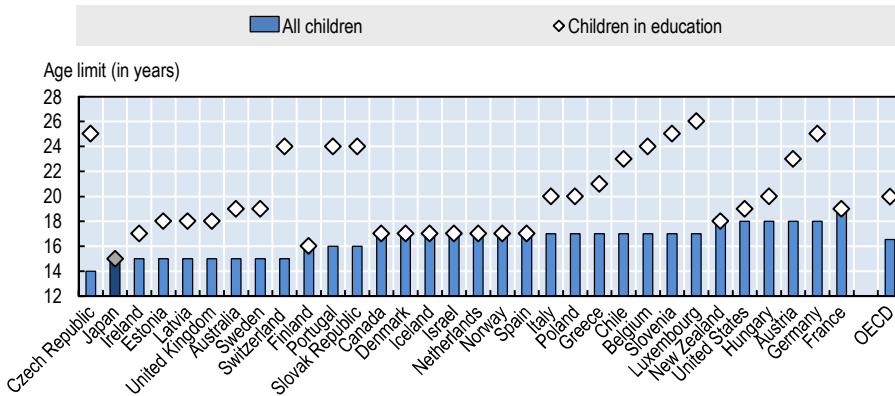
Young people in Japan may of course be eligible for the receipt of Child Allowance if they have children themselves. Since 2012, the payment is income-tested with those eligible receiving JPY 10 000 or JPY 15 000 (EUR 82 or EUR 123) per child per month depending on the number of children.¹⁴

Additional support is available for single parents. Singles with a child up to the age of 18 years may qualify for the income-tested Child-Rearing

Allowance, which amounts to a monthly JPY 42 990 (EUR 360) for the first child and additional allowances for the second and subsequent children. Recipients are entitled to keep some income from work.¹⁵

Figure 3.5. Japan pays family benefits for shorter than most other OECD countries

Upper age limits for family cash benefits or non-wastable (i.e. refundable) tax credits for young people and young people in education living with their parents, 2015



Note: No family benefits exist in Korea and Turkey. For Canada: Province of Ontario; for Switzerland: Zurich. No results are available for Mexico.

Source: OECD Tax-Benefit models, www.oecd.org/social/benefits-and-wages.htm.

Parents with a child under 20 years that has a severe physical or mental disability can receive an income-tested Special Child-Rearing Allowance. The monthly payment ranges from JPY 34 300 (EUR 286) to JPY 51 500 (EUR 430) depending on the degree of disability. An additional Welfare Allowance for Children with Heavy Disabilities is paid to parents of children with more severe disabilities (National Institute of Population and Social Security Research, 2014).

Parents of new-borns are entitled to childcare leave for the full year up until the child's first birthday – one of the most generous arrangements for fathers across OECD countries (OECD, 2016a). During their childcare leave, they receive 67% of their previous salary for the first six months and 50% thereafter, an allowance that is exempt from income taxation and social insurance contributions. Mothers moreover receive the standard maternity leave, which typically stretches from six weeks before the projected date of birth to eight weeks after.

Support for young people with a disability

The Japanese pension system foresees a basic disability pension for adults from the age of 20 with a disability, while parents of disabled children below the age of 20 can receive the above-mentioned Special Child-Rearing Allowance. Eligibility for the basic disability pension is conditional on a specified contribution record, except for persons who become permanently disabled before turning 20. Persons with a disability who do not fulfil the eligibility conditions for a basic disability pension may qualify for the standard PA.

2. Benefit receipt and coverage

Eligibility rules alone say little about how many young people receive certain benefits or about how well these benefits cover vulnerable groups in the population. Benefit receipt among young people depends, among other things, on the state of the labour market, the living situation and activity status of NEETs, benefit take-up and the day-to-day practices of counsellors at HW or local welfare offices. This section looks at recent trends in the receipt of UB and PA in Japan and at the benefit coverage of unemployed NEETs.

Only relatively few young people in Japan receive UB – around 77 000 under-30 year-olds per month in 2014 (Figure 3.6, Panel A). This corresponds to a receipt rate of 0.6% among 20-29-year-olds, down from 1.1% in 2009. It is only about one third of the rate observed in Germany, which itself has a below-average UB receipt rate among OECD countries (OECD, 2016b).¹⁶

Low UB receipt partly reflects the good employment situation of young people in Japan. The NEET rate lies significantly below the OECD average (10.1 vs 14.6% in 2015, see Chapter 1, Figure 1.12), and only one third of NEETs are looking for work and hence potentially eligible for UB. The share of unemployed NEETs in Japan is the fifth-lowest across OECD countries.

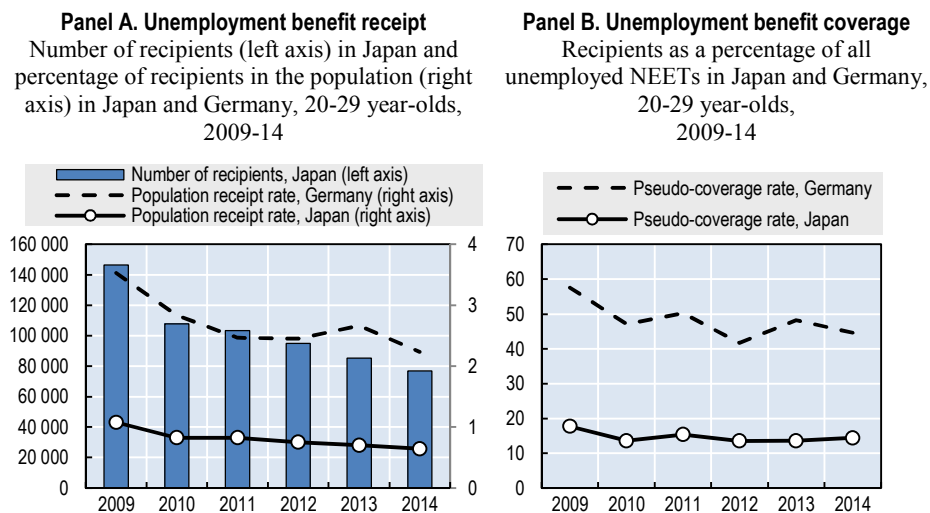
Also the UB coverage of unemployed NEETs is weak in Japan, however. Only around 15% of unemployed NEETs among 20-29-year-olds received UB in 2014, about half the rate observed in Germany (Figure 3.6, Panel B).¹⁷ This likely reflects the short maximum duration of benefit payments.

Of the remaining 85% of unemployed NEETs who do not receive UB, only a small share benefit from the SSJ: about 25 000 young people up to the

age of 34 years participated in the programme in all of 2014, and only a little more than half of them (14 000) received the monthly training allowance.

Even fewer young people live in households that receive PA. Among 20-to-29 year-olds, there were 62 000 PA recipients in 2014, or 0.5% of all young people in that age group. For comparison: in Germany, a country where SA is a significant income source for young people out of work or on low earnings from work, 12% of 20-29 year-olds received social assistance benefits. And while young people in their 20s are traditionally the group least likely to benefit from the BLPP in Japan (NIPSSR, 2014 and OECD, 2017), receipt rates are low also for other age groups, including seniors. Similarly, only few people are so far benefitting from the recently introduced SSSP (OECD, 2017).

Figure 3.6. Unemployment benefit receipt has declined among Japanese young people and coverage is low



Note: In Japan, the number of UB recipients gives the monthly number averaged over the calendar year; in Germany, it is the number at the time of the survey interview. Japanese numbers therefore give an overestimate to the extent that young people remain on benefits for periods shorter than one month. Recipient numbers in Japan include under-20-year-olds.

Source: Japanese Annual Report for Employment Insurance and OECD calculations based on the German Socio-Economic Panel (SOEP) and tabulations from the Japanese Labour Force Survey.

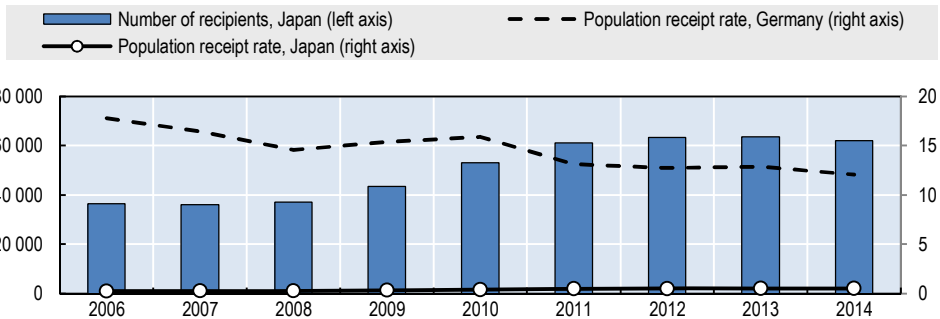
Academics have suggested that low PA receipt rates reflect the tight application of eligibility criteria by many welfare offices (Inaba, 2011). The Public Assistance Act stipulates that persons living in poverty need to make

full use of their assets and abilities in order to qualify for benefits. Welfare offices may therefore have targeted benefits primarily to elderly, sick and disabled persons, in particular those in single-person households, while limiting access for low-income jobseekers without EI entitlements. Residence requirements moreover restricted access for homeless people. Low take-up rates among eligible household may be another explanation. These may reflect a lack of knowledge about the programme, the perceived stigma attached to having to claim PA, but also the government's expectation that low-households should turn towards their family networks for support before claiming benefits (Osawa, 2011; Kobayashi, 2014).

Public expenditures on cash public assistance only reached a low 0.26% of Japanese GDP in 2013. This is twice as much as in 2000, but still less than across OECD countries on average (OECD, 2017a).

Figure 3.7. Only very few young people in Japan live in households that receive public assistance

Number of social assistance recipients (left axis) in Japan and percentage of recipients in the population (right axis) in Japan and Germany, 20-29 year-olds, 2006-14



Note: In Japan, recipient numbers give the number of 20-29 year-olds living in households that receive PA on 1 July of each year (2006-10) or 31 July of each year (from 2011 onwards); in Germany, it is the number of 20-29 year-olds who report living in a household that receives Unemployment Benefit II or Social Assistance at the time of the survey interview.

Source: Japanese Survey on Public Assistance Recipients and OECD calculations based on the German Socio-Economic Panel (SOEP) and tabulations from the Japanese Labour Force Survey.

3. Youth poverty

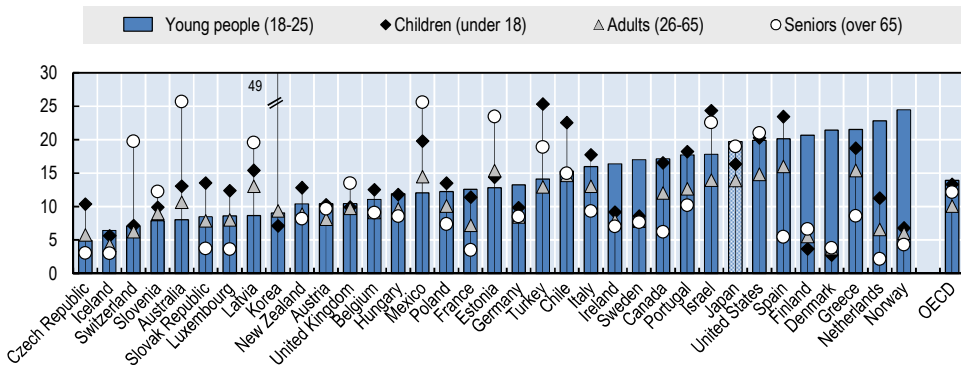
Poverty was, for a long time, no issue of major policy concern for the Japanese society. Rapid economic growth in the post-war years led to full employment and brought about rising living standards for large parts of the population. The Japanese society of the 1960s and 70s was characterised by

low income inequality, a strong middle class and low poverty. According to traditional norms, caring for persons on low incomes was moreover primarily a family duty rather than a government responsibility – a view reflected also in PA legislation (Tachibanaki, 2006; Inaba, 2011).

The poverty rate started climbing in the early 1980s, however, as a result of rising unemployment and non-standard employment, increased wage dispersion and an ageing population. At the same time, the poverty line has fallen by 15% since 1997 in real terms, which implies that living conditions of those in poverty have deteriorated (OECD, 2015a).

Figure 3.8. Youth poverty rates in Japan are relatively high

Percentage of persons living with less than 50% of median equivalised disposable income, by age group, 2014 or latest year available



Note: Data are for 2012 for Japan and New Zealand, for 2014 for Australia, Finland, Hungary, Israel, Korea, Mexico, the Netherlands and the United States, and for 2013 for all other countries. Values for Japan are based on the Comprehensive Survey of Living Conditions; other surveys for Japan, such as the National Survey of Family Income and Expenditure, show lower levels of income inequality and poverty than those reported here.

Source: OECD (2016), *Society at a Glance: OECD Social Indicators* based on the *OECD Income Distribution Database*, <http://oe.cd/idd>.

For the last decade, the Japanese poverty rate has been among the highest across OECD countries. Over 16% of all persons in Japan were living on less than 50% of median equivalised disposable income in 2012. This is the fourth-highest share in the OECD behind Mexico, Israel and Turkey and substantially more than in the OECD on average (11.4%, OECD, 2017b).¹⁸ A majority of people in Japan, 60%, described their living conditions as “hard” or “very hard” in 2015, up from only 37% in 1990 (MHLW, 2008, updated from Kohara and Ohtake, 2014).¹⁹

Young people are most strongly affected by poverty (Figure 3.8). The poverty rate of 18-25 year-olds in Japan equalled 19.7% in 2012. This is a little above the rate for seniors (19.0%) and much above the rate for children (16.3%) and other working-age adults (13.8%). It is also much higher than the OECD average of 13.9%.²⁰

The reasons for high youth poverty in Japan are difficult to assess, because Japan lacks a large household survey that would permit studying in detail the income situation of young people and the characteristics of those in poverty.²¹ The weak impact of taxes and transfers on poverty is an important factor, however. Only in few OECD countries, the differential in poverty rates before and after taxes and transfers is smaller than in Japan. Young people are particularly affected, because the Japanese tax and benefit system has been shown to re-distribute income from young to senior people (OECD, 2015a). Given the low coverage of young people by UB and PA benefits, the risk of poverty is probably particularly high for unemployed NEETs, young people in unstable employment (the *freeters*), and single-earner couples with low earnings.

Round-up

The Japanese income support system for jobseekers has traditionally had a two-tiered structure: Earnings-related unemployment benefits (UB) are available for young jobseekers with a contribution record of at least 12 months, though young people who have lost their job because their fixed-term contract was not renewed only need to have contributed for six months. While UB is relatively generous, the maximum benefit duration is shorter than in most OECD countries, at only three months. Persons in low-income households can apply for means-tested public assistance (PA) benefits, which are generous enough to lift the household out of poverty. Two recently introduced support schemes between the “first-tier” UB and the “last resort” PA strengthen the support for jobseekers without UB entitlements.

Only very few young people in Japan receive income support. Low UB receipt rates reflect the low number of unemployed NEETs, but also a weak coverage of young jobseekers by UB. Even fewer young people receive PA, as welfare offices primarily support seniors and persons with low work capacity. Little evidence exists on young people’s living arrangements, and in particular on the share of NEETs who live with their parents or a partner with income. Many unemployed young people, however, likely rely on informal networks, including their family, for income support.

Youth poverty is high – a likely consequence of the low benefit coverage among young people. Nearly 20% of young people were poor in

2012 – one of the highest rates across OECD countries and a greater share than among seniors, children or working-age persons. The Japanese tax-benefit system does little to reduce the risk of poverty for low-income households, and it redistributes incomes from the young to the seniors.

Notes

1. Old-age pensions are not the main driver of this expenditure increase – in fact, social spending for working-age persons (including on income support for the unemployed, the disabled and for families) rose more quickly than pension spending. In absolute terms, total public social expenditures rose from JPY 94 200 billion (EUR 784 billion) to JPY 110 900 billion (EUR 923 billion) between 2007 and 2013.
2. For further information on the Japanese tax-benefit system, see the country chapters on the webpage of the OECD Tax-Benefit model (<http://www.oecd.org/els/soc/benefits-and-wages-country-specific-information.htm>) or the recent report on social security in Japan by the National Institute of Population and Social Security Research (2014).
3. Employees who work for a minimum of 20 hours per week for at least one month have to pay Employment Insurance contributions. Benefit eligibility is conditional on having worked for at least eleven days per month during the 12-month period.

UB can consist of the standard monthly payment, called the “Basic Allowance for Jobseekers”, but also of lump-sum “Employment Promotion Benefits” paid to jobseekers who find employment, of “Education and Training Benefits” paid to cover part of employees’ costs of participating in private-sector training programmes and of “Continuous Employment Benefits” paid to compensate earnings losses for senior workers and employees who take leave for childcare of family care.

In addition to paying UB, the Employment Insurance also funds “Services for Employment Stabilization” to prevent unemployment and promote employment opportunities, including by supporting employers who are at risk of having to lay off workers and “Services for Developing Human Resources” to help employed persons and jobseekers build up skills (NIPSSR, 2014).

4. The maximum benefit duration is longer for young people who have lost employment as a result of bankruptcy or dismissal if they had been employed for at least five years or for young people with a contribution period of at least ten years in case of a voluntary departure. Longer maximum benefit durations apply also for over-45 year-olds.

5. Jobseekers who leave unemployment with one third of their maximum benefit duration remaining receive 60% of their outstanding benefits as a re-employment allowance. The payment rises to 70% of outstanding payments for jobseekers who find work with at least two-thirds of their maximum benefit duration remaining.
6. Specifically, it depends on the daily earnings during the six months preceding unemployment. Those with previous earnings of up to JPY 4 580 (EUR 38) per day see 80% of their earnings replaced by UB; those with earnings of above JPY 11 610 (EUR 97) receive 50%. For those with previous earnings in between these two thresholds, the replacement rate declines linearly with previous earnings. The maximum payable level of benefits is capped and depends on age: for under-30 year-olds it is JPY 6 370 (EUR 53) per day, nearly 20% less than for 45-to-59 year-olds.
7. The SSJ is financed from general taxation and EI contributions.
8. The average payment duration is four months.
9. According to the Public Assistance Act and a following Cabinet Order the national government has to cover three quarters of the expenses made for PA payments as well as all offices expenses.
10. A separate housing benefit was introduced as an emergency measure during the Great Recession and ended in March 2015. Low-income persons who have difficulties securing adequate housing following job loss can, under certain circumstances, receive support through the Support System for the Self-Reliance of the Poor.
11. Additional top-up payments are available to households with persons that have higher needs, including disabled persons, children under the age of three years, pregnant women and sick persons who require special assistance at home.
12. Recent graduates and jobseekers who were unemployed for at least three years because of health issues or other major barriers to work benefit from a monthly disregard of JPY 11 100 (EUR 95) during the first six months after finding employment; a disregard of JPY 11 400 (EUR 95) applies for PA recipients below the age of 20 years. Jobs are considered as “stable” if the employee gets a permanent contract or a fixed-term contract with a clear perspective of receiving a permanent one. The decision of whether to grant the higher earnings disregard is made by the welfare office.
13. The term “needy” is not specifically defined such that municipal welfare offices enjoy some discretion in choosing which low-income households

to work with. In some cases, the SSSP is administered through non-profit organisations.

14. Eligible families receive JPY 10 000 for the first and second child aged over three and for all children of junior high school age – JPY 15 000 are paid for each child up to the age of three and for the third or subsequent children up to completion of elementary school. The income threshold depends on the household size – for a couple with two children, it is currently JPY 9.6 million (EUR 79 000) per year. Families with higher incomes currently qualify for JPY 5 000 (EUR 41).
15. An earnings disregard of JPY 570 000 (EUR 4 660) applies for the first child. It is increased for single parents with multiple children.
16. UB receipt rates in Japan can unfortunately not be compared with those in most other OECD countries. Japanese data give the *average monthly number* of recipients in a year while the data in most other countries give the number of persons who received benefits *at any time* during the year. While the two measures cannot easily be compared directly, both measures can be calculated for Germany.
17. To be more precise, the total number of UB recipients aged 20 to 29 corresponds to 15% of all unemployed NEETs. No information exists on actual benefit receipt among NEETs.
18. An alternative, frequently-used poverty threshold is at 60% of median equivalised disposable income. By this broader measure, 21.9% of the Japanese population lives in poverty, again the fourth-highest value across OECD countries.

OECD poverty estimates for Japan rely on data from the Comprehensive Survey of Living Conditions, which is carried out by the MHLW every three years. More recent estimates than those for 2012 are currently not available.

19. The wording of the question was “How do you feel about your overall daily living conditions?”.
20. High youth poverty rates in Denmark, Finland, the Netherlands and Norway reflect that young people in these countries tend to leave the parental home at a very young age.
21. Most OECD countries have large, annual household surveys that permit studying the income situation and the receipt of income support of the population. No such survey exists in Japan.

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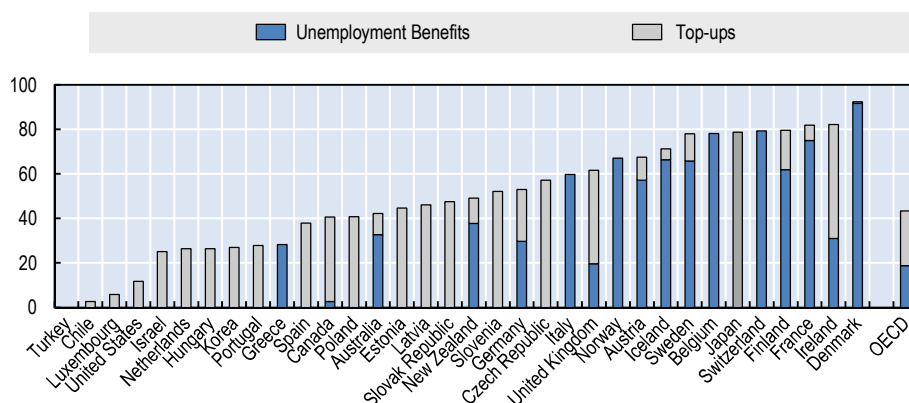
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Annex 3.A1

Unemployment benefit replacement rates – additional statistics

Figure 3.A1.1. Long-term unemployed youth in Japan only receive public assistance, but the benefit level is comparatively high

Net replacement rates in the 13th month of unemployment for a 20-year-old jobseeker with previous earnings at 50% of the average wage, as a percentage of previous net income, 2015



Note: The net replacement rate is that of a single, childless person who has been in continuous employment for 24 months. The average wage is not available for Turkey, such that calculations are based on wages for the Average Production Worker in the manufacturing sector. Top-ups may consist of social assistance and housing benefits, with housing costs being assumed to equal 20% of the average wage. Where receipt of social assistance or other minimum-income benefits is subject to activity tests, such as active job search or being "available" for work, these requirements are assumed to be met. No results are available for Mexico.

Source: OECD Tax-Benefit models, www.oecd.org/els/social/workincentives.

Chapter 4

Raising school completion rates and providing high-quality professional training in Japan

This chapter discusses Japan's upper-secondary education and training system, and in particular its performance for disadvantaged and at-risk youth. It looks at early school leaving, policies aimed at identifying at-risk youth and combating school drop-out and strategies to adapt services for students who are not successful in the mainstream school system. It then examines vocational education in Japan with a focus on completion rates and practical training. It gives an overview of social services offered to school-age youth and the coordination of these services with schools.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Introduction

Faced with an ageing society and a rapidly shrinking working-age population, Japan must fully exploit the potential of its labour force to ensure future prosperity. As labour market participation rates are generally high already, and unemployment is low (see Chapter 1), policies will have to focus on further building up the skills of the labour force. To ensure that future generations of workers are equipped with the knowledge and skills they require to succeed, all young people – including those from less privileged backgrounds – must receive the support they need to complete a quality education.

The Japanese education system achieves excellent learning outcomes: Pupils rank top across OECD countries in terms of their academic ability. In the 2015 Programme for International Student Assessment (PISA), Japanese 15-year-olds outperformed their peers in all other OECD countries in mathematics and science and were sixth-placed in reading (Figure 4.1). Academic achievement tends to be distributed quite equitably, moreover: the impact of socio-economic background on student performance is comparatively weak in Japan, and the share of resilient students – i.e. young people who perform well at school despite being from relatively disadvantaged backgrounds – is the highest across OECD countries (OECD, 2016c). Tertiary education rates in Japan are high: nearly two thirds of all 25-to-34 year-olds had obtained a tertiary qualification in 2014 – the second highest rate across OECD countries (OECD, 2016b). And finally, Japan also attained the highest levels of adult literacy and numeracy of all participating countries in the 2012 PIAAC Survey of Adult Skills (OECD, 2013).¹

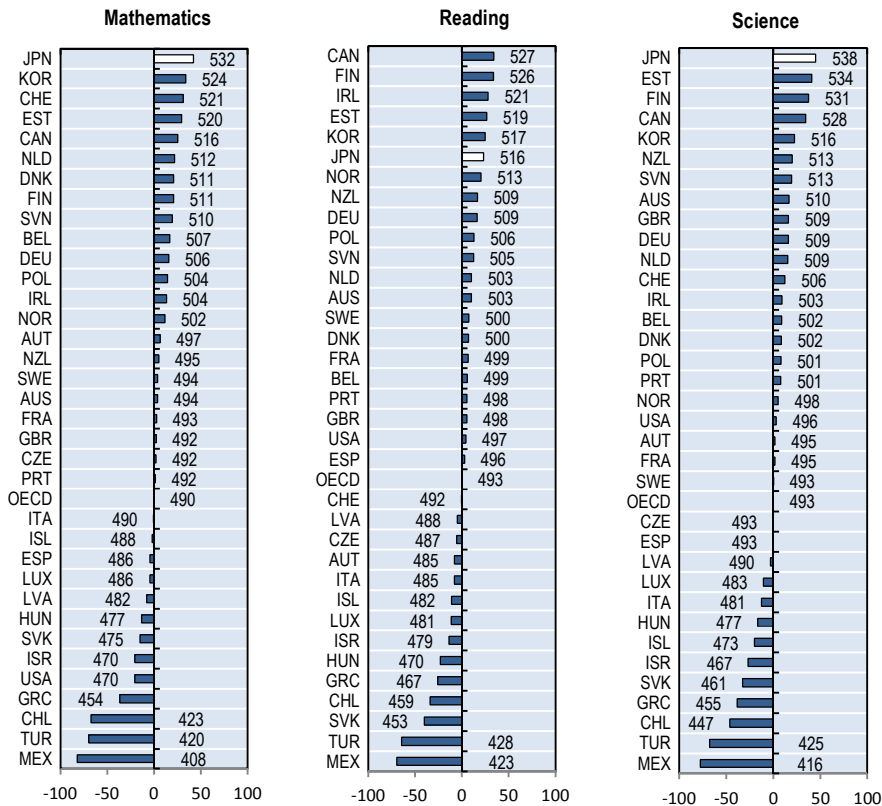
These results are remarkable all the more as overall spending on educational institutions is comparatively modest. Japan's expenditures on primary to tertiary educational institutions amounted to 4.5% of GDP in 2013, considerably less than the 5.2% spent in the OECD on average. This partly reflects the fact that Japan spreads its funds over a relatively small – and shrinking – youth population. Spending per student in Japan was about 8% higher than in the OECD on average (USD 11 300 vs. USD 10 500 in 2013), but lower than in Canada, the United States and a number of European countries (OECD, 2016a).

There remain some challenges, however: education at Japanese schools traditionally relies strongly on – and in fact very much evolves around – a system of regular tests and examinations.² There have been concerns that by focusing on teaching knowledge that can be reproduced in exams, Japanese schools may have neglected less testable skills such as verbal expression and critical and creative thinking (OECD, 2011). This may have contributed to motivation difficulties and a perceived lack of independence among

students. A high-pressure environment at many junior and senior high schools may moreover favour social problems including bullying and violence (Yoneyama and Natiro, 2003) and educational segregation as students with academic or behavioural difficulties tend to attend lower-ranking schools (NIER, 2012a; 2012b).³ Educational reforms carried out since the 1980s have therefore focused on flexibilising the school system, reducing schooling hours and revising curricula to promote independent learning and the development of social skills (OECD, 2011; NIER, 2012b).⁴

Figure 4.1. Japanese pupils are among the top-performers OECD-wide

Student performance on the PISA test at age 15 in 2015



Note: Students’ performance is represented in deviation from the subject-specific OECD average. Value labels give the average score attained in each country.

Source: OECD (2016), *PISA 2015 Results (Volume I): Excellence and Equity in Education*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264266490-en>.

This chapter discusses ways to bolster school completion and ensure quality professional training for young people from less privileged backgrounds. Section 1 presents the architecture and governance of the education system. Section 2 discusses the incidence of non-attendance and early school leaving as well as the availability of diverse learning options for young people with a poor attendance record. Section 3 discusses the Japanese system of vocational education and investigates strategies to promote quality VET. Section 4 focuses on the social support available to at-risk students and their families.

1. General architecture and governance

Policy authority in the Japanese education system lies with three levels of government: the Ministry of Education, Culture, Sports, Science and Technology (MEXT), the prefectures or designated cities⁵ and the municipalities. The MEXT establishes national education standards by publishing and revising the “Courses of Study”, which determine educational contents and objectives from pre-primary through to upper-secondary education. It sets minimum pay scales for teachers and administrative staff, and provides funding to local government through earmarked grants tied to strict operational guidelines (OECD, 2011). The MEXT also has a guidance and advisory role for the 47 prefectures and over 1 700 municipalities, which may be asked to report on their educational activities and share data as necessary.⁶

Public schools are established and operated by the prefectures and designated cities (senior high schools) and municipalities (elementary and junior high schools) through their boards of education. Prefectural boards of education are responsible for school supervision and for recruiting, promoting and dismissing teaching staff. Municipal boards of education oversee the day-to-day operations at elementary and junior high schools and select textbooks from MEXT-authorised lists. Schools individually design their teaching curricula following the Courses of Study and carry out regular assessments. School corporations run private schools in accordance with the Private School Act under supervision of the prefectures.

Compulsory schooling

Compulsory education in Japan starts at the age of 6 and lasts for nine years comprising six years of elementary school (*shogakko*, up to age 12) and three years of lower-secondary junior high school (*chugakko*, age 12 to 15).⁷ It is provided nearly exclusively by public institutions run by the municipal or prefectural governments, though there are some private and

a few national public schools.⁸ Kindergarten is not mandatory, but enrolment rates lie above the OECD average (OECD, 2016a).

Pupils at elementary and junior high school level typically attend school for five to six hours per day over a five-day week.⁹ In many schools, students have lunch at school and afterwards jointly clean their classroom and communal areas, including the gym and the lavatories.

Learning outcomes during compulsory education are assessed through national examinations at the end of elementary school (in grade 6) and junior high school (in grade 9).¹⁰ Students may moreover have to pass entrance examinations to be selected into a private or national junior high school. Grade repetition is very rare in compulsory education, and pupils generally remain in the grade that corresponds to their age even after prolonged periods of sickness (NIER, 2011). Upon successful completion of junior high school, students receive their lower-secondary school-leaving certificate (ISCED level 2), which entitles them to enter upper-secondary education.

High school admission is typically based on highly competitive entrance examinations administered by the prefectural or municipal boards of education or directly through private high schools. The three years of junior high school are therefore a particularly important period during pupils' lives as they determine whether a young person will be able to attend a prestigious upper-secondary school.

Private tutoring is an important feature of the Japanese education system. About half of all junior high school students receive out-of-school lessons in so-called “cram schools” (*juku*) after class has ended in the afternoon, on weekends and during summer vacations (NIER, 2012a; OECD 2015a). *Juku* help prepare students for their high school entrance examinations, but according to a 2008 MEXT survey, already in the first year of elementary school, about one in six pupils attend *juku* to avoid falling behind or to cover class material in additional detail (OECD, 2011). While the fees that *juku* charge can vary greatly, The Economist magazine (2011) estimated the annual costs per student at around JPY 260 000 (EUR 2 100).¹¹ Another 15 to 20% of students enrol in correspondence courses or receive home tutoring (OECD, 2011; NIER, 2012a).

Upper- and post-secondary education

Senior high schools (*koto-gakko*) in Japan offer three types of curricula:

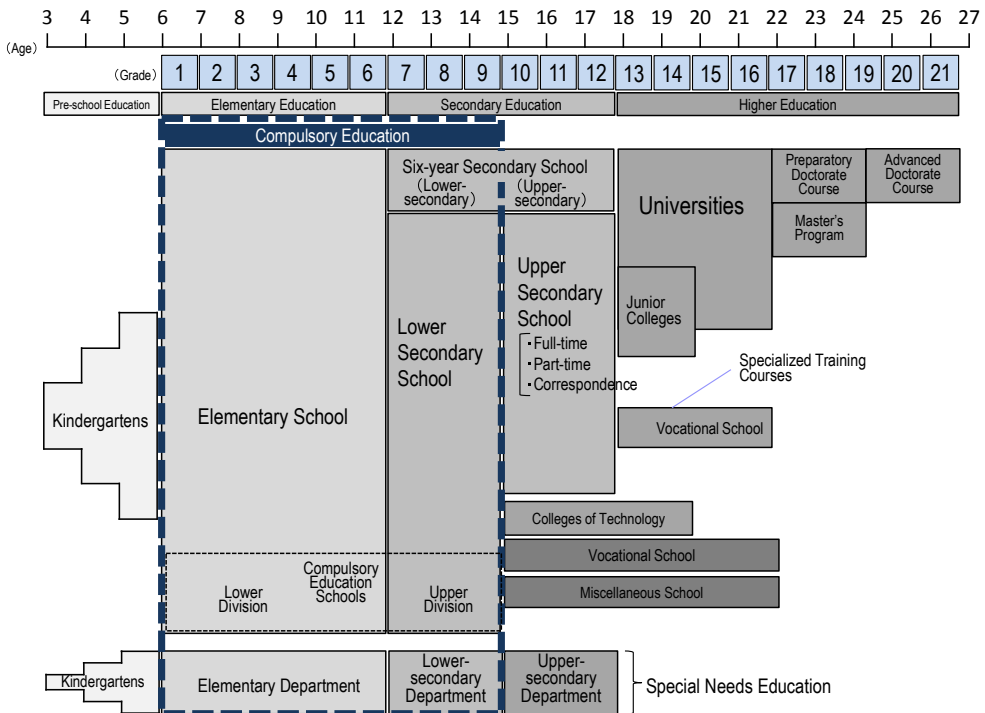
- *General programmes* emphasise academic subjects. They are aimed at students who intend to pursue tertiary education, but are suited

also for those planning to enter employment without yet wanting to narrow down their choice to a specific profession.

- *Specialised programmes* provide vocational and technical education in fields such as engineering, commerce or agriculture, but also in music or arts.
- *Integrated programmes*, introduced in the mid-1990s, permit students to choose from a mix of general and specialised courses.

Programmes typically take three years of full-time study, but last longer when attended part-time or in the form of correspondence courses. Some comprehensive secondary schools (*chuto-kyoiku-gakko*) offer lower- and upper-secondary education jointly in single six-year programmes.¹²

Figure 4.2. The Japanese education system



Source: OECD adaptation of a figure provided by the MEXT.

Colleges of technology (*koto-senmon-gakko*, or *kōsen*) offer an attractive alternative to upper-secondary education for junior high school

graduates who wish to obtain high-level professional education. Introduced in the early 1960s in response to Japan's rapidly growing need for skilled labour, the *kōsen* offer five-year programmes consisting of three years of specialised upper-secondary education and two years of post-secondary training in technical subjects, notably in engineering. Graduates obtain an associate degree (ISCED level 5B), which qualifies for admission to higher education, and indeed nearly 40% of *kōsen* graduates continue their studies at university. Most *kōsen* are government-run.¹³

While upper-secondary education is not mandatory, access is nearly universal: 96% of all junior high school graduates in 2015 advanced to upper-secondary schools, 73% of them to public high schools. Another 1% attended colleges of technology. Less than 0.5% of junior high school graduates directly entered employment (MEXT, 2016c).

Both public and private high schools traditionally charge their students tuition, but recent reforms carried out by the Japanese government have reduced the financial burden to students' families. Since 2010, a tuition fund pays students at national, public and private high schools a grant equivalent to the standard annual tuition fee at a public high school (JPY 118 800, or EUR 970 per year). For students from low-income households, the grant can be increased by 50 to 100%. If a private school charges more than the standard fee, the student's family needs to cover the difference. No tuition fees apply at public elementary and lower-secondary schools.

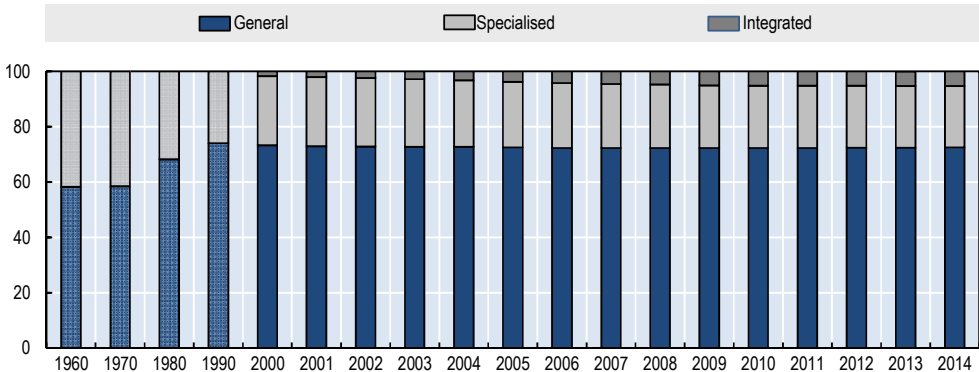
The large majority of upper-secondary students enrol in general programmes (73% in 2014, see Figure 4.3, Panel A). Vocational education and specialised courses in non-vocational subjects such as science / mathematics, physical education, music or arts account for only 22% of all students, a share that has slightly declined with the introduction of integrated programmes. Among students in vocational education, the most popular specialisations are industry (particularly for young men), commerce (for young women) and agriculture (Figure 4.3, Panel B; MEXT, 2016c). Specialised upper-secondary programmes generally do not focus on specific professions or trades within these broad fields. About 5% of upper-secondary students choose integrated courses.

Upon completion of a formally recognised upper-secondary programme, graduates receive a Certificate of Graduation (ISCED level 3), which entitles them to apply for higher education. A majority of high school graduates move on to tertiary education, either for a four-year undergraduate programme at one of Japan's nearly 800 universities (*daigaku*, ISCED level 5A) or for more practically oriented two-to-three-year programmes at junior colleges (*tanki-daigaku*, ISCED level 5B, Figure 4.4).¹⁴ Most universities and colleges are private, and students again have to pass

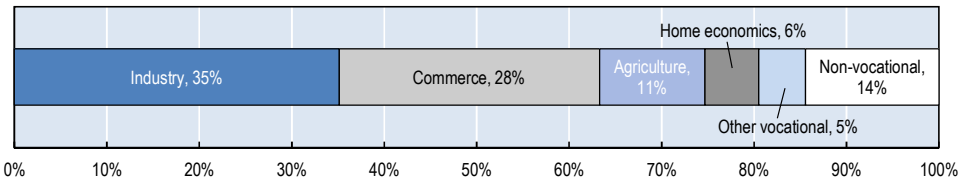
competitive entrance exams to be admitted. Lower-ranking private high schools in particular are facing a decline in applicant numbers as a result of shrinking cohort sizes.¹⁵

Figure 4.3. A declining share of high school students choose vocational / specialised upper-secondary programmes

A. Percentage of students in upper-secondary education by course type, 1960-2014



B. Percentage of students in specialised upper-secondary education by concentration, 2014



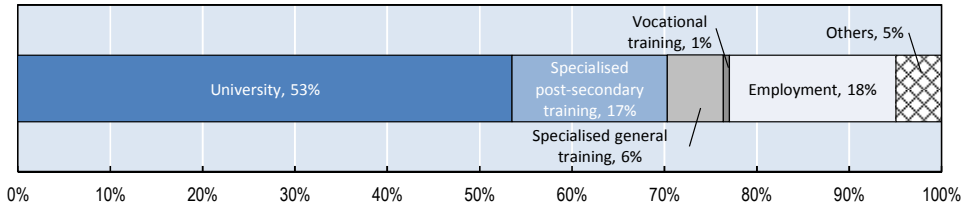
Note: In Panel A, specialised courses include vocational courses (19% of all students in 2014) as well as non-vocational specialised courses in science / mathematics, physical education, music, art, English language and international studies (3%).

Source: MEXT calculations based on the School Basic Survey, 2014.

High school graduates who choose not to continue their education generally have no trouble finding employment. About 18% of them find employment directly after finishing high school, 1% of them on temporary or part-time contracts. About 1% participate in vocational training measures for jobseekers, while about 5% neither pursue further studies nor enter the labour force.¹⁶

Figure 4.4. Over two thirds of high school graduates choose to pursue tertiary or post-secondary training

Career choices of high school graduates, 2012



Note: Graduates' education or employment status is measured in the beginning of May, i.e. one month after graduation. Vocational training denotes private or public training for jobseekers. "Others" includes those who are neither in education nor in employment, young people who have left the country and a small number of graduates who deceased or could not be accounted for.

Source: MEXT (2016), "Statistical Abstract 2016", <http://www.mext.go.jp/en/publication/statistics/title02/detail02/1379369.htm>.

Special-needs education

Japan has seen a recent shift in favour of greater inclusiveness towards students with special needs. Ever since schooling was made compulsory for disabled children in the post-war years, young people who were blind, deaf or had a mental or physical disability had visited separate schools.¹⁷ A 2006 amendment to the School Education Act, however, mandated a shift away from education at special schools ("special education") towards an education that accounts for students' special needs ("special-needs education"). And since its revision in 2011, the Basic Act for Persons with Disabilities requires that children with and without disabilities attend school together to the extent possible (NIER, 2012c; Isogai, 2017).

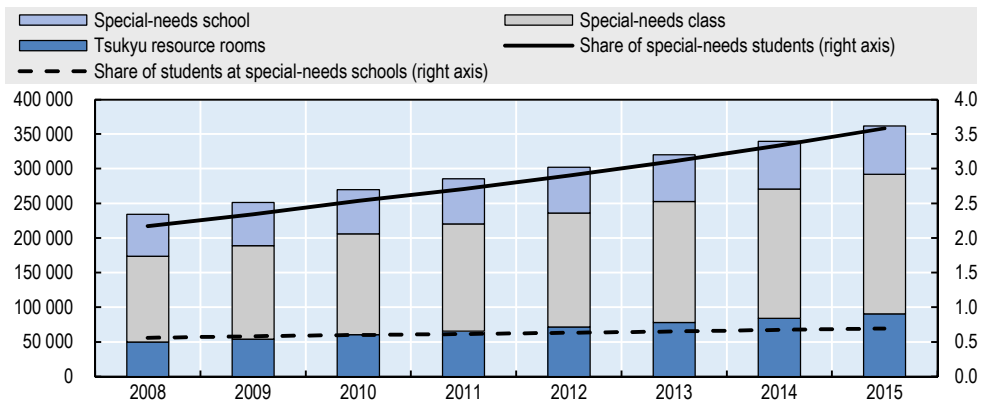
Special-needs students with mild handicaps can be supported in regular schools through two types of arrangements:

- Most elementary and junior high schools offer special-needs classes for pupils with disabilities, often emotional disturbances, autism or intellectual disabilities. All students in such a class share the same type of disability, and the instruction follows national guidelines adapted to each type of disability. Special-needs pupils are taught in a separate classroom but may attend regular classes with other pupils in some subjects. The maximum permitted class size is eight pupils, but classes are typically smaller than that (Fujimoto, 2009).
- Students with lighter handicaps, such as low vision, hearing problems, learning or language disorders or attention deficit

hyperactivity disorder, receive so-called “special support services in resource rooms” (*tsukyu*). *Tsukyu* students usually spend most of their time in ordinary classes but receive additional private or small-group *tsukyu* lessons for up to eight hours per week. The specialised *tsukyu* teachers provide extra or substitute lessons to promote independence and social participation.

Figure 4.5. A growing number of pupils receive special-needs education but most of them attend regular schools

Number of students by type of special-needs education (left axis) and percentage of special-needs students and students at special-needs schools out of all students (right axis), elementary and lower-secondary education, 2008-15



Note: Data for students in *tsukyu* resource room programmes are for public schools only and exclude national and private schools.

Source: OECD calculations based on MEXT data.

In response to the growing share of children with multiple disabilities, comprehensive “special-needs schools” (*tokubetsu-shien-gakko*) were introduced in 2007 to replace the previously separate schools for deaf children, blind children and children with a mental or physical disability. Special-needs schools typically offer education from kindergarten through to upper-secondary education, while functioning moreover as support centres for special-needs students enrolled at regular schools. They use special curricula and operate on much lower student-teacher ratios and with adapted facilities and equipment. The per-student expenditure at special-needs schools is about ten times as high as for students at regular schools (MEXT, 2016a).¹⁸ Graduates from special-needs schools receive a certificate that is formally equivalent to that of regular schools, notably in permitting access to higher education.

The number of students who are classified as having special needs in Japan is rapidly growing, both in absolute terms and when measured in relation to the shrinking student population (Figure 4.5). There were about 362 000 special-needs students in compulsory education in 2015, 54% more than in 2008. This corresponds to about 3.6% of all students (Figure 4.5, Panel A). Unfortunately, no recent comparable data on the number of special-needs students exist for other countries.¹⁹

A growing share of special-needs students attend regular schools – either in special-needs classes or in *tsukyu* resource rooms (56 and 25% of all special-needs students in 2015, respectively). This trend reflects recent concerns about inclusiveness, but also the rising share of students diagnosed with milder forms of disabilities. Yet, the number of students at special-needs schools – and the number of such schools – continues to grow, and 0.7% of all students at primary and lower-secondary level attended special-needs schools in 2015, slightly more than in 2008.

Social and employment services for students

Young people of compulsory-schooling age receive social support primarily at school through school counsellors and social workers. Until recently, schools moreover co-operated with 160 prefectural Regional Youth Support Stations (RYSS), which provide intensive support in the form of one-to-one counselling, group activity sessions, but also career counselling and work experience to the most vulnerable youth. RYSS support for at-risk students was terminated, however, after a 2013 internal government review raised concerns that too many at-risk students were channelled away from school support services towards the RYSS. Today, the RYSS generally service only young people no longer enrolled in education (see Chapter 5), though a small number of prefectures have decided to maintain the old model. Outside of their schools, young people from low-income households can receive support from social workers and other expert staff at municipal health and welfare offices, which providing financial and in-kind support to “needy” households (see Chapter 3).

Hikikomori – i.e. persons who live in permanent withdrawal from society (see Chapter 2) – can receive help at Community Hikikomori Support Centres run by the prefectural governments and designated cities in 67 locations across the country. These centres act as a first point of contact for *hikikomori* and their concerned families, provide counselling and can refer young people and their parents to specialised providers including the RYSS or mental health services.

Students receive career advice from designated school teachers and, at some schools, through trained career counsellors. These co-operate with the

Japanese public employment service “Hello Work” (HW) to provide intensive job placement services to future graduates who do not wish to pursue higher education.

2. Ensuring school completion and fighting truancy

Young people’s labour market perspectives – and their risk of becoming *freeters* or NEET – depend strongly on their educational attainment (see Chapter 2). To promote stable employment for young people, governments must aim to ensure that all young people obtain at least an upper-secondary degree that entitles them to further pursue their studies or equips them with the vocational skills required to succeed in the labour market. To prevent vulnerable young people from dropping out, it is vital that schools and families detect any possible signs of disengagement early. They then need to work closely with social and health services and other experts to ensure that the young people quickly receive the support they need. Central policy challenges for tackling early school leaving are typically to establish and maintain clear reporting procedures for cases of non-attendance and to ensure the provision of suitable learning options for young people who find it difficult to attend mainstream schools.

Early school leaving in Japan

Governments across the OECD are making substantial progress in ensuring that young people do not leave school without a high school degree. The OECD-wide rate of early school leaving – defined as the share of young people who quit school without an upper-secondary qualification – declined significantly over the last decade, from 23 to 18% of 25-to-34 year-olds between 2000 and 2014 (OECD, 2016f).

Early school leaving rates in Japan have traditionally been much lower than that, though the exact incidence of early school leaving is more difficult to quantify than in other OECD countries:²⁰

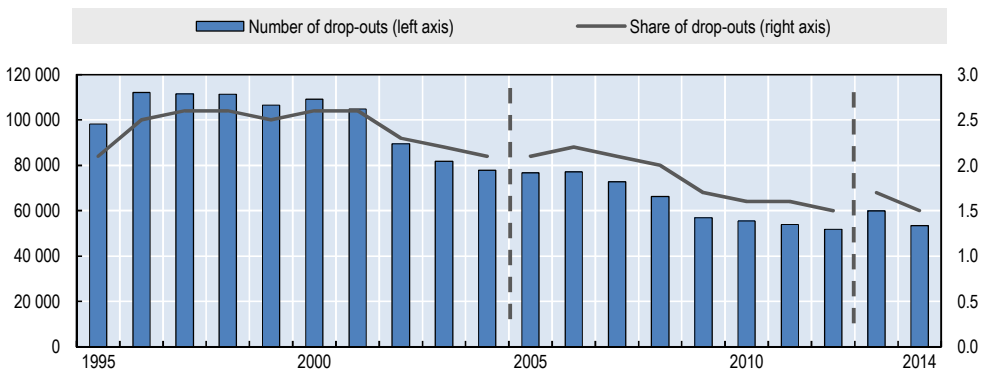
- Only few junior high school students – about 1.2% in 2014 – do not continue their studies after graduation (MEXT, 2016c).²¹ Not all young people who leave school after graduating from junior high school necessarily count as early school leavers, however. At least some of them further pursue their studies after an interruption and hence obtain their upper-secondary qualification later.
- A slightly greater share of junior high school graduates commence upper-secondary education but fail to obtain their degree. Across schools and programme types, on average about 1.5% of high school students dropped out of school in 2014, a rate only about half

as high as in the mid-1990s (Figure 4.6). Given the typical programme duration of three years, this implies that about 4.5% of all students who start their high school education do not obtain a qualification.²² Again, however, not all drop-outs from upper-secondary education end up as early school leavers – some of them may still obtain an upper-secondary qualification later.

Overall, these numbers imply that less than 6% of young people end their education without (immediately) obtaining an upper-secondary qualification. This corresponds to one of the lowest rates across OECD countries behind Korea (2%) but ahead of countries such as Canada (8%), the United States (9%) and Germany (13%, OECD, 2016f).

Figure 4.6. The number of high school students who drop out of their programmes is declining

Upper-secondary students who do not complete their programme in absolute numbers (left axis) and as a percentage of all upper-secondary students (right axis), 1995-2014



Note: The numbers shown are for public, national and private schools including correspondence and part-time programmes. The dashed vertical lines indicate structural breaks in the data series when the sample was widened to include national schools (in 2005) and correspondence courses (in 2013).

Source: MEXT calculations based on the Survey on Issues Related to Education of Children with Problem Behaviour.

Monitoring and reporting of school attendance

Strategies for keeping at-risk students in education yield the most promising results when they address barriers to educational participation at an early stage. Dropping out is generally not a sudden, unexpected event, but rather the consequence of a longer process of gradual disengagement (Lyche, 2010). It can be driven by a range of different factors – learning

difficulties, mental health issues, problems in the family, parents' attitudes towards education or the school experience – which tend to interact and build up over time (OECD, 2012b). To prevent a young person from dropping out, these challenges need to be addressed as soon as they arise.

Schools should therefore systematically monitor student attendance and keep key stakeholders – notably the parents and social services – informed to ensure that troubled pupils are detected and receive the attention they need. Requirements to report attendance to the national education authorities can ensure that teachers, schools and municipalities take non-attendance seriously.

Schools in Japan are required to monitor student attendance, but individual-level attendance records are generally not systematically shared with prefectural authorities. The Tokyo Prefecture Board of Education, for instance, regularly gathers detailed statistical information about the situation at its schools by sending out dozens of paper questionnaires per year that the school administrations have to complete. These questionnaires do not, however, cover student attendance.

The MEXT collects comprehensive *aggregate-level* information on non-attendant students – so-called *futōkō* students – by means of an annual survey completed by all elementary schools, junior and senior high schools. Students are considered *futōkō* if they were absent from school for more than 30 days in an academic year for reasons other than sickness or economic hardship. The questionnaire serves to assess the support for *futōkō* students, and notably the availability and use of Education Support Centres (see below). It includes a series of questions about the incidence and causes of non-attendance and collects information on measures taken by schools to address non-attendance as well as on their collaboration with external institutions for counselling and alternative education.

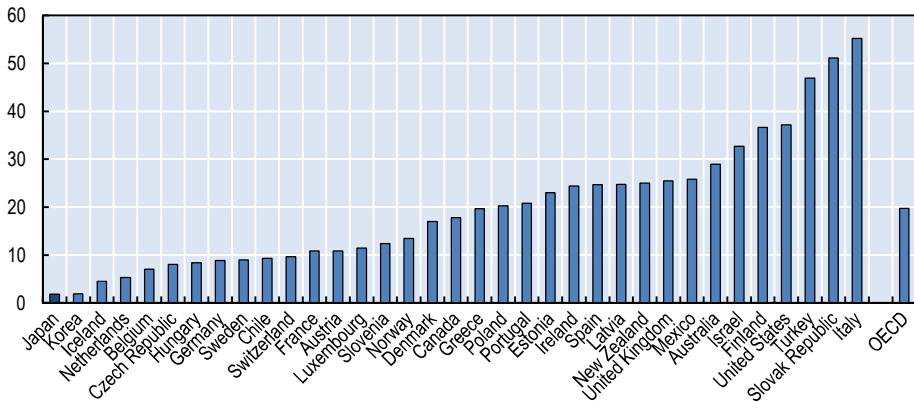
Prefectural governments and schools enjoy a lot of leeway when it comes to dealing with non-attendance. Teachers typically react to cases of unexcused non-attendance by contacting the student's parents to find out about the reasons for absence, and – where necessary – to arrange a meeting with the school counsellor. In some schools, teachers may attempt to resolve the situation by visiting the absentee's home. Especially in larger cities, high schools lack capacity, however, to carry out such home visits on a regular basis in particular if their students live far from school. In Tokyo, commuting times to school for high school students may reach an hour or more each way.

Student non-attendance is generally very rare in Japan:

- PISA data show that students in Japan are less likely to be truant than peers in all other OECD countries. Fewer than 2% of all 15-year-olds reported having skipped an entire school day in the two weeks prior to the PISA test, compared to nearly 20% in the OECD on average (Figure 4.7).
- The estimated share of *futōkō* students is even lower. According to the statistics from the MEXT’s annual questionnaire, *futōkō* students account for about 1.3% of all students from elementary through to upper-secondary level. This translates into about 175 000 *futōkō* students in 2013, 120 000 of whom were of compulsory-education age (Figure 4.8).

Figure 4.7. Truancy rates in Japan are the lowest across OECD countries

Percentage of 15-year-olds who report having skipped a whole school day in the previous two weeks



Source: OECD (2016), *PISA 2015 Results (Volume II): Policies and Practices for Successful Schools*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264267510-en>.

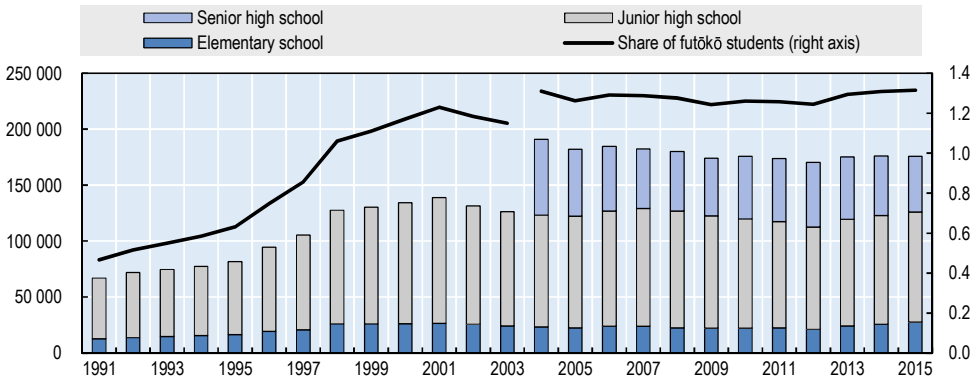
Nonetheless, the situation of *futōkō* students is an issue of great concern to the Japanese society. The share of *futōkō* students was nearly twice as high over the past decade as in the early 1990s (Figure 4.8), and only about one third of registered *futōkō* students returned to school in 2014.

The reason for the risen number of *futōkō* young people is difficult to assess. A whole body of research has focused on the related issue of rising “school refusal” (*tōkōkyōhi*) and cites psychiatric, behavioural and social reasons for the phenomenon; some concerned pupils have described school

refusal as the outcome of a longer process of burn-out from a school system that they have perceive as alienating and overly demanding (Yoneyama, 2000).²³

Figure 4.8. Student non-attendance is much more severe than in the 1990s

Number of non-attending students (*futōkō*) in elementary school, junior and senior high school (left axis) and percentage of *futōkō* students out of all students (right axis), 1991-2015



Note: Non-attendance data for senior high school students is available only from 2005.

Source: MEXT Survey on Issues Related to Education of Children with Problem Behaviour, 2013.

To further reduce the rate of non-attendance and fight early school leaving, the Japanese government should consider strengthening requirements for schools and prefectures to share individual-level student attendance data. This would permit prefectural education authorities to verify in time that non-attendance is adequately dealt with. Such information-sharing requirements are already in place, for instance, in the Saga Prefecture, a region in southern Japan visited by the OECD review team. Here, high schools are required to transmit student attendance information to the board of education on a monthly basis. Web-based platforms, as they exist in Australia, Estonia and Latvia, can be an excellent way of facilitating such information-sharing making information readily available to schools, municipal or prefectural authorities and parents.

Such changes should be tied to an explicit obligation for prefectural authorities to follow up on all students who drop out of senior high school. While Japan provides comprehensive employment and social services to NEETs, including through HW and the RYSS, these offers often rely on the initiative of the young person or their family to get in touch. Requiring prefectural authorities to follow-up on all young people out of education or

employment (below a certain age threshold) would permit reducing the time until a young person at-risk of disengagement is put in touch with government support. Similar regulations exist for instance in Norway, where all young people between the age of 15 and 21 years who are not in education or work have to be contacted by the district-level authorities (see Box 4.1).

Box 4.1. The Norwegian Follow-Up Services

All 19 Norwegian county authorities are legally obliged to follow up on young people between the ages of 15 and 21 who are not in employment, education or training. To that purpose, each county has, since 1994, its own “Follow-up Service” with a mandate to keep an overview of the activity status of all young people who finish compulsory lower-secondary education.

The Follow-up Services reach out to all youngsters who are not in employment or education to offer counselling and establish a contact with the local employment and welfare office NAV. They also co-ordinate the various other actors who provide services for this group. In Oslo, for instance, the Follow-up Service receives four times per year a list of school drop-outs from the county authorities, which needs to be checked. Young people not enrolled in education are detected by regularly comparing the lists of enrolled students with the county-level population register. 110 counsellors are located directly in Oslo’s schools (both lower- and upper-secondary); additional follow-up offices exist in each of the 15 district-level NAV offices. Most of the other counties in Norway have one central follow-up office with seven to eight employees.

In many cases, a young person who gets in touch with NAV has previously dropped out of upper-secondary school. NAV then directly co-operates with the follow-up service to provide tailored combinations of work practice from NAV and elements of schooling offered by an educational establishment. The young person may then be registered as part-time unemployed and part-time student. The aim of such combinations is to enable alternative ways of returning to school and completing education.

Source: OECD (2017), Investing in Youth – Norway, OECD Publishing, Paris, forthcoming.

Tailored learning options for at-risk students

School environments have to be tailored to the students’ individual needs to help every young person attain their full potential and minimise the risk of school failure and dropout. Students with learning difficulties, but also those with more severe physical or mental disabilities, generally benefit from attending mainstream schooling, where they mix with other young people, all the way through to upper-secondary level (OECD, 2012c). Policies should therefore, as far as possible, foster a learning environment that is flexible and supportive enough to cater for at-risk students in standard schools. But creating such an integrative learning environment is difficult

and costly, and mainstream schools may often not have the resources to lend disadvantaged students the support they need. While the Japanese education system produces outstanding results for the very large majority of students, the government needs to ensure that adequate solutions are available also for young people who have troubles fitting into the mainstream schooling system.

Ensuring that all young people complete their compulsory education

Students who have stopped attending school for psychological, emotional, social or physical reasons – the *futōkō* – can receive social support and alternative education through nearly 1 300 public Education Support Centres (ESCs).²⁴ The network of ESCs, which is operated by the prefectural and local governments, combines subject teaching with individual and family counselling, group guidance, sports and outdoor activities and other forms of support. The ESCs’ activities are provided in co-operation with schools – both off the school premises and in unused classrooms. While students’ participation in ESC activities can under certain conditions be formally considered as school attendance, ESCs are not intended to replace mainstream schooling but to encourage participants to return to their regular school. Often, ESCs are primarily concerned, however, with providing troubled young people with safe spaces, helping them build up confidence and supporting their independence (Ito, 2016). Unfortunately, the MEXT does not collect data on participants’ outcomes that would permit evaluating the effectiveness of ESC activities.

Outside the mainstream schooling system, so-called “Free Schools” provide alternative schooling options to *futōkō* students and other young people who have troubles fitting into the compulsory-schooling system.²⁵ They target students who stopped attending their regular school and provide them with education, counselling and care. Free Schools offer more liberal learning environments based on flexible schedules with courses corresponding to students’ interests. The majority of schools are managed by charities and other not-for-profit actors, though some are run by for-profit enterprises.

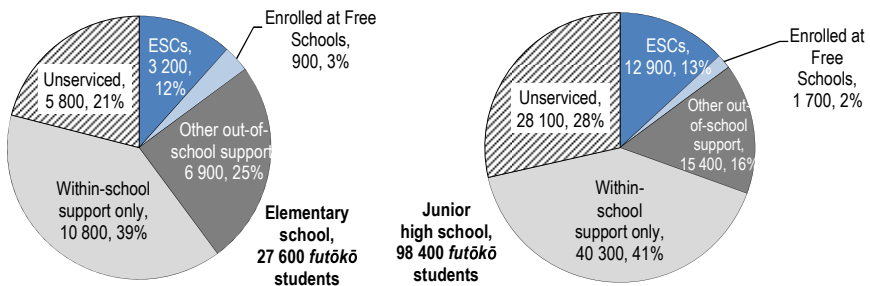
The legal status of Free Schools within the Japanese education system is problematic, however. Developed in the mid-1980s through private initiatives, Free Schools are, until today, not required to officially register with the MEXT, and they are neither formally supervised and accredited nor publicly funded. Little reliable information exists consequently on the exact number of Free Schools and the students enrolled, though the MEXT carried out a survey of 319 Free Schools in 2015.²⁶ Irrespective of this lack of regulation and oversight, pupils’ participation in Free School activities can be counted as school attendance if the principal of their regular school

approves, and pupils formally remain enrolled at their regular school. To improve the support to *futōkō* youth, the MEXT encourages a closer cooperation of Free Schools with regular schools and the boards of education. No concrete plans exist, however, to regularise the position of Free Schools and integrate them into the mainstream education system.

Since the mid-2000s, a small number of mainstream public and private schools, the *futōkō tokureiko*, provide compulsory education with a curriculum targeted specifically at *futōkō*.²⁷ The Japanese government is considering expanding this system, and a law aimed at strengthening the support to *futōkō* students is currently being discussed in parliament.

Figure 4.9. Few pupils with attendance problems attend alternative learning options, but many benefit from other services

Measures taken to address attendance problems among elementary and junior high school students
Absolute numbers and percentage of all pupils with attendance problems (*futōkō*), 2015



Note: Truant pupils are those with more than 30 days of non-attendance in an academic year for reasons other than sickness or economic hardship. “Other out-of-school support” includes measures taken by boards of education, child guidance or health and welfare offices, hospitals, clinics and public health centres and others. “Other within-school support only” refers to support through nurse teachers or school counsellors for *futōkō* students who did not receive out-of-school support.

Source: MEXT Survey on Issues Related to Education of Children with Problematic Behaviours, 2015.

The share of students with attendance problems who benefit from alternative learning options remains relatively low. Approximately 16 100 students of compulsory schooling age engaged in activities offered by the ESCs in 2015, most of them at junior high school level. About 2 600 attended Free Schools (Figure 4.9).²⁸ Jointly, this corresponds to only about 15% of all *futōkō* students in 2015. Another 22 300 *futōkō* students received other types of educational, social or health support outside of school, including through boards of education, child guidance or health and welfare offices or clinics and public health centres. Many more received support within their schools.

There is hence substantial scope for expanding the provision of diverse learning options for young people of compulsory-schooling age. The Japanese government should consider promoting the introduction of public or private schooling options for junior high school students who – for personal, social or health reasons – do not fit into the mainstream schooling system. The currently considered expansion of the *futōkō tokureiko* could be an important step in this direction. Another one should be a closer co-operation with, and regulation of, Free Schools, notably though the introduction of more rigorous quality controls and supervision in exchange for government funding.

Providing diverse learning options for upper-secondary students

While all schools in Japan have to follow the national curriculum standards outlined in the Courses of Study, they have significant leeway in designing educational programmes. Since the early 1990s, some typically lower-ranking public high schools have used this freedom to offer more flexible programmes to appeal to students with attendance problems during junior high school and those who lack motivation for standard coursework.²⁹ In the Tokyo Prefecture, for instance, five so-called Challenge Schools offer high school education to young people who find it hard to follow standard education because of minor learning difficulties, a lack of motivation or behavioural problems. In addition to the subjects listed in the Course of Study, these schools offer a selection of practical and artistic subjects, such as cosmetology or the practice of tea ceremonies. The Tokyo Challenge Schools neither conduct admissions examinations nor consider transcripts of grades for selecting their students. Some Challenge Schools offer classes in the afternoon or evening, or on a part-time basis.

Early school leavers – i.e. young people who did not choose to pursue a senior high school degree or who started and dropped out – can still complete their upper-secondary education by enrolling in part-time programmes or correspondence courses:³⁰

- Part-time programmes were initially introduced after the Second World War to offer evening learning for young people from low-income families who worked during the day. Since the 1970s, the night divisions of public high schools mainly attract students who faced difficulties in the full-time schooling system, including many former *futōkō*.³¹ Evening classes are perceived as an attractive option for school-tired youth because they operate on reduced hours. Some schools offer part-time classes in the morning, afternoon and

evening hours granting pupils flexibility to pick the times that suit them most and to complete the programme at their own pace.³²

- Correspondence courses, like part-time programmes, were introduced in the post-war period to enable young workers and housewives to pursue an upper-secondary education. Students enrolled at correspondence schools learn individually at home and regularly submit course material for correction. Daily class attendance is not required, and students can proceed at their own pace. Survey evidence suggests that former *futōkō* students represent a majority of students at correspondence courses (Ito, 2016). Correspondence programmes account for about 5% of all upper-secondary enrolment – about 173 000 students in 2015.

A whole industry of private education providers outside of the formal education system offers learning support and counselling to help students prepare for the final senior high school exams. Increasingly, students enrolled at correspondence high schools attend so-called Support Schools, which provide learning support and help students complete homework assignments. Like Free Schools at elementary and lower-secondary level, private Support Schools are not formally regulated or supervised by the MEXT, and there is hence great variation in curricula and teaching methods. Tuition fees are substantial, at up JPY 1 000 000 (EUR 8 300) per annum during the first year (Ito, 2016). The MEXT does not collect any statistics on these schools.

Overall, a broader set of learning options exists for students beyond compulsory-schooling age in the form of schools with more flexible curricula, practical programmes provided by specialised upper-secondary schools, and part-time and evening programmes and correspondence courses. The number of senior high schools that operate on flexible schedules – as the Tokyo Challenge Schools – is however comparatively small and not all interested students can be served.³³ The flourishing business of expensive Support Schools for students enrolled in correspondence classes shows that there is a clear demand for alternative, flexible learning solutions outside the main school system.

3. Promoting quality vocational education and training

Quality vocational education and training (VET) can play an important dual role. First, it prepares young people for the workplace equipping them with the mix of general and job-specific skills they need to find stable employment. By combining classroom learning and practical training, VET can be an attractive alternative to higher education, in particular for less

academically minded young people. Second, VET contributes to training a future workforce that matches employers' skill needs. To ensure quality and relevance, the practical training component of VET should ideally be in the workplace.

Japan's post-secondary VET system is generally considered a best-practice in many respects. The prestigious *kōsen* (colleges of technology) have a reputation for delivering excellence in vocational training, and they have proven highly responsive to the skill needs of the Japanese industry. They have also been praised for their role in providing “socially inclusive progression pathways for young people from lower socio-economic backgrounds” (Newby et al., 2009). Private post-secondary *senmon-gakko* (special professional colleges) have moreover been gaining popularity as an alternative to university or junior colleges drawing their attractiveness from their clear focus on employability. Enrolment numbers are rising again after having declined in late 1990s and early 2000s, and a growing number of students transfer from university and junior college to the more practical *senmon-gakko*.

VET at high school level plays a less important role, by contrast. Historically, workers have joined a company as inexperienced high school graduates and often remained within that same company until retirement. Any vocational training needed over an employee's career was provided through the employer. This arrangement has come under pressure, however, through recent shifts in the Japanese economy (see Chapter 1).

Company-based training

Employers have traditionally been the primary provider of vocational training outside the formal post-secondary education system. Companies typically recruit junior staff among forthcoming graduates who choose to enter the labour market in a single, major hiring round at the end of each academic year. In a highly standardised procedure, employers select the candidates who are most qualified in terms of their general knowledge and social skills – qualities which the formal education system focuses on. Young recruits then build up their vocational skills through on-the-job training: practical skills are gained through work experience; theoretical training is provided either in-house by supervisors or more experienced colleagues or through external courses.

The employer-provided vocational training is little standardised across companies. In certain professions, such as public accountants, nurses or hairdressers, professionals have to obtain compulsory national licenses (*kokka shikaku*). The branch ministries supervising these professions determine the knowledge and skill requirements and testing procedures for

these licenses. In most other areas, including manufacturing and technical professions but also in commerce and business administration, employees can earn narrowly defined skill certificates (*ginō kentei*). Employees acquire and regularly renew these certificates through theoretical and practical tests carried out on the company's premises or in facilities such as national or prefectural technical schools. Depending on the profession, the tests are organised by the Japan Vocational Ability Development Association (JAVADA) or the respective industry association. Licenses and certificates confirm that an employee has acquired specific vocational or technical skills – neither of them are, however, tied to a clearly specified curriculum that would be comparable across companies. The vocational training provided in companies is consequently often company-specific rather than occupation-centred (Dore and Sako, 1998; Bromann, 2010).

The fundamental transformation of the Japanese economy observed over the last two decades – characterised by changes in the industrial structure, the reform of corporate governance, increased competition and a rise in non-standard employment – challenges the effectiveness of the company-centred vocational system (Kosugi, 2008, OECD, 2009). The division of roles between the formal education system and employers was highly effective in an economy where the relationship between companies and their employees typically lasted from graduation to retirement. Employees on permanent contracts could safely assume that the company they joined as graduates would arrange their vocational training as long as they were ready to move on to any position they were assigned to. As firms are turning away from training employees themselves towards hiring workers who already come with the qualifications needed for a specific job (OECD, 2011), today's graduates can no longer expect, however, to stay with their first employer for life. And while employer-provided training may be well-adapted to the company's needs, it does not necessarily equip employees with broadly accepted occupational qualifications that would be relevant also at a different employer. Both employers and employees consequently anticipate that the responsibility for vocational training will in the future shift from employers to employees (Fujimura, 2004).³⁴

The company-based vocational training system moreover fails many of the low-achievers among high school graduates. Most companies look above all towards the most recent cohort of graduates in their annual recruitment rounds while hiring few to no additional junior staff for the rest of the year. High school students who fail to secure a job upon graduation may therefore find themselves permanently excluded from work. These young people may struggle for long to gain a foothold in the labour market joining Japan's growing force of *freeters* who hop from one low-skilled temporary job to the next. Since workers on temporary contracts often lack access to employer-

provided vocational training, their perspective of moving up the skills ladder and securing stable employment is bleak (see Chapter 1). While the number of young people who are unemployed after graduation is typically low, it can be more substantial among cohorts unfortunate enough to graduate during recession times when employers reduce their hiring activity (see Figure 4.13, Panel A).

Upper-secondary vocational education

Vocational education at upper-secondary level plays a lesser role in Japan than in many other industrial economies. Specialised upper-secondary programmes are not primarily intended to provide vocational training, but rather to offer scope for practical learning while equipping students with the same academic skills taught in general programmes. Unlike in many other OECD countries, graduates from these programmes are entitled to directly seek admission to tertiary education. The practical training provided in specialised upper-secondary programmes is often largely school-based. The Course of Study prescribes that vocational high schools should devote sufficient time to scientific activities and experiments as well as on-the-job training.³⁵ Most vocational high schools enable students to get some work experience with employers through practical courses offered jointly with local companies – for instance in agriculture or food processing – or longer internships. The contents and structure of this training are not regulated, however, and there are no legal requirements that a certain share of vocational training be provided within companies.³⁶

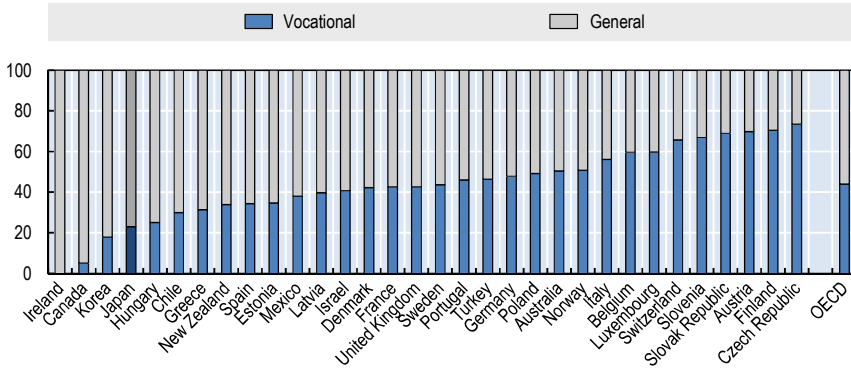
Specialised upper-secondary programmes have consequently long suffered from a relatively poor reputation (NIER, 2012b), being often perceived as a less attractive, second- or third-choice option behind general high school programmes and the prestigious *kōsen*. The share of young people participating in vocational education at upper-secondary level in Japan is among the lowest across OECD countries (Figure 4.10). And only about 21% of all graduates from specialised programmes advanced to university or junior college in 2015³⁷ as academically-minded students tend to prefer general programmes which promise better chances of performing well in the university entrance exams.³⁸

Specialised upper-secondary programmes produce excellent employment outcomes, however. Among graduates who wish to start working, 96 to 99% found an employer at the end of the academic year in 2015 (Figure 4.11). This reflects the active role schools play in placing their students into work, as well as schools' close collaboration with HW and local employers. Somewhere between one-third and three-quarters of graduates choose not to enter employment after graduation, however. Many of them advance to universities, junior colleges or specialised training

colleges (*senshu-gakko*) – some participate in further training programmes for jobseekers with poor labour market prospect at public vocational training centres (see below).

Figure 4.10. Few young people in Japan choose vocational upper-secondary education

Percentages of upper-secondary students enrolled in vocational vs. general upper-secondary programmes, 2014



Note: There are no results for Iceland, the Netherlands and the United States. Results for Canada are for 2013

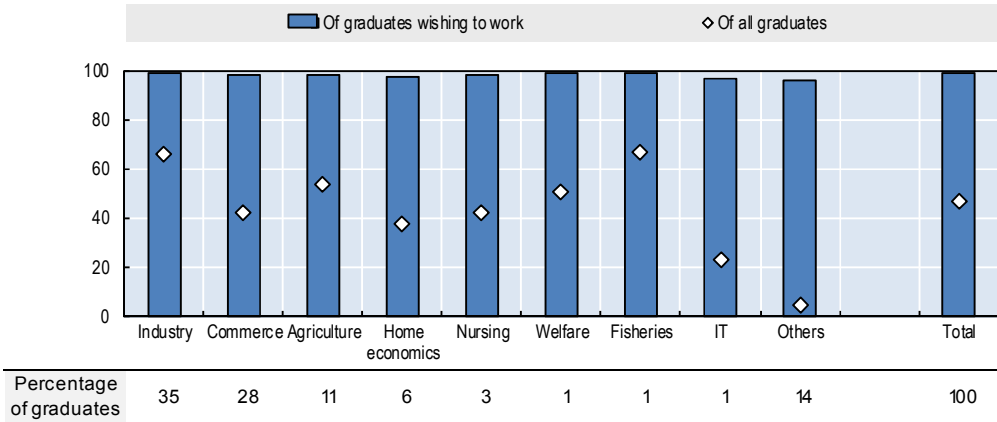
Source: OECD (2016), *Education at a Glance 2016*: OECD Indicators, Table C1.3a, OECD Publishing, Paris, <http://dx.doi.org/10.187/eag-2016-en>.

The Japanese Government should step up its efforts to establish specialised upper-secondary education as an attractive learning pathway for young people who are less interested in pursuing tertiary education. The relevance and appeal of specialised programmes could be raised by strengthening work-based learning components of existing programmes, notably by specifying in the national curriculum guidelines that a significant part of practical training needs to be company-based. Structure and contents of such company-based training modules – and the assessment of students' practical skills – should be developed jointly by the government and the social partners and clearly regulated.

An interesting recent initiative in this respect is the Super Professional High School Programme launched by the MEXT in 2014.³⁹ It provides additional funding to 30 selected specialised upper-secondary schools to help them improve the quality of their practical training including by strengthening co-operation with local companies and universities for joint learning activities and work experience.

Figure 4.11. Virtually all graduates from specialised upper-secondary programmes who wish to work find a job

Percentages of graduates from specialised upper-secondary programmes who find employment, by specialisation, in 2015



Note: Employment rates are measured at the end of the academic year in March 2015. Graduate employment rates are sorted by the number of graduates in the specialisation in descending order.

Source: OECD calculations using MEXT data.

Vocational training programmes outside the formal educational system

The Japanese government provides public vocational training (PVT) outside the formal educational system to registered jobseekers, workless recent graduates and employees to promote upskilling and employment. Depending on the target group, this training is offered directly by the government through its public training agency – the Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers (JEED) –, by the prefectures or through private training providers contracted by the JEED or prefectural governments.⁴⁰

Three types of programmes are available for recent high school graduates without job perspective: one-to-two-year General Courses that provide basic vocational skills, two-year Professional Courses that build practical and technical skills, and two-year Advanced Courses that further develop those skills and prepare for management-level positions. General Courses are open to junior high school graduates, whereas Professional and Advanced courses require in principle a senior high school degree for admission.⁴¹ The courses are offered at public human resource development facilities, such as polytechnic schools, polytechnic colleges and polytechnic universities, and run by the JEED and prefectural governments.

These public training programmes appear to be very effective at bringing jobseekers into employment. Job-finding rates among young people who participated in one of the four programme types were around or above 95% in 2014. Only between 2 and 9% of participants dropped out before completion.

While the practical training provided through these programmes is generally school-based, the Japanese government has – on a small scale – taken first steps to offer work-based training components through the so-called “Japanese-style Dual System”.⁴² Introduced in 2004 under the government’s “Young Peoples’ Independence and Challenge Plan”, this programme combines training at vocational schools with company-based apprenticeships. Trainees acquire technical knowledge and skills at vocational schools before spending the final part of the programme in a company. The bulk of dual-system trainees participate in privately-run, four-to-six month Contract Courses (*itaku-kunren katsuyō-gata*), which come with one to three months of company-based training. They account for 67% of all programme participants – about 6 600 young people in 2015, many of whom *freeters*. Only about 100 recent graduates participated in the most comprehensive, two-year Special Courses (*senmon-katei katsuyō-gata*) offered at polytechnic colleges through the JEED.⁴³

Also the Japanese-style dual system achieves very good employment outcomes, especially for its longer courses: 96% of the participants in Special Courses find a permanent job immediately after programme completion, though the job-finding rate drops to 58% for the shorter Contract Courses. This difference may reflect differences in course length and specialisation as well as the fact that participants in Special Courses receive an employment contract with a regular wage during their company-based training, while the work-based training provided by the shorter Contract Courses rather corresponds to an unpaid internship.⁴⁴ As employers receive a subsidy for offering this unpaid training, critics have argued that some may see programme participants primarily as a source of cheap labour helping them too little to develop their labour market skills.⁴⁵

Career guidance and job placement services

Both general and specialised upper-secondary schools understand it to be one of their main responsibilities to provide career support for their students. High school students therefore benefit from an impressive system of career counselling, job search support and placement managed by the schools in cooperation with HW.⁴⁶

Counselling and job search training are often part of senior high school curricula from the first year. Initially, career support is primarily provided

outside the main classroom hours; in the second year of high school, many schools reserve specific career preparation classes for students who do not intend to pursue higher education. Such classes may include professional orientation sessions, aptitude tests, mock interviews, company visits and lessons to prepare students for typical situations of daily work life. In the third and final year of high school, teachers responsible for career guidance help students search for jobs and prepare for employers' assessment tests.

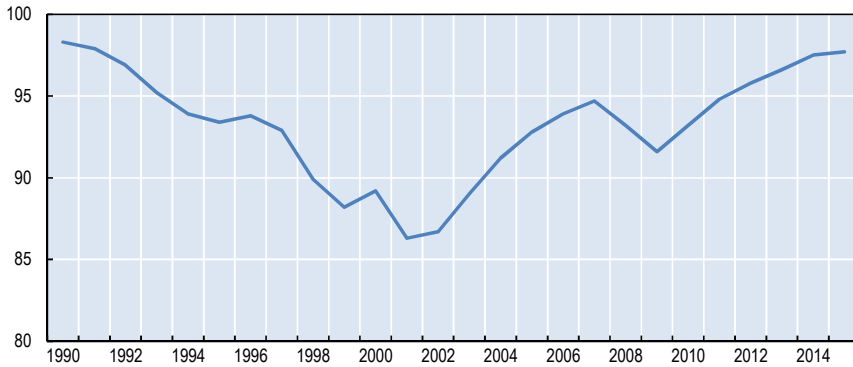
Aspiring labour market entrants then undergo a systematic, highly regulated job placement process at school, in which the teachers responsible for career guidance match students to the available positions based on vacancy lists provided by HW.⁴⁷ Initially, students are typically allowed to apply to a single job at a time only. Students who have not found a position by October or November may apply for multiple positions simultaneously. The precise timing of the application process and the permitted number of applications at the different stages follows a strict schedule determined in each prefecture.⁴⁸ This is to promote equal opportunities among graduates and to ensure that students focus on successfully completing their studies. Students are not allowed to seek work independently, and employers are expected to co-operate with HW when hiring future graduates.

The job placement of high school graduates is remarkably effective. Among upper-secondary students who chose to enter the labour market, nearly 98% had been placed with an employer at the end of the 2015-16 academic year.⁴⁹ This is the highest rate attained since the early 1990s (Figure 4.12, Panel A). Job placement rates are only a little lower for general than for specialised or integrated programmes (Panel B), and they are uniformly high across nearly all prefectures (*not shown*)

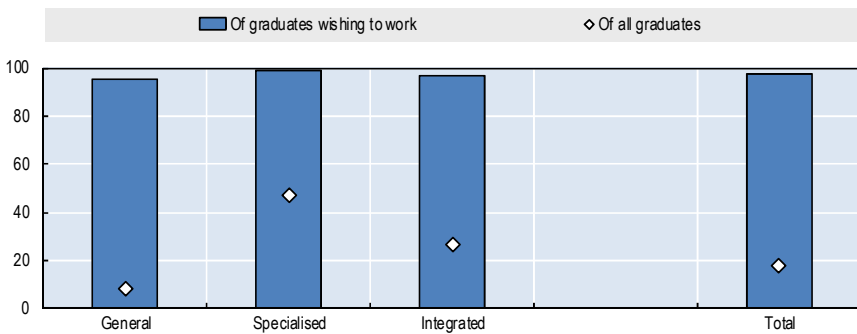
There is little evidence, moreover, that these high job placement rates come at the cost of lower job instability. While not all graduates find a job with their favourite company – or even in their preferred occupation – job turnover after labour market entry is relatively low. Three years after having completed their studies, about 40% of high school graduates no longer work for their initial employer. This rate is lower than for junior college graduates (42%) but somewhat higher than for university graduates (32%). By contrast, 65% of junior high school graduates leave the company they start working for within the first three years after graduation – some of them likely return to school, while others may become *freeters* moving from one company to the next.⁵⁰ Turnover rates decline with firm size, which indicates that larger companies are more likely to offer jobs that are stable and attractive.

Figure 4.12. Nearly all senior high school graduates who would like to work find a job

Panel A. Percentages of senior high school graduates who find a job among those who would like to work, 1990-2015



Panel B. Percentages of senior high school graduates who find a job among those who would like to work and among all graduates, by programme type, 2014



Percentage of graduates	73	22	5	100
# of graduates	780 312	238 725	54 102	1069 867

Note: Job placement rates give the share of graduates who have been matched to an employer at the end of the academic year in March as a share of all graduates who sent off at least one job application. For a breakdown of job placement rates in specialised upper-secondary education by specialisation, see Figure 4.11.

Source: OECD calculations using MEXT data.

The collaboration between schools and the public employment service – which is much closer in Japan than in many other OECD countries – is an important factor in this success story. HW operates a network of 57 agencies delivering job search assistance and placement to senior high school

students and recent graduates under the name Hello Work for New Graduates (see Chapter 5).⁵¹ These offices provide schools with vacancy information through an online platform and carry out school visits to support future graduates who would like to start working.⁵² Hello Work for New Graduates is also the primary point of contact for high school graduates who have troubles finding employment. Schools are expected to reach out to HW a few weeks before the end of the academic year to seek additional support with any students who have not yet been matched to an employer.

4. Providing students with social support

School absenteeism and low educational performance by young people are often caused, or aggravated, by non-educational factors, such as problems in the family, health concerns, or substance abuse. Such issues need to be addressed if there is to be a sustainable improvement in educational outcomes. In addition to any help that the school can provide directly through its own specialised staff, social services outside of school may have to get involved and work with young people and their families. Depending on the young person's need, they might focus on helping address problems at home, on resolving a difficult housing situation, on putting the young person in touch with health services, or on acting as a mediator between the young person and the judicial system.

Social services provided within schools

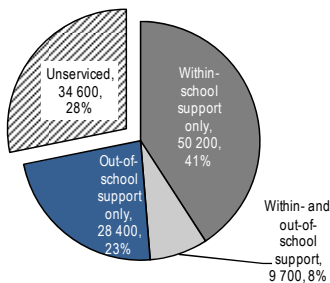
Schools in Japan are an important provider of social services for school-age young people, in particular at compulsory-schooling level:

- School counsellors – typically clinical psychotherapists – are present at most schools for about half a day per week to work with children and their families and provide support and training to the teachers. They are based at schools, sent out to schools by the boards of education as needs arise, or work at ESCs. There were about 7 300 school counsellors at 22 000 educational institutions in 2014.
- In some cases, schools will moreover have access to the services of a social worker for a few hours per week. They help connect at-risk students and their families to social services and welfare organisations, such as ESCs, child guidance centres but also hospitals or the police. They also work to strengthen the involvement of families and local communities in school affairs. Over 1 200 social workers were engaged at the 37 000 elementary, junior and senior high schools in 2014 – this corresponds to one per every 30 schools, many of whom working part-time.

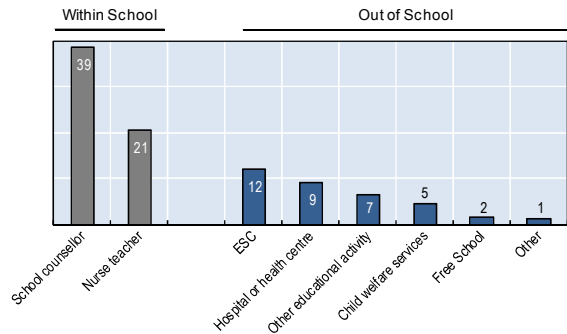
Schools that focus on more disadvantaged students, such as the Tokyo Challenge Schools, employ additional staff.

Figure 4.13. Nearly three-quarters of all students with attendance problems receive support within or outside of school

Panel A. Support provided to students with attendance problems (*futōkō*), 2014



Panel B. Percentages of students with attendance problems (*futōkō*) who received various types of within- or out-of-school support, 2014



Note: Results are for students in compulsory education. The percentages in Panel B do not sum up to those in Panel A because many *futōkō* students receive multiple types of support.

Source: MEXT Survey on Issues Related to Education of Children with Problematic Behaviours, 2014.

Students with attendance problems appear to be covered relatively well by social, educational or medical support. Half of all *futōkō* students in 2014 received support through a school counsellor or nursing teacher according to MEXT data, and another quarter of them received out-of-school support (Figure 4.13, Panel A). School counsellors and nurse teachers were the primary sources of support (Panel B). Information on the support provided to non-*futōkō* students is not available.

Social services provided outside of schools

Social services for young people are provided less systematically outside of school given the important role that schools play in offering social support. Municipal health and welfare services work with needy families – including those with children of compulsory-schooling age – providing cash and in-kind benefits as well as counselling. They do not explicitly provide support for troubled youth, however, focusing instead mainly on bolstering incomes of vulnerable families and helping them become self-sufficient. Collaboration and information exchange between schools and the municipal welfare office on at-risk youth consequently tends to be weak.

The RYSS have been closely involved in providing social support for at-risk young people – both within and outside of schools – until 2013. After the termination of the joint support for troubled students following an internal government review, the RYSS now provide services exclusively to young people who are out of education and who face personal and social barriers to employment (see Chapter 5).

Futōkō students living in situations of social withdrawal – and their families – can seek consultations at the prefectural Community Hikikomori Support Centres. These generally provide support for *hikikomori* of all ages (see again Chapter 5), though centres may only serve persons above the age of 18 in municipalities where schools provide sufficient support for teenage youth. Community Hikikomori Support Centres tend to be rather weakly integrated with local schools. In particular, schools do not systematically transmit student information to the Support Centres even in case of repeated or prolonged periods of non-attendance, and Support Centres are not very visible at schools. Instead, *hikikomori* are in most cases referred to the Support Centres by their parents. In some prefectures, Community Hikikomori Support Centres and schools provide joint support for students with withdrawal symptoms.

While the social support network available to Japanese students is very strong and comprehensive overall, the government could improve service delivery by encouraging a closer integration of schools and external support networks. In particular, it should consider strengthening the collaboration of schools with the RYSS, including by broadening the RYSS' target population to again include at-risk students as it was the case until 2013 and by allowing the RYSS to be present on school premises. This could help ensure that student disengagement is dealt with quickly also at schools whose capacity to address social issues is more limited. A closer cooperation between schools and outside service providers may, moreover, produce efficiency gains by reducing information and transaction costs and helping avoid service duplication. In the few prefectures where such co-operation is still being practiced – as it is for instance the case in the Saga Prefecture – this arrangement appears to be very successful. Similarly, the government should encourage a closer co-operation between Community Hikikomori Support Centres and schools – notably in the form of systematic information-sharing on non-attendant students and more visible outreach activities by the Support Centres in schools (see Chapter 5).

The Japanese Government recently announced steps to improve the collaboration between the RYSS and high schools or specialised training colleges (*senshu-gakko*) in reaching out to young drop-outs under its 2016 “Plan for the Dynamic Engagement of all Citizens”.

Round-up and recommendations

The Japanese education system produces exceptional academic outcomes: Japanese pupils achieved excellent scores in all PISA rounds, and adults were the best-performers in the PIAAC Survey of Adult Skills. Japan scores well also in terms of educational equity: socio-economic background matters less for academic performance than in most other OECD countries. Pupils tend to face high academic expectations, and many take extra classes at private tutoring schools in the afternoon to boost their chances of being admitted to a prestigious high school and university. Educational reforms and declining cohort sizes have, however, mitigated the pressure on students.

Japan does well at ensuring that all young people leave the education system with a qualification. Nearly all young people enrol in upper-secondary programmes, and programme drop-out has declined since the early 1990s. Less than 6% of young people leave the education system without a high school degree. And while the share of students with attendance problems – so-called *futōkō* students – has doubled since the early 1990s, non-attendance remains low by international standards.

A challenge for Japan is to ensure the provision of adequate learning options for these young people. A few mainstream schools offer programmes specifically for *futōkō* students; public Education Support Centres aim to help *futōkō* students get back to school but are not meant as alternatives to mainstream schooling; some *futōkō* students attend private Free Schools, which operate outside the formal education system and are neither accredited nor supervised by the government. Only a small share of *futōkō* students benefit from these offers.

Vocational training in Japan has traditionally been provided on-the job by employers, who recruit high school graduates in a strictly regulated procedure involving schools and the public employment service Hello Work (HW). This procedure is very successful: nearly 98% of high school graduates who did not want to continue studying were placed with an employer by the end of the 2015-16 academic year. The model of employer-provided training is becoming less viable, however, as employers increasingly hire temporary workers and as the share of workers who remain with their employers for life is declining. And while Japan's post-secondary VET system – with the prestigious *kōsen* – is considered a best practice in many respects, vocational upper-secondary education plays a lesser role. Vocational high school programmes give graduates access to tertiary education, but are generally perceived as less attractive, and enrolment rates are among the lowest across OECD countries.

Social services for young people of schooling age are provided primarily at schools through a network of counsellors and social workers. Outside of schools, Regional Youth Support Stations (RYSS) deliver counselling and employment support to highly disadvantaged young people who are out of education or training. The co-operation of schools and the RYSS has been weakened, however, by a decision in 2013 to terminate RYSS support for at-risk students, focusing support instead on out-of-school youth.

Japan could further strengthen the support for disadvantaged young people during their transition from school to work along the following dimensions:

Strengthen educational and social support for at-risk students

- *Share information on school non-attendance:* Schools are required to monitor student attendance, but these data are generally not systematically transmitted to the prefectural or municipal authorities. Stronger information-sharing requirements could help education authorities ensure that non-attendance is adequately dealt with.
- *Improve the collaboration of schools and social services:* At-risk young people benefit from an extensive network of social services provided in and out of school through the municipalities or the RYSS. Co-ordination between these different actors is often weak, however. Better information-sharing between schools and social service providers could help ensure that at-risk students receive social support quickly. This may include mandating the RYSS to again provide services to students with social problems, and strengthening the presence of RYSS at schools.
- *Ensure the provision of diverse learning options:* Few options exist for students of compulsory-schooling age who struggle in mainstream schooling. Japan should consider expanding those options by permitting more schools to offer special programmes for *futōkō* students and by improving educational authorities' co-operation with, and regulation of, private Free Schools.
- *Follow-up on high school drop-outs:* Few young people leave school without upper-secondary qualification. But in cases where a young person does drop out of high school, authorities are currently not required to follow up. To further reduce early school leaving, Japan should consider mandating educational authorities or social services to reach out to all young people who leave school without a high school degree to assess their needs, ensure that they receive the

necessary social or health support, and to attempt to re-connect them with school quickly.

Make upper-secondary vocational education more attractive

- *Strengthen work-based training:* Upper-secondary vocational education in Japan mostly happens in schools, and work-based components are largely unregulated. Relevant work-based training can greatly contribute to raising the attractiveness of vocational education programmes, however, in particular for students who do not wish to pursue higher education. Japan should consider giving greater weight to work-based learning in upper-secondary education by introducing minimum requirements for practical training components and regulating contents and assessment procedures.

Notes

1. PIAAC stands for the OECD Programme for the International Assessment of Adult Competencies. Twenty-two OECD members and two non-member economies participated in the first PIAAC round.
2. Indeed, one of main measures for the perceived quality of schools is how well they prepare their students for high school and university entrance exams, and schools quote the number of students who moved on to prestigious universities in their advertisements.
3. Performance differences between more privileged and more disadvantaged schools in Japan are relatively large (OECD, 2016c). As Japanese 15-year-olds participating in PISA will generally only have been with their school for a few months at the time of testing (OECD, 2016e), such between-school differences in test results, however, likely reflect student selection rather than school performance.
4. The development towards fewer schooling hours was halted in 2011, when a revision increased the total time students spend in school for the first time in 30 years to prevent a decline in academic standards (NIER, 2011).
5. Cities with a population greater than 500 000 people can apply for the status of “government-designated city”. The 20 designated cities assume many of the functions otherwise performed by the prefectural governments, including in the area of public education.
6. Policy fields that lie outside the responsibility of the MEXT include the provision of public vocational training for jobseekers managed by the Ministry for Health, Labour and Welfare (MHLW) and career education in schools and higher education institutions organised by the Ministry of Economy, Trade and Industry (METI). For a comprehensive overview of the Japanese education system, see UNESCO (2011).
7. The compulsory education requirement in Japan does not apply to children who are not Japanese nationals though they are entitled to attend school if their parents wish so.

8. Of 20 600 elementary schools and 10 500 lower-secondary schools in 2015, respectively 0.3% and 0.7% were national, and 1.1% and 7.4% were private (MEXT, 2016c).
9. The boards of education determine whether or not students in their district have to attend school on Saturdays. The length of a school day varies by school, grade and day of the week. The school year comprises 35 weeks and runs from April to March.
10. This National Assessment of Academic Ability is carried out by the National Institute for Educational Policy Research (NIER).
11. Children also participate in non-academic private-tutoring classes, *naraigoto*, for piano lessons, art classes or swimming training.
12. There were 50 such schools in 2013 accounting for 0.5% of total secondary-school enrolment.
13. Outside the formal upper-secondary education system, private institutions offer more basic vocational training programmes. The so-called “miscellaneous schools” (*kakushu-gakko*) provide vocational training in professions or trades such as sewing or dressmaking, hairdressing, cooking, bookkeeping and the driving and repairing of vehicles. The network of *kakushu-gakko* dates back to the pre-war years, and these schools are much less strictly regulated than upper-secondary schools. Course curricula and entrance requirements consequently vary a lot, and courses can last from three months to over a year. Specialised training colleges (*senshu-gakko*), introduced in the 1970s, offer vocational upper-secondary programmes (*koto-senshu-gakko*) for junior high school graduates, post-secondary programmes (*senmon-gakko*) as well as “general courses”. These schools are mostly private and do not have very strict admission requirements, but few young people, about 28 000 in 2015, attend these programmes.
14. Junior colleges offer associate degrees mainly in the humanities, social sciences, in teacher training or home economics. This degree can be “topped up” through a bachelor’s degree in cases where graduates would like to pursue their studies at a university. For a discussion of the Japanese tertiary education system, see Newby et al. (2009).
15. About one out of six upper-secondary graduates (17%) choose post-graduate studies at a specialised training college (*senmon-gakko*, ISCED level 5B) and a small share (6%) enrol in general courses at *senshu-gakko*.
16. There is no large gender difference in the career choices of high school graduates. Young women are somewhat more likely to commence post-secondary programmes at *senmon-gakko*, and they are less likely than

young men to start working. The share of recent graduates who neither engage in training nor start working is very similar for young women and men.

17. The 1947 Basic Act on Education initially made education compulsory only for blind and deaf pupils. A schooling requirement for students with a mental or physical disability followed in 1956.
18. The additional costs from providing special-needs education have to be borne by the school operator, whether public, national or private. Financial subsidies are available for investments to better accommodate special-needs students in regular schools and for investments in special-needs schools.
19. Data from the early 2000s for a selection of OECD countries showed that about 2% of all students received additional resources for disabilities over the course of their compulsory education (OECD, 2004).
20. In most countries, the labour force survey is a useful source of information on educational attainment in the population, and hence also on early school leaving. The Japanese Labour Force Survey, however, unfortunately does not distinguish between respondents who graduated from high school and those with a junior high school degree or below. It can therefore not be used to estimate the share of young people who leave school without an upper-secondary qualification.
21. This figure includes young people who directly entered employment and those who stay at home for housework, but also students who left Japan and continued their high school education abroad. The share of young people leaving school with just a junior high school degree is slightly higher for young men than for young women, because a greater number of young men start working directly after having completed junior high school.
22. Non-completion rates are around 50% higher for specialised and comprehensive upper-secondary programmes than for general programmes, and they substantially higher for part-time and correspondence programmes than for full-time programmes.
23. The MEXT uses the more neutral *futōkō* instead of the term *tōkōkyōhi* since 1997. A MEXT survey among high school students looked into factors associated with non-attendance and linked the phenomenon to motivational and emotional difficulties. Asked about the causes of non-attendance of *futōkō* students, school administrations pointed to “apathy” and “emotional confusion such as anxieties” as the two main factors while attributing only minor importance to poor academic performance, anxieties about the future and bullying. These results, however, leave the

question about the root causes of *futōkō* students' emotional instabilities unanswered: apathy and emotional confusion may result from difficult schooling experiences, be a consequence of troubles at home, or indicate more serious mental health problems. Student non-attendance is most widespread in the two final years of junior high school.

24. ESCs were previously known as “adaptation assistance classes”.
25. Unlike their name may suggest, Free Schools generally do charge tuition. According to MEXT data, the average tuition is about JPY 400 000 (EUR 3 300) per year.
26. This survey collected information on facilities, staff and student numbers and services offered.
27. There are currently ten of these *futōkō tokureiko*, four of them public.
28. Student enrolment at Free Schools is difficult to quantify exactly. In its 2015 survey, the MEXT successfully contacted 319 out of the 474 Free Schools, or 67%. The reported number of students enrolled at these schools was approximately 1 800 and 2 400 at elementary and junior high school level, respectively. This would imply a much higher number of Free School students than the one presented in Figure 4.9.
29. Private high schools, by contrast, typically offer little of an alternative to the standard public high school system for low-performing students. They face the same regulations as public high schools in terms of curriculum design, teaching methods and textbook choice, though they have more freedom when it comes to hiring practices. Admission, moreover, is usually very competitive and tuition higher than at public high schools.
30. Some junior high schools offer evening classes for persons above compulsory-schooling age who do not have a junior high school qualification. Most students at such schools are foreign nationals, and only about 30% of students are younger than 30 years.
31. Ito (2016) cites results from a survey among 373 part-time high schools according to which *futōkō* students accounted for at least one quarter of all students in the most schools.
32. No data exist on the number of students enrolled in part-time programmes.
33. The government does not collect data on the number of schools for students beyond compulsory-schooling age with more flexible curricula or the student demand for such schools.
34. Fujimura shows that among employers surveyed in the early 2000s over two thirds felt that it was currently their responsibility to provide

vocational training, but less than half agreed that this would still be true in the future. The pattern was even more pronounced among big companies. Among employees, already only one third felt that it was the company's responsibility to provide vocational training. The results were based on the *Fuji Research Survey* commissioned by the MHLW.

35. Dore and Sako (1998) estimate that on average about 50% of teaching time is dedicated to vocational courses – more recent estimates are not available.
36. General high schools generally provide no work-based training, except maybe for very short internships that last a few days during the summer months.
37. Another 23% moved on to specialised training colleges (*senmon-gakko*) or public vocational training institutions.
38. University entrance exams primarily test general education, mathematics and Japanese language skills.
39. Earmarked funding for the project is about JPY 200 million (EUR 1.6 million) per year. The designated Super Professional High Schools receive their funding for a period of three to five years.
40. Jobseekers registered with HW are the largest trainee group (see discussion in Chapter 5). Those with Employment Insurance (EI) entitlements benefit from programmes of typically six-to-twelve month duration offered primarily through the JEED at polytechnic centres – mainly in manufacturing – or by the prefectures in various areas of acute labour market demand. These “in-house” programmes accounted for about one third of training participation among jobseekers in 2015. Shorter, three-to-six month training courses are available mainly for jobseekers without EI entitlements. They are offered through private education providers, including professional training colleges (*senmon-gakko*) and miscellaneous schools (*kakushu-gakko*), not-for-profit organisations or employers' associations. They tend to focus on less capital-intensive vocations, such as nursing or information processing, and accounted for about two thirds of programme participation among jobseekers. PVT for registered jobseekers appears to be very effective overall: About 130 000 jobseekers participated in these programmes in 2015. Among them, the share who had found employment three months after programme completion was 86% for participants of JEED- or prefecture-provided programmes and 75% for the shorter courses delivered by private training providers.

Training programmes for persons in employment are attractive in particular for small and medium-sized enterprises, which may lack the

resources to directly provide more sophisticated on-the-job training. These training courses last two to five days, and are offered by the JEED or the prefectures.

41. They are open also to junior high schools graduates who pass the national upper-secondary school equivalency examination. Around 26 000 persons applied for admission to this exam in 2015.
42. Unlike the German dual system – which it is inspired by and which is the standard vocational pathway for upper-secondary students – the Japanese system focuses only on young jobseekers who would else not benefit from company-based training.
43. Two other types of courses are the 6-to-12-month Short-term Courses (*tanki-kunren katsuyō-gata*) and the 9-to-24-month General Courses (*futsu-katei katsuyō-gata*), both of which are offered at polytechnic centres.
44. The 6-to-12-month Short-term Courses reach a high 88% post-programme employment rate without providing trainees with an employment contract.
45. Vocational training providers and participating companies currently do not develop training curricula jointly, and structure and contents of the work-based training components are only weakly regulated. Ito (2014, p. 120) criticised that the work-based training system “amounts to little more than a subsidised trial period camouflaged as practical training”.
46. Unfortunately, there are no data on the number of career counsellors at Japanese high schools or the number of schools without such counsellors.
47. Specialised upper-secondary schools also collect job openings directly, typically by exploiting long-term partnerships with local and regional employers.

The high-school-provided career support does not necessarily end on graduation day. Career guidance teachers at many schools attempt to stay in touch with their former students even years after, asking them to notify the school of any job changes and offering counselling to those who are dissatisfied with their careers.

48. These rules are set jointly by the prefectural boards of education, the labour bureaus, senior high schools, industry associations and other parties.
49. In fact, over 70% of the students who looked for employment had already secured a placement in October 2014 – half a year before the end of their studies.

50. The cited statistics are MHLW calculations based on employment insurance data for the 2012 graduate cohort. The turnover rate counts all young people who have quit their employer regardless of the reason for leaving, i.e. including those who have found employment with a different company, those who have returned to education and those who are out of employment or education.

Contrary to what one might expect, job turnover of recent graduates has not been rising. If anything, turnover rates for junior high school and high school graduates are lower today than they were in the 1990s and 2000s; for junior college and university graduates, turnover is higher than in the early 1990s but lower than in the early 2000s.

51. Some HW offices – including 17 alone in the Tokyo Prefecture – even provide counselling services at junior high schools in spite of the fact that only very few students do not transition to senior high school. HW for Graduates also visits colleges and universities to provide job guidance upon request.
52. Employers who wish to hire junior high school graduates are required to do so via HW.

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Chapter 5

Guaranteeing employment and training options for NEETs in Japan

This chapter looks at Japan's policies and programmes to bring NEETs into education or employment. The chapter sets off by describing the current architecture of employment and social service delivery, and by discussing the challenge of co-ordinating services for at-risk young people. It presents strategies for reaching out to disengaged young people. It then assesses the coverage and adequacy of programmes aimed at re-engaging young jobseekers in employment, education or training and at providing them with comprehensive social support.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Introduction

The labour market situation of young people in Japan is relatively favourable by OECD standards (see Chapter 1). The employment rate of 15-29 year-olds has remained stable over the Great Recession at around 55% – considerably above the cross-country average of 51% in 2015, though below the rates in Germany or the United States. The NEET rate, i.e. the share of young people who are not in employment, education or training, has declined over the last decade. At 10%, it was at the lower end of the OECD ranking in 2015 (average of 15%).

Substantial challenges remain, however: In the context of a rapidly shrinking workforce, it is essential that Japan engage a maximum number of young people in the labour market to secure future economic growth and the sustainability of social safety nets. This will imply further reducing the number of 1.7 million Japanese NEETs – two-thirds of whom are inactive, i.e. currently not looking for work. The 320 000 *hikikomori*, young people who live in a state of permanent social withdrawal, require special attention. These young people are difficult to reach out to and often require intensive support to find their way back into education or employment (see Chapter 2). Many other young people are only marginally attached to the labour market. The traditionally seamless process of school-to-work transition has been challenged over the last decade as Japanese firms have been hiring fewer high school graduates than they used to (Kosugi, 2008). As a consequence, a growing share of young people, the so-called *freeters*, work casually on part-time or temporary positions alternating periods of work with spells of unemployment or inactivity (see Chapter 1). The Japanese government set itself an ambitious target of reducing the number of *freeters* by half by 2020.

This chapter presents the employment and social service system for NEETs in Japan, describes recent developments, and assesses coverage and adequacy of policies for disadvantaged young people. Section 1 describes the architecture of employment and social service provision and discusses co-ordination and governance issues. Section 2 presents the main options for reaching out to disconnected youth. Section 3 focuses on strategies to re-engage young people in education, employment or training. Section 4 discusses follow-up after programme completion and impact assessment.

1. The architecture of the employment and social service provision for NEETs

Employment services are a national responsibility in Japan and provided through Hello Work (HW), the public employment service under the

Ministry of Health, Labour and Welfare (MHLW). HW also administers Employment Insurance (EI) benefits and the Support System for Jobseekers, a means-tested allowance paid to low-income jobseekers without EI entitlement who participate in public vocational training (see Chapter 3). Even though the core of employment services – placement and counselling – remain publicly provided, many services, notably training, can be outsourced. Steps have been taken to expand the role of prefectural and local governments in providing employment services to the unemployed (OECD, 2015a). The prefectures now operate so-called Job Cafés, which offer career counselling and job search assistance (but no placement) to NEETs and those currently employed who would like to change jobs.

Social services are the responsibility of the prefectures and municipalities under the monitoring of the MHLW. The MHLW and local authorities jointly operate Regional Youth Support Stations (RYSS) that provide career advice to inactive NEETs. Most prefectures and designated cities,¹ moreover manage Community Hikikomori Support Centres that provide support to persons living in a state of acute social withdrawal.² The municipal Offices for Health and Welfare administer the newly established Support System for the Self-Reliance of the Poor (SSSP), a “second-tier” safety net below social and employment insurance, and the last-resort public assistance (PA) to low-income households (see again Chapter 3).

Employment service provision

HW, as the main point of contact for jobseekers, operates an extensive employment service network for various labour market groups, including young people. Its main offices – of which there are 544 countrywide – are responsible for administering EI benefits and providing job search support and placement to registered jobseekers, including those who are not entitled to any benefits.

Young jobseekers benefit from specialised services with dedicated resources through two additional types of front offices:

- Hello Work for New Graduates provides job search support for students and young people who graduated from high school or higher education within the last three years and who have little or no job experience. It provides high schools with job openings and supports school and university career guidance counsellors, notably in working with students who would like to start working after graduation but cannot find an employer (see Chapter 4). It also organises job fairs for students. Hello Work for New Graduates was established in 2010, but similar offers have existed under various names since the 1960s. There are currently 57 offices.

- Hello Work for Youth provides intensified job search assistance, interview training and placement to jobseekers with previous job experience up to the age of 45 years. Offices also offer psychologist consultations and carry out aptitude tests. Hello Work for Youth was established in 2012. There are currently 28 offices.

In large cities, Hello Work for Mothers serves parents, including those of young age and single parents. These offices provide information about childcare solutions available through the municipalities and offer counselling on job opportunities that are compatible with parental obligations.

NEETs and employed young people who specifically require career counselling, interview preparation and job search assistance can also contact one of 110 Job Cafés run by 46 prefectures since 2004. Job Cafés offer a less formal setting than HW: young people can drop in at any time without appointment and use the available resources for their job search activities. Specialised services are available upon request. Users do not have to be registered as jobseekers with HW in order to receive Job Café services. Job Cafés, however, generally do not provide placement services except in cases where they share their premises with an HW office. Instead, users are expected to use the acquired skills when looking for work through HW or independently. In some regions, additional funding has been provided following the onset of the Great Recession to strengthen the job matching process, notably with small- and medium-sized enterprises.

Social service provision

NEETs up to the age of 39 years who are not job-ready, including because of social barriers to employment, can receive intensive social support through a network of 160 RYSS established from 2006. The RYSS work intensively with young NEETs to directly address barriers to employment by providing basic career advice, orientation and possibly work experience and by helping young people develop the social and communication skills required for HW job search or training.

A network of 67 Community Hikikomori Support Centres – operated by prefectures, designated cities or (in case of delegation) also by medical service providers or private welfare or health organisations (since 2009) – provides support to persons living in acute social withdrawal and their families. Some centres primarily act as a first point of contact for *hikikomori* and concerned parents providing information, raising awareness and referring *hikikomori* to specialised providers like the RYSS and mental health services. Others directly offer activities for promoting independence

and re-habilitating *hikikomori* through training and social participation (Chan and Lo, 2014).

NEETs in low-income households can benefit, moreover, from a range of social services provided by the cities and municipalities. The SSSP provides comprehensive support to low-income households to prevent them from sliding into PA. Its principal components for NEETs are self-reliance counselling, employment support, simple training and placement services for employable jobseekers, including those with disabilities, and a temporary housing allowance for jobseekers.³ PA recipients can benefit from the same in-kind support, including simple training and placement into (typically temporary) low-skilled employment.

Training

Japan offers vocational training for registered jobseekers at public vocational schools, which are operated by the Japan Organization for Employment of the Elderly, Persons with Disabilities and Jobseekers (JEED) or by the prefectures. Some programmes are delivered through private providers contracted by the prefectures or the JEED:

- Public training programmes offered through the JEED or the prefectures are primarily available to jobseekers covered by EI benefits, though those without EI entitlements can benefit if HW considers participation to be beneficial. Programmes are offered in various areas, including in construction and manufacturing.
- Privately provided training is available to jobseekers not covered by EI benefits. It is offered in less resource-heavy fields including clerical work, long-term care and IT professions. Participants who meet income and asset requirements can receive a training allowance through the Support System for Jobseekers. Programmes are offered through educational institutions, not-for-profit organisations, but also employer organisations based on guidelines specified by the MHLW.

Where not offered through private-sector providers, job training in manufacturing (*monozukuri*, or craftsmanship) is offered by JEED at Human Resources Development Promotion Centres (OECD, 2015a).⁴

The governance of service provision

Basic employment services for NEETs are delivered publicly. As a public agency under the MHLW, HW (including Hello Work for New Graduates and Hello Work for Youth) provides all counselling and placement services directly.⁵ The Job Cafés run by the prefectures are an

exception in being usually operated by private for-profit providers. Prefectures hold a supervisory role and, in some cases, directly manage Job Cafés while only the caseworkers and specialists are private-provider staff.

Social service delivery, by contrast, is largely provider-based: the operation of the RYSS is outsourced to private contractors, and the same applies to some Community Hikikomori Support Centres. Also some of the social services offered by municipal Offices for Health and Welfare are delivered by not-for-profit providers.

The non-governmental providers who operate the Job Cafés and the RYSS receive their mandates in annual tendering procedures. Incumbent providers compete with other companies or not-for-profit organisations to receive the mandate to manage Job Cafés and the RYSS. In total, 103 private providers are currently engaged in the operation of 160 RYSS. The MHLW or local public bodies select providers on the basis of a bidding procedure.⁶ A selection committee, consisting of government staff and outside experts, evaluates proposals submitted by providers based on their performance in the previous year and the local labour market situation. Providers are attributed one of six possible ranks, which determine funding.

While the provider-based system is suited to guarantee an efficient service delivery and promote innovation, the current design suffers from a few weaknesses:

- Except for some training services,⁷ the link between provider performance and the payment levels foreseen in tendering contracts is not always well-specified, such that providers may not have the incentive to improve their service delivery. Private job search assistance providers in Job Cafés, for instance, are paid on a cost basis irrespective of whether their users later successfully find employment. RYSS providers are paid based on the scale of their operations, including the expected number of young people that will be referred into training or employment. The scale of operations itself is influenced by performance in the previous year (e.g. the number of employed among users). Payments, however, neither account for actual performance in the current year nor for the users' initial level of disadvantage. Providers moreover often have no precise information on the specific performance indicators used in the decision process for contract renewal. Empirical evidence shows, however, that the impact of employment / social programmes on young people's employment outcomes and incomes can be raised by giving service providers clear financial incentives to improve quality (Kluve et al., 2016).

- Competition for the mandate to operate social and employment services appears to be low in spite of open tendering procedures. Provider turnover is consequently low, with providers having been operating for many years – often since the introduction of the respective programme – and facing little realistic threat of replacement. Only 7.5% of RYSS offices changed their providers in 2015.
- Despite the relatively weak competition for tendering contracts, short contract durations create uncertainty with providers, their staff and the young users they work with. Tendering contracts are nearly always concluded for 12 months and renewable afterwards.⁸ Providers therefore find it sometimes difficult to retain qualified staff, who are typically employed on successive one-year contracts over many years. Short tendering contracts are problematic also for the work of counsellors, whose relationships with users face the constant risk of termination as contracts run out and new providers may be brought in.

To improve the efficiency of provider-based service delivery, Japan could consider modifications to its tendering procedures to increase competition and raise performance incentives:

- Payments foreseen in tendering contracts could be linked more explicitly to indicators of the quality of services provided. Part of the payment for employment services could be based on the number of young people successfully moved into employment. For social or re-engagement services, softer targets, such as programme participation rates or successful referrals to specialised providers, may be more appropriate. In both cases, specifying medium-term targets, like the share of young people retained in employment for at least 6 or 12 months, can ensure that providers have an incentive to create stable matches and follow up on young people after programme completion.
- Competition for tendering contracts should be increased to ensure efficient service provision and innovation. In addition to strengthening local networks of not-for-profit providers, this might entail opening the market more systematically to for-profit providers and encouraging participation by national providers. The national government has introduced a so-called Scoring Auction Model for selecting private RYSS providers from 2017. The new model will also impose penalties on providers with very poor performance.

- Even though multiyear contracts are an exception in Japan,⁹ the duration of tendering contracts could be extended to two or three years in the particular case of employment and social services to reduce uncertainty and raise the appeal for potential contractors to participate in tendering procedures.

For an overview of a provider-based system with strong competition and a systematic pay-for-performance approach, see Box 5.1 on employment service delivery in Australia.

Box 5.1. Provider-based employment service delivery in Australia

The Australian Department of Employment purchases all employment services for jobseekers from non-governmental providers, including private companies and community-based organisations, in five-yearly tender rounds carried out since 1997. Providers are selected based on 1) past performance, 2) the organisation's ability and capacity to achieve outcomes for jobseekers, 3) the organisation's strategy to meet the needs of employers, and 4) governance, i.e. the organisation's structure, capacity and skills for delivering services. Selected providers are required to offer case management, job search assistance and placement, as well as to monitor jobseekers' compliance with their activity requirements.

Providers are funded through a combination of lump-sum per-client *administration fees* and *outcome payments* made 4, 12 and 26 weeks after a jobseeker has found employment. Payment levels depend strongly on a jobseeker's expected barriers to re-integration such that providers have clear incentives to serve more disadvantaged groups. Providers can allocate these funds to clients as they see fit as long as the jobseekers meet their obligations and servicing is commensurate to the jobseekers' needs. An Employment Fund is available to help providers pay for services and interventions aimed at improving clients' employability.

Providers' relative performance is continuously measured through *Star Ratings* published online on quarterly basis. Ratings are a function of "employment retention outcomes", i.e. how long former jobseekers keep their job, and jobseeker activation achieved by the provider adjusted through an econometric model for client characteristics and the state of the local labour market. They serve as an important reference for jobseekers when choosing a provider. The Department of Employment also uses those rates for allocating funding and selecting providers in the following tender round.

Source: OECD (2016), *Investing in Youth: Australia*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264257498-en>.

Co-ordination of employment and social service delivery

The social and employment services provided by the RYSS and HW are well-targeted and co-ordination between these institutions typically close. Users who face barriers to employment get in touch with the RYSS through self-referrals and referrals by their families, through schools, and through

HW. Once they have received servicing and are deemed employable, the RYSS refers them on to HW for job search assistance and placement into work. While HW and the RYSS have different administrative reporting lines and do not share a common IT infrastructure, they tend to co-operate closely and to systematically exchange user information. Part of the RYSS' mandate is to overcome “silo-ing” across different youth policy actors through local capacity-building and brokering.

Significant overlaps exist, however, with other institutions that provide social and employment support for specific NEET groups:

- Job Cafés – like HW – offer job search assistance and counselling for NEETs. Service quality appears to be high: counsellors are well-trained, caseloads are typically low, and there appears to be sufficient demand. Services are very similar, however, to those provided to young people through Hello Work for Youth and Hello Work for New Graduates, while the co-operation with these institutions is sometimes challenging (Oshima, 2014).
- Community Hikikomori Support Centres often act primarily as points of contact referring *hikikomori* to a range of specialised social and health care providers. Whenever possible, the RYSS aim at encouraging them to find jobs by providing opportunities for a workplace experience and special training to improve communication skills. The division of tasks between Community Hikikomori Support Centres and the RYSS seems to vary across prefectures, however. While in some prefectures, Community Hikikomori Support Centres are strongly integrated with the RYSS, the two co-operate only loosely in others, for instance in Yokoyama City.
- Municipal Offices for Health and Welfare directly provide social and employment services to young people in low-income households, but their co-ordination with HW tends to be relatively weak. Municipalities and HW for instance do not have access to a common IT data infrastructure. Given limited municipal resources and a lower number of specialised youth staff, there is a risk that at least in some places the service quality is lower than for those delivered through the specialised youth services of the RYSS and HW.

There appears to be scope for Japan to improve the efficiency of its system for employment and social service delivery for NEETs by reducing fragmentation and strengthening the roles of RYSS and HW. In particular, the currently independent Job Cafés could be integrated more closely into

the HW structures, for instance by ensuring that the two services are located on the same premises. Municipalities could refer their young users more systematically to the RYSS and HW for servicing. This would likely improve service quality while freeing up resources that municipalities could use to better serve other vulnerable groups, including children or seniors.

2. Reaching out and providing comprehensive support to NEETs

It is well-established that disadvantaged persons often do not make use of the public assistance they are eligible for (Ribar, 2014). Not all young people who leave school without a specific education or employment option immediately get in touch with the social services or a public employment office to register as unemployed. In particular those most at-risk of disengagement might instead try to get by on their own or with the help of family and friends for a while, before seeking help. Regular meetings with counsellors can, however, help raise job-finding rates and contribute to more stable employment trajectories (Pedersen et al., 2016; Dolton and O'Neill, 2002; Rosholm, 2014; Osikominu, 2016). A risk is, however, that only the most employable and motivated workers benefit from these services. Reaching out to NEETs as early as possible is therefore crucial to prevent them from slipping into long-term inactivity.

Outreach activities

Youth social service providers in Japan do not systematically engage in active outreach towards young NEETs:

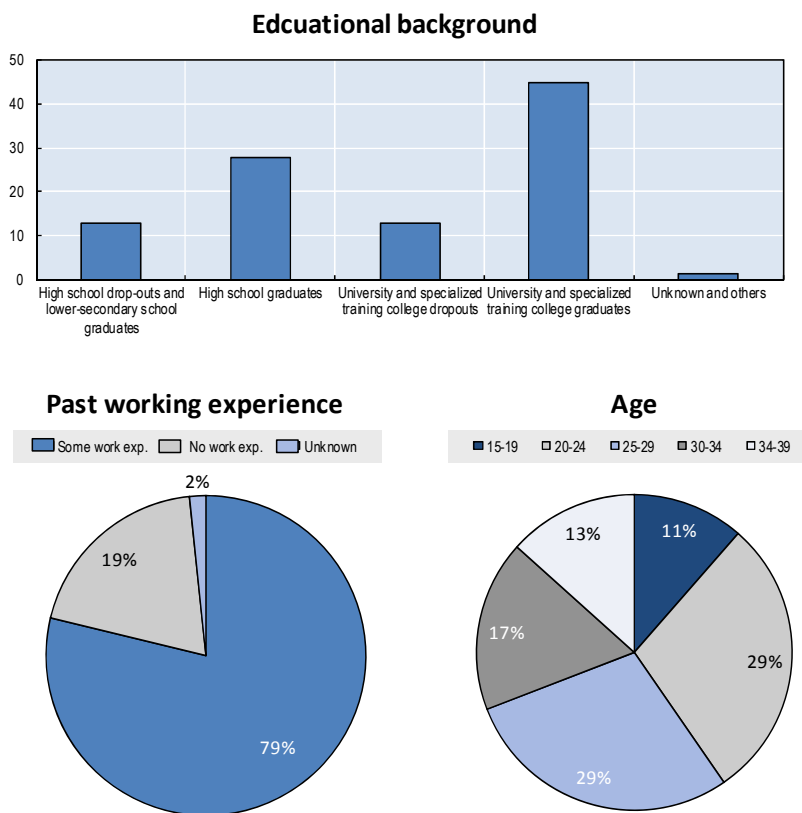
- Only few RYSS operate significant independent outreach activities, relying instead mostly on referrals from other institutions. Some RYSS try to actively attract and engage young people through their education, welfare and career guidance counsellors in collaboration with community networks, schools, medical institutions and parents.
- Also, Community Hikikomori Support Centres rely mostly on community networks to get in touch with isolated young people, with some variation across prefectures and cities. Some organise seminars to help parents of withdrawn young people. Descriptive evidence from the Nagano Prefecture suggests that such outreach activities may lead to improved participation in active programmes among withdrawn young people (Onuma et al., 2011).

The RYSS should co-operate more systematically with schools to contact young people who disengage or are on the verge of disengaging. While the RYSS organise seminars to inform teachers about their activities, confidentiality issues prevent a systematic exchange of student information,

and the quality of the collaboration between schools and the RYSS often depends on the schools' goodwill. Results from a series of questionnaires sent to schools in the Aichi Prefecture and RYSS across the country suggests that good co-operation between schools and RYSS is associated with better employment outcomes for young people (Kojima, 2012).

Figure 5.1. Most RYSS participants have a post-secondary degree, are older and have at least some work experience

RYSS participant characteristics as a percentage of all participants, 2015



Source: Data provided by the MHLW.

Renewed efforts have been made since 2016 to improve the co-operation between the RYSS and schools.¹⁰ The RYSS and schools are requested to co-operate more closely – for instance by scheduling regular

joint meetings – to identify young people in need of additional support. Schools are moreover requested to directly transmit information on students at-risk of dropping out to the RYSS after having obtained the students’ and their parents’ consent. The RYSS can then organise school visits as well as home visits to encourage students in the process of dropping out, young dropouts or graduates who are undecided about their career choice to participate their activities.

Limited resources can be a challenge for providing active outreach. Staff numbers at the RYSS and the Community Hikikomori Support Centres are relatively small in some regions while outreach activities are quite time-consuming. 17 724 young people were contacted by the Community Hikikomori Support Centres in 2014, compared with an estimated 330 000 *hikikomori* young people at any point in time. To improve this situation, prefectural governments have developed and dispatched “*hikikomori* supporters” that will assist the staff at Community Hikikomori Support Centres in enhancing outreach.¹¹ There were 1 178 such *hikikomori* supporters in March 2016.

Outreach may not be limited to disengaged or most at-risk youth. More efforts could also be made to attract young unemployed people to HW. While HW is generally well-known by young people, only about every second jobless young person makes use of its placement services.¹² However, the less formal Job Cafés complement the main placement services and attracted around 1.7 million users in 2014.

Offering NEETs comprehensive support

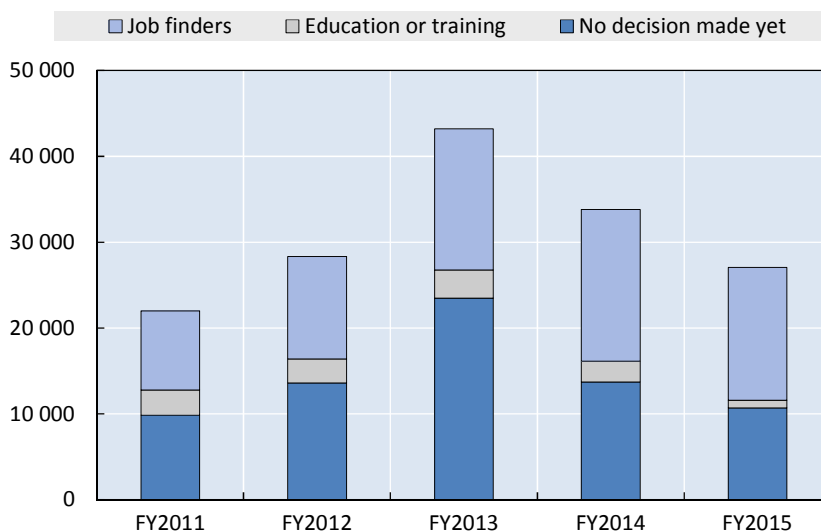
Very few countries operate a nationwide institutional support for NEETs as Japan does in the form of the RYSS. The scope of services available at RYSS to NEETs with barriers to participation in training or employment varies across offices. Key components usually are:

- *Counselling* by career advisers and psychologists¹³ and drafting of an individual support plan;
- *Subsidised work experience* in a company for a period of three to four weeks, for 20 to 40 hours per week;¹⁴
- *Long, intensive trainings for basic skills* such as in communication, IT, CV writing, interviews or business customs. Courses last one to three months, in some cases even six month, with a minimum of five hours per day on four days per week. Each course includes at least five days of camp-style training.¹⁵

- *Short camp-style trainings* are intensive courses for a one-to-six-month period, consisting of a camp training lasting a minimum of five days and training components delivered in the RYSS facilities.¹⁶

Participation in RYSS remains low, with only 27 000 users who newly registered in 2015 (see Figure 5.2). This compares to 1.1 million inactive NEETs at any point in time. A majority of participants were below 29 years old. Of new enrollees, 62% were young men, most were above 25 years old, 79% had at least some work experience and only 54% did not graduate from university or a specialised training college before participation (see Figure 5.1).

Figure 5.2. Nearly two-thirds of new RYSS participants made a career decision in 2015



Source: Data provided by the MHLW.

Relatively low caseload numbers should generally give RYSS staff opportunity to establish one-on-one relationships with their users – an important factor for successfully disadvantaged young people with the labour market. Caseworkers are usually responsible for in-between 40 and 70 users at a single point in time, not all of whom, however, they need to see every week or even every month.

The impact of participating in RYSS activities on young people's employment outcomes has unfortunately never been formally evaluated. Out of new participants in 2015, about 60% could be brought to a career decision

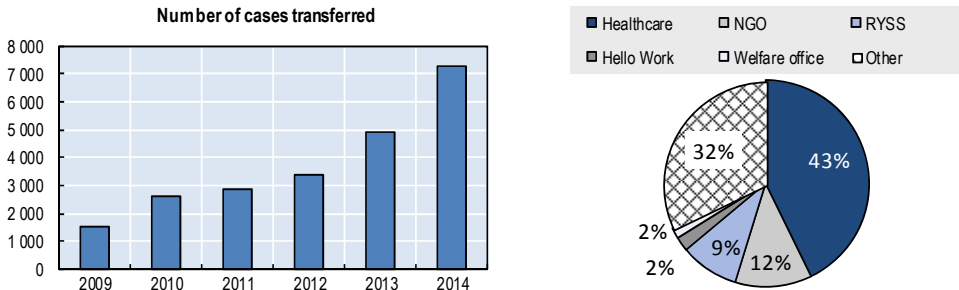
in 2015, i.e. they started (typically non-regular) employment or, less frequently, began full-time training or returned to education (see Figure 5.2). No information is available, however, on the number of young people who *did not manage* to make a career decision or start a programme or on the pathways of comparable NEETs who did not participate in RYSS activities. Descriptive evidence from the Yamagata RYSS suggests that programme participation may be associated with positive employment outcomes (Shimomura, 2011).

Community Hikikomori Support Centres provide advice to *hikikomori* and their families but also connect them with relevant organisations in accordance with the contents of the consultations. In 2014, Community Hikikomori Support Centres referred about 40% of their cases to an external institution. In most cases, over the last few years, this institution has belonged to the health care sector (including mental health) or has been specialised in serving people with disabilities. Only about 10% have been referred to HW or RYSS for employment support, and approximately the same proportion have been sent to NGOs offering social activities to re-engage youth education (see Figure 5.3).

Figure 5.3. Most youth served by Community Hikikomori Support Centres are referred to the health sector

Number of youth transferred from Community Hikikomori Support centres to other institutions

Breakdown by destination institution (average over 2009-2014)



Note: “Healthcare” includes public healthcare centres, mental health and support centres, and medical institutions, “Other” includes (but is not limited to) general support facilities for people with disability, facilities to promote employment of people with disability and other Community Hikikomori Support Centres.

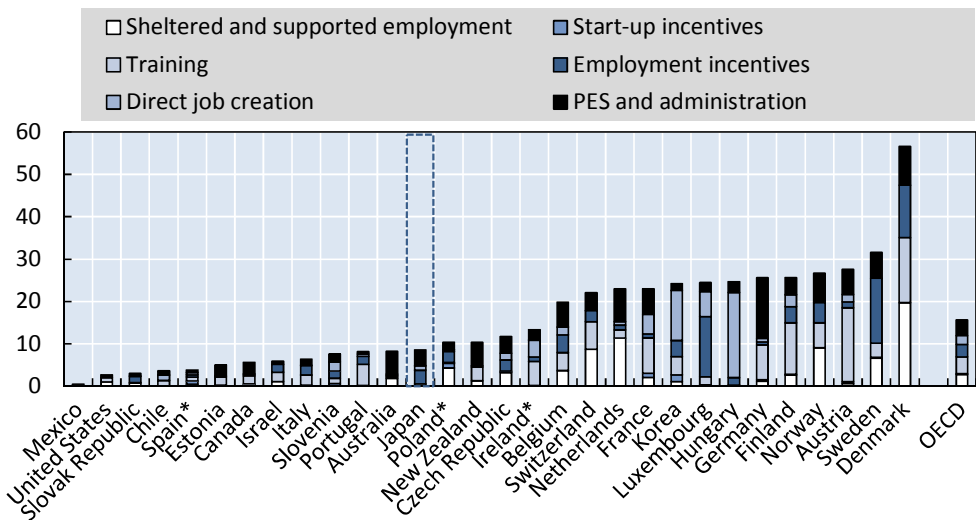
Source: Data provided by the MHLW.

3. Re-engaging NEETs in education, employment or training

Low educational attainment and a lack of relevant work experience are significant drivers of unemployment and non-regular employment among young people. Guaranteeing training or work practice to all NEETs can therefore help improve young people’s employment prospects if these activities are targeted to the skill needs of young jobseekers and employers’ labour demand. Not all activities have positive effects, however, and the design of adequate incentive schemes – both for the jobseeker and for a possible training provider or employer – is key to success.

Figure 5.4. Japan spends little on active measures per jobseeker

Public expenditure on active measures per jobseeker as a percentage of GDP per capita, 2014



Note: Spending on active labour market programmes exclude PES and administration costs. (*) Data for Ireland, Poland and Spain are for 2013. No recent data are available for Greece, Iceland, Latvia, Turkey and the United Kingdom.

Source: OECD (2016), “Public expenditure and participant stocks on LMP (categories 10-70), and GDP per capita” (<http://stats.oecd.org/Index.aspx?DataSetCode=LMPEXP#>).

Japan spends relatively little on active measures (i.e. PES administration, and active labour market programmes – ALMPs) – 0.17% compared to 0.55% in the OECD. Most of this gap is explained by lower spending on active labour market programmes – less than 0.1% of GDP in 2014 compared to 0.4% in the OECD on average. This reflects the fact the

unemployment rate is one of the lowest among the OECD – but not only. The average amount spent per jobseeker on ALMPs represents only 5% of the GDP per capita, compared with 12% in the OECD.¹⁷ The main forms of intervention are hiring subsidies for disadvantaged groups which represent about two thirds of spending on active measures (“employment incentives”, see Figure 5.4).

Mutual obligations requirement for income support recipients

To claim EI benefits, NEETs need to register as jobseekers with HW, which assesses their eligibility. Jobseekers with the required contribution period (see Chapter 3) who are granted benefits receive monthly payments, with the first payment typically being made three to four weeks after a jobseeker’s initial contact with HW. To remain entitled, recipients have to deliver proof of active job search when renewing their claim. In the case of non-compliance, benefits can be suspended for the following month.

Participation in labour market programmes is largely voluntary. No pre-specified schedule exists that would assign jobseekers to participation in a certain measure after a specified time in unemployment. And while EI recipients are formally required to participate in training or counselling if HW perceives this to be necessary for successful job search, jobseekers and counsellors typically determine the appropriate steps for finding employment jointly. Jobseekers can therefore reject to participate in activities offered and instead choose to look for work independently. During the OECD review mission, HW caseworkers indicated, however, that the lack of activity requirements was not seen as a major concern because most jobseekers were perceived to be highly motivated to find a job.

The MHLW is trying to promote the professional development of the Japanese workforce – of jobseekers and employees alike – through the Job Card programme, a flagship project introduced in 2008. Jobseekers can use a Job Card to document their vocational skills, work experience and educational background and include evaluations from any training they received. The Job Card is meant to encourage jobseekers and workers to systematically (re-)assess their labour market situation and ambitions and to keep a systematic record of training received and work experience gained. Job Cards can be filled in with the help of a HW career consultant, at a Job Café or at a training provider, and they can be submitted in addition to a regular CV as part of a job application.

During the OECD review mission, the OECD review team did not gain the impression, however, that the Job Card was very widely used among HW staff and jobseekers. While nearly 1.5 million Job Cards had been issued by July 2016, most career consultants that the review team met with

indicated that they used it relatively little in their day-to-day work. Similarly, survey results dating from before 2015 show that most employers did not use – or even know – the Job Card, even though those using it may recognise its usefulness (Iwasaki et al., 2014).

The function of the Job Card somewhat resembles that of action plans used in other OECD countries, which summarise jobseekers' strengths and weaknesses and set targets, and which should be updated regularly during the unemployment spell. In many countries, however, those plans also act as a form of “contract” between the jobseeker and the public employment service setting out mutual obligations. This aspect may be less relevant, however, in Japan than in countries where jobseekers are less bound by social norms to actively look for work (Lalive and Stutzer, 2004). Even in Japan, such norms will not exert the same impact on all individuals, however, and empirical studies find that, in many OECD countries, monitoring and the threat of sanctions can be very effective tools to increase job finding rates (McVicar, 2014).

Job search and participation requirements tend to be weaker for recipients of the non-contributory income support paid through the municipalities. Persons living in low-income households receiving a housing allowance paid through the SSSP need to register with HW and to actively look for work if they are employable.¹⁸ The municipal Offices for Health and Welfare provide additional employment support and guidance, but no job placement, and rely on regular reports from HW to evaluate recipients' job search activity. Applicants for the housing allowance must in principle submit a job search notice issued by HW to the municipal welfare office to confirm their jobseekers status. The extent to which such reporting requirements are systematically implemented is currently unclear, however, because the SSSP was only rolled out in 2015.

Job search counselling

Job search services are at the core of Japanese employment policies, having represented 40% of total spending on active measures in 2014 (compared to 25% in the OECD on average).¹⁹ In total, 1.3 million young people aged 15 to 29 years old registered during the fiscal year (FY) 2015, which is a third lower than in the peak year 2009 (see Figure 5.5). The main age group is made of older youth aged between 25 and 29.

Counsellor caseloads tend to be low: At *Hello Work for New Graduates* and *Hello Work for Youth*, counsellors in the offices visited by the OECD mission team reported seeing about 30 users per week, always by appointment, with counselling sessions lasting around 60 minutes each. For

comparison, counsellors at the main HW offices have about twice the number of appointments.

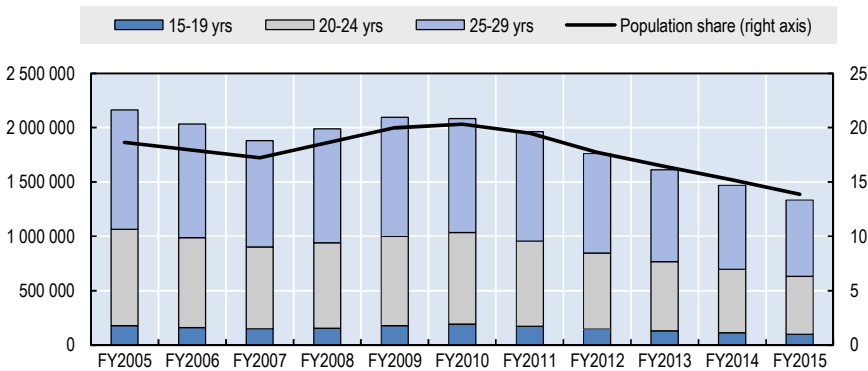
HW offices and Job Cafés provide comprehensive job search training to jobseekers offering for instance classes in CV writing, courses in business manners and mock interview sessions. Although the course content varies across different HW offices, all courses are provided in small groups. A course on workplace etiquette, for instance, can last for 3.5 hours with eight participants, and an interview practice course typically lasts for three hours with ten participants.

Job Cafés may in many respects seem to provide a more flexible and appealing form of services to young people, which explains high participation. Job Cafés had around 1.7 million users in 2014. The main user group are highly motivated jobseekers: about half of users find their way to the Job Café through independent internet search. In 2015, 331 000 youth participated in seminars organised by Job Cafés, while 122 000 participated in seminars organised by HW for New Graduates.

The evidence on a differential impact of Job Cafés compared with regular employment services is mixed. Some research has found that the Job Cafés increase the probability of regular employment for young male participants (Nagase and Mizuochi, 2011). Other research finds, however, that the employment effect of Job Cafés on participants may not be large enough to raise youth employment as a whole, pointing to potential crowding out effects on other youth who do not benefit from this type of service (Yamamoto and Nohara, 2015).

Figure 5.5. The number of young jobseekers registered with Hello Work is waning

Number of newly registered young jobseekers over the year (by age group) and percentage of newly registered jobseekers out of the population aged 15 to 29 years



Source: Data provided by the MHLW.

Hiring subsidies

Hiring Subsidies are one of the main instruments that HW uses to promote stable employment. They represented 61% of total spending on active labour market programmes in 2014 (compared with 17% in the OECD on average), and 0.06% of GDP. Empirical studies find that hiring subsidies can be effective at helping disadvantaged jobseekers find work (Brown, 2015). In Japan, they are the best-known form of employment support among employers and are usually highly valued (Iwasaki et al., 2014). Although the number of participants is significant, these measures remain tightly targeted (see Table 5.1).

The main hiring subsidy programme for young jobseekers is the “Subsidy for Trial Employment” launched in 2001. It aims at promoting employment for disadvantaged jobseekers, including recent graduates without previous stable employment and jobseekers with less than a year of work experience.²⁰ Employers who provide temporary work to a disadvantaged jobseeker receive payments of JPY 40 000 (about EUR 330) per month during a three-month trial period.²¹ Jobseekers are paid a wage by the employer during programme participation while their EI payments are discontinued. The programme is open also to jobseekers without EI entitlements. To receive the subsidy, employers have to present a plan to HW that outlines under what conditions the employee will receive a regular contract at the end of the three-month period. Employers risk losing the eligibility to participate if they regularly take on jobseekers and receive a subsidy without later offering jobseekers a regular position. About 90% of the jobseekers who participated in the programme in 2014 (about 33 000 people in 2014) were under the age 45. More than 80% of all participants received a regular employment contract at the end of the trial period. This is promising, although not a tangible proof that the programme had a positive impact on the chances to get a regular job in the absence of a control group. The total cost per participant was JPY 110 000 (about EUR 920) in 2014.

HW also uses employer subsidies to promote stable employment pathways and the upskilling of the workforce. The Career-Up Subsidy, introduced in 2013, provides employers with financial incentives to regularise employment. Payments are available for the conversion of an employee from a fixed-term to a permanent contract or for increasing working hours of part-time employees. Payments also reward employers who provide training, raise the wage of fixed-term employees and even to those who provide health checks for fixed-term employees. A Career Development Promotion Subsidy encourages employers to cover part of the cost of vocational training or the wage paid to workers during training. These subsidies are not specifically targeted at young people.

Table 5.1. The use of employment subsidies by HW to promote stable employment remains tightly targeted

Number of participants and average costs per participant as a percentage of GDP per capita for different subsidy programmes, all age groups, 2015

Programme	Number of participants / cases	Average cost (in % of GDP per capita)
Subsidy system to promote career development	23 684	10
Subsidy system to improve the status of non-standard workers	12 808	19
Subsidy for Trial Employment	33 272	3
Total	69 764	8

Note: Average costs are for the 2014 fiscal year. Ratios as a percentage of jobseekers are not calculated because the Subsidy system to promote career development and the Subsidy system to improve the status of non-standard workers are targeted at employees.

Source: Data provided by the MHLW.

Training programmes

Publicly funded training programmes have been shown to be effective at improving transitions from non-regular to regular employment in Japan, especially for women (Higushi, 2013). They represent, however, only a small share of total spending on active programmes for jobseekers – only 6% compared with 28% on OECD average – and only 0.01% of GDP.

Training participation for jobseekers with EI entitlements is agreed jointly by the jobseeker and their HW counsellor, and a screening process by a training provider follows before acceptance. About 130 000 EI benefit recipients were trained through these programmes in 2014, among them 29 000 young people (see Table 5.2). This is only 2% of the number of youth who registered with HW over the same period. Two-thirds of them participate in short trainings contracted out to private providers, and about 20% of training programmes include practical training on the job. Only a negligible fraction participated in longer-term programmes. Jobseekers continue to receive EI benefits during training.

Table 5.2. The recourse to training for young jobseekers remains very limited

Number of participants, and ratio of participants to the number of jobseekers, for different training programmes, 15-29 year-olds, 2014

Programme	Ratio of participants to jobseekers in %	Number of participants
In-house training, short-term course run by JEED	0.5	6 938
In-house training, short-term course run by Prefectures	0.2	2 506
Contracted training, short-term course	1.3	18 690
Contracted training, standard-term course	0.0	646
Total	2.0	28 780

Note: The ratio of jobseekers corresponds to the number of beneficiaries over the year to the number of newly registered jobseekers over the same period (i.e. 1 470 620 16-to-29 year-old youth in FY 2014).

Source: Data provided by the MHLW.

Jobseekers without EI benefit entitlements can participate in privately-provided training through the Support System for Jobseekers, which provide basic and professional skills in fields such as IT, services and care. These programmes are close to full-time (five to six hours per day, at least 100 per month) and last for two to six months. Training participants are selected by HW and the training providers on the basis of aptitude tests and interviews. Low-income participants who meet certain income and asset requirements can be paid a monthly training allowance of JYP 100 000 (EUR 720) for the duration of the training – up to two years in total. Only about half of all young participants receive such an allowance, however (Chapter 3). The average age of participants is around 30 years. The knowledge and skills acquired during the programme are assessed on a monthly basis and at the end of the programme, and the information can be recorded in the Job Card. Providers are moreover required to offer career consulting.

Mobility support and childcare

Jobseekers who take on work or start studying in a different part of the country following the recommendation of a HW caseworker can have part of their costs covered. Separate allowances are available through the EI system to cover:

- rent up to a limit of JPY 100 700 (about EUR 800) per month in cases where jobseekers have to move to participate in vocational training and live separately from their families;

- the moving costs of eligible jobseekers and their families when these relocate to take on work or participate in vocational training;
- transportation and accommodation costs that arise directly from job search activities, for instance when attending interviews with companies in a different city.

Jobseekers cannot, by contrast, receive a subsidy towards the costs of obtaining a driving licence, even if they live on a low income and would like to take on a job that requires driving. HW also does not actively encourage jobseekers to move to find work or training. The number of young jobseekers benefiting from mobility support is therefore limited (see Table 5.3).

Table 5.3. Only very few young jobseekers benefit from mobility support

Number of participants, ratio of participants to the number of jobseekers and average costs per participant as a percentage of GDP per capita for different mobility support schemes, 15-29 year-olds, 2015

Programme	Ratio of participants to jobseekers in %	Number of participants	Average cost (% GDP per capita)
Boarding / accommodation fee	0.002	26	1
Allowance for moving costs	0.050	612	3
Transportation and accommodation fees for job search activities in remote areas	0.032	424	1
Total	0.08	1 062	2

Note: The ratio of jobseekers corresponds to the number of beneficiaries over the year to the number of newly registered jobseekers over the same period (i.e. 1 334 736 16-to-29 year-old youth in FY 2015).

Source: Data provided by the MHLW.

In spite of a large gender gap in NEET rates in particular for young people in their twenties (see Chapter 2), there are currently no specific measures to alleviate the cost of, or facilitate access to, institutionalised childcare. Hello Work for Mothers provides information and specific job search support but does not offer support for childcare. The government plans to increase the number of childcare places by about 0.4 million by March 2018, while after-school childcare centres will provide care for 0.3 million children by March 2020 (see Chapter 2 and OECD, 2015b). This is welcome since relative to GDP, Japan currently spends only about one-third as much as Sweden or the United Kingdom on childcare and after-school care. In France, for instance, a specific childcare allowance tops up other forms of existing support. This “Support for single-parent childcare” (AGEPI) can be allocated to single parents who have troubles

arranging childcare for one or more children under ten years and who resume employment on contracts that last for at least three months. The benefit amount depends on the number of hours worked and the number of children, and is paid as a lump sum.²²

Public-sector work experience

In absolute terms, Japan spends relatively little on direct job creation in the public sector for jobseekers, with 0.03% of GDP, about half of the OECD average. But compared with other active programmes, this type of spending is three times larger than what is devoted to training, and has increased significantly in 2011/12 in response to the Great East Japan Earthquake (OECD, 2013). Besides, hirings for public-works projects are not counted as an active labour market measure because they are not restricted to the unemployed.

Unfortunately, there is no available data on the share of young jobseekers enrolled on temporary public sector jobs, and little is known on their pathways after the programme ends.

Direct job-creation programmes need careful management to ensure that they are relevant for very disadvantaged jobseekers, and are used as a last-recourse option for those who cannot otherwise be hired in the private sector. There is, indeed, strong international evidence by now that programmes that offer jobseekers work experience or temporary employment in the not-for-profit sector tend to have no positive post-programme impact on the probability of employment in the regular labour market, and that they may even have detrimental effects (Card et al., 2010, 2015; Kluve, 2010, 2014). The likely reason is that many of these programmes have only weak training components, and that private employers attribute little value to the experience gained in those programmes.

Support for young entrepreneurs

Entrepreneurship programmes are a specific form of training that can combine counselling with support for project management, training in financial or accounting skills and possibly start-up subsidies. Many OECD countries provide special support to jobseekers that would like to establish their own company, even though these interventions usually represent only a small fraction of total spending on labour market programmes. Programmes to support entrepreneurs have been shown to often have positive effects on participants' employment and incomes, in particular for young people and more disadvantaged jobseekers (Kluve et al., 2016). Unfortunately, no such programmes currently exist for young jobseekers in Japan.

4. Following up after programme completion and evaluating programme impacts

Providers of employment and social services for young people should follow-up on their users after programme completion to support lasting transitions into employment. Young jobseekers with little work experience may initially have trouble coping with the structures, requirements and responsibilities of their new job. Those who had to overcome additional barriers to employment, for instance in the form of social or health problems, may see some of these issues re-arise over time. An active follow-up through caseworkers can help address these problems in time to prevent young people from falling back into unemployment or inactivity, and follow-up has indeed been shown to be an important component of successful employment programmes for young people (Kluve et al., 2016).

In Japan, follow-up exists, though – according to discussions with stakeholders – it is not very common:

- The RYSS re-contact former users at regular intervals during the first year of employment in the framework of the Step-Up programme. They also prepare individual support plans, including consultations and training, for former users who would like to “regularise” their employment. About 10% of young persons’ visits at RYSS in 2015 happened through the Step-Up programme.
- Hello Work for New Graduates and Hello Work for Youth offer users to follow up on their development after placement into training or employment on an *ad-hoc* basis. No specific programme or funding exists for this type of activities, however. More regular checks of users’ situation three or six months after programme completion could identify those who did not keep their job to help them re-engage. Some discouraged young people, including *freeters*, might not always directly re-contact HW.
- Since the introduction of the Support System for Jobseekers in 2011, private providers of vocational training programmes have to report to JEED on their participants’ employment status within four months after programme termination (see Chapter 4 for some results). There is, by contrast, no general requirement for training institutions to follow up on their students after placement.

Follow-up activities could hence be expanded for both HW and RYSS users as well as training participants by reserving special funding and introducing follow-up requirements. Systematic follow-up is also essential for assessing programmes’ performance and their impact on participants’

pathways. Japan collects a wealth of information on programme inputs, such as the number of visits, counselling sessions, training hours, or expenses on subsidies. By contrast, individual-level data on labour market or personal outcomes of former programme participants is rarely collected. Where outcome data are available, they are not easily comparable to the situation of other young people who did not participate in the programme. Consequently, very little is known on the return on the various types of training programmes, for instance in terms of improved job stability or earnings. Similarly, the impact of the various different labour market preparation seminars remains unassessed.

The near-absence of rigorous evaluations in Japan is surprising given the existence of excellent data monitoring systems and a vibrant research community that could be involved in a more systematic evaluation of programme impacts.

Japan could move towards a more systematic evaluation of the impact of social, employment and training programmes through a number of steps:

- The reporting of outcome data and the evaluation of a programme impacts should be included as a formal requirement in funding agreements with private providers and other organisations managing the programmes. To this purpose, a specified share of the project budget could be earmarked for programme evaluations, at least for the largest programmes. The complexity of the required evaluation could be made dependent on the amount of funding provided and the stage of the programme. Initial funding for new, small-scale projects could be made conditional on the reporting of outcome figures that give a first indication of a programme's potential. Follow-up financing could then require a formal impact evaluation based on randomised controlled trials (RCT) or strong quasi-experimental evidence. The pre-specified evaluation budget could be used by providers to commission evaluation experts at private companies or public research institutions.
- Programme evaluations should be systematically shared to promote best-practices. An excellent example of a suitable platform is the What Works Clearinghouse run by the US Institute of Education Sciences (IES), the statistics, research and evaluation arm of the US Department of Education.²³
- The involvement of independent researchers in programme evaluations should be facilitated and encouraged, notably by providing access to individual-level administrative data in a suitably anonymised format.²⁴

Round-up and recommendations

The labour market situation of young people in Japan is favourable by OECD standards. Existing employment measures that enable a smooth transition from school to work without unemployment certainly contribute to this performance. Given Japan's enormous demographic challenges, it is nonetheless vital that Japan further reduce the number of young people who are not in employment, education or training (NEET), which stood at 1.7 million in 2015.

Japan already devotes many resources to helping NEETs overcome barriers to educational and labour market participation and find work: the public employment service Hello Work (HW) has different types of specialised front offices dedicated to young people, but also the so-called Job Cafés provide additional career orientation and counselling, and Regional Youth Support Stations (RYSS) help NEETs with substantial barriers to finding employment. Staff at these institutions generally have moderate caseloads, which allows them to engage closely with their users and provide personalised support. Community Hikikomori Support Centres support young people living in social withdrawal and their families. Spending on labour market programmes is lower than in most other OECD countries, however.

Japan could further strengthen the support for NEETs along the following dimensions:

Ensure that inactive NEETs are connected quickly

- *Expand outreach of social services:* The RYSS provide high-quality support for NEETs with special barriers to employment, and Community Hikikomori Support Centres are a vital first contact point for families affected by social withdrawal. The RYSS and – at least in some municipalities – also the Community Hikikomori Support Centres engage in relatively little direct outreach, however, relying instead mostly on (self-)referrals to get in touch with their users. Japan could ensure that inactive NEETs are contacted by social services more quickly by strengthening “street outreach” and promoting closer collaboration and information exchange with schools.
- *Improve access to childcare to raise labour market participation of young women:* Families with small children often face long waiting times for a place in childcare and the costs are relatively high by OECD standards. Many Japanese young women in their twenties therefore withdraw from the labour force upon childbirth. By

promoting access to childcare and making it more affordable, Japan could reduce the gender gap in NEET rates – currently one of the largest across OECD countries.

Raise the efficiency of service delivery

- *Improve co-ordination and information exchange between employment service providers:* Different institutions provide employment support to NEETs, but co-ordination and data exchange between these actors tends to be weak. Japan could increase the quality and efficiency of service delivery and reduce service duplication by promoting a stronger co-operation. Job Cafés could collaborate more closely with HW, ideally by setting up offices in the same location. This would allow strengthening operations at the local level. Municipal Offices for Health and Welfare could more systematically refer at-risk young people who are employable to HW rather than to provide employment services directly.
- *Strengthen the incentives for non-governmental service providers:* Job Cafés, the RYSS and, in some cases, Community Hikikomori Support Centres are all either operated by non-governmental providers or partly rely on such providers for their service delivery. While public authorities use tendering procedures to select providers, the competition for contracts tends to be weak and compensation is usually not strongly performance-based. Japan could increase the quality and reduce the cost of service delivery by linking provider selection and compensation more explicitly to clearly specified performance indicators, lengthening contract durations from currently mostly one year and encouraging participation by large national providers and for-profit companies.

Promote sustainable transitions into employment

- *Intensify and broaden the labour market programmes available to young jobseekers:* HW relies primarily on job search assistance and counselling, hiring subsidies and vocational training to help young jobseekers find employment, but few jobseekers participate in such programmes. Japan should consider expanding active programme participation among young jobseekers, in particular for longer training programmes that can be very effective for promoting regular employment. HW should also consider testing small-scale start-up subsidies for young jobseekers with entrepreneurial potential – a programme type that has proven effective in other countries. The impact of public-work schemes on participants' pathways should be evaluated, and these programmes targeted only

to very disadvantaged youth. Disadvantaged young parents who find work could benefit from specific support to reduce the cost of institutionalised childcare.

- *Establish or strengthen procedures for systematic follow-up:* Jobseekers who have participated in a programme or found work may require continued support to avoid slipping back into unemployment or inactivity, especially if they have a history of social or health problems. Social and employment services in Japan do not, however, systematically follow-up on their former users. To ensure that positive programme effects endure over the long term, Japan should consider introducing formalised follow-up requirements with dedicated financial resources for service providers such as HW and increase existing resources in case of the RYSS.
- *Rigorously evaluate programme impacts:* Helping disadvantaged young people return to education or find work can be difficult and costly, and limited resources should be directed to those programmes that have the largest impact. Japan currently does not, however, systematically evaluate the impact of labour market and social programmes on participants' outcomes. To increase the effectiveness of support, Japan should systematically collect outcome data for programme participants, introduce evaluation requirements in programme funding contracts and share anonymised administrative data with researchers for evaluation purposes.

Notes

1. Cities with a population greater than 500 000 people can apply for the status of “government-designated city”. The 20 designated cities assume many of the functions otherwise performed by the prefectural governments, including in the area of public education.
2. Community Hikikomori Support Centres generally provide consultation to persons affected by social withdrawal regardless of their age. Schools are responsible, however, for *futōkō* students, i.e. young people with school attendance problems, and Community Hikikomori Support Centres may support only above-18 year-olds in municipalities where schools can provide sufficient support to teenage youth (see Chapter 4).
3. The Support System also provides temporary emergency support for homeless persons, household finance counselling, and learning support for children from poor families. It was introduced through the 2013 “Act on the Support of Self-Reliance of the Poor” and implemented from 2015.
4. Human Resources Development Promotion Centres across the country have a directing council made up of academic experts, employers’ and trade union representatives, the chiefs of administrative organisations and other parties concerned. The council meets for discussions and decide on how to provide job training for displaced workers. The Centres also hold human resources development seminars for employed persons.
5. Rare exceptions are made in case of large-scale programmes mandated by the MHLW or for the occasional provision of job search seminars.
6. The “Implementation Plan Evaluation Type of the Open and Competitive Bidding procedure”
7. The compensation for private training providers depends on the programme type and can be performance-based. Providers of basic courses, for instance in nursing care, receive a lump-sum payment of JPY 60 000 (about EUR 500) per participant per month. The payment made for practical courses depends on the employment rate of course participants, varying between JPY 50 000 (EUR 420) per participant per month if up to 35% of course participants find employment to JPY 70 000 (EUR 580) for post-programme employment rates of 60% or higher.

8. Some prefectures offer three-year contracts to Job Café providers.
9. This reflects a fiscal principle according to which revenue and expenditure are balanced for each fiscal year.
10. These measures were part of “The Japan Plan for the Dynamic Engagement of All Citizens 2016”.
11. The MHLW provides financial support to cover training expenses.
12. About 46% of unemployed 15-29 year-olds reported using the PES to look for work or start a business in 2014 (OECD calculations based on the Japanese Labour Force Survey). Other options are private agencies, including temporary work agencies, schools, acquaintances, direct applications and adverts in newspapers. Similarly, Hori et al. (2012) report that, in the Tokyo Metropolis between 2001 and 2012, only about 50% of young people in their 20s who lost their jobs used HW services to find work.
13. Not all RYSS have social counsellors and psychologists. Approximately 400 career consultants and about 100 clinical psychologists (with both numbers including part-time employees) were employed by RYSS across the country in 2015. In total, 272 000 young people receiving counselling in 2014, while 143 000 participated in work preparation seminars.
14. The overall amount of work experience (of any duration) provided across companies reached 44 300 person-days in 2014. Subsidies are up to JPY 15 000 (EUR 125) per person paid to a company which accepts participants for a weekly duration of 30 to 40 hours. A lower subsidy of JPY 7 500 yen (EUR 62) is paid when working hours are between 20 and 30 hours. Participants do not receive any compensation.
15. These courses cost between JPY 60 000 and JPY 100 000 (EUR 500 to 850) per participant per month.
16. The basic training programme can cost up to JPY 60 000 (EUR 500) per person per month, while the additional cost of the camp programme is up to JPY 40 000 (EUR 350) per person per month.

A small-scale, three-to-six-month training programme with a residential component for NEETs, the “Independence Youth Camp” (*Wakamono Jiritsujuku*) was discontinued in 2014 after an evaluation showed that it did not have an impact.
17. Unfortunately, data on the number of labour market programme participants is not available for Japan, which prevents comparisons on the basis of spending per participant.

18. Minimum-income support recipients with more severe social problems, who are deemed unable to gain their own living, are generally not required to register with HW. Where possible, the municipal Offices for Health and Welfare instead try to place them into temporary, part-time work directly.
19. These statistics also include the PES administration costs, not only the spending on front-office activities.
20. To be eligible, jobseekers need to fulfil one of various criteria including to lack work experience in the chosen field of employment, to be within three years of graduation and not having had a stable job yet, to have experienced more than two job separations in the past two years, not to have been employed yet for longer than a year, to have quit the former job due to pregnancy / childcare obligations and not to have had a stable job in the two years since, or to have other barriers to employment including single parenthood, being a day or seasonal worker or homelessness.

An earlier “Youth Trial Employment” subsidy, targeted at persons up to the age of 35 years, was integrated into the more general Subsidy for Trial Employment in 2013.

21. The subsidy is raised to JPY 50 000 (about EUR 370) if the jobseeker is a single parent.
22. The amount is between EUR 170 and 520, which is significant considering the relatively low childcare costs in France for low-income parents.
23. See <http://ies.ed.gov/ncee/wwc/>.
24. Also the quality and size of household survey data should be improved to permit studying incomes and living conditions of the Japanese population, including for smaller population groups.

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