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JAPAN and The TLM MODEL: Adapting The Transitional Labour Market Theory to Japan

Author: Arzu Balkan
Supervisor: Dr. Mayumi Saegusa

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Abstract

Japanese employment structure has been transforming in the face of economic recession, difficulty in work/life balance and ageing society. The diversification in the forms of employment such as increasing non-regular employment has enhanced labor market flexibility in Japan while causing security challenges for most people. This paper intends to bring a new perspective to Japanese context by applying the Transitional Labour Market (TLM) framework in the form of five critical transitions over the life-course to clearly outline the deficiencies of current institutional arrangements and to lay some groundwork for analyzing good transitions in line with four principles (autonomy-solidarity-effectiveness-efficiency) of the TLM. Providing insights for the cross-regional transfers (between Europe and Asia) by extending the scope of the TLM is also aimed. The main question raised in this respect is about how to create a labour market which builds bridges rather than dead ends between various statuses inside and outside the labour market. This paper argues that it is important to develop tailor-made labour market arrangements in Japan targeting the vulnerable groups such as women and non-regular employees in line with the principles of the TLM model. Such a tailor-made approach will assist individuals manage the risks they face under the current labor market situation and help to achieve sustainability of the entire social system by decreasing the associated heavy costs. The findings state that together with the recent labor market reforms there has been a shift towards more activating policies in Japan which are favorable from the TLM perspective but close attention to the propositions of the solidarity principle is required.

Keywords: Japan, the TLM, labour market policies, flexibility, security, transitions, risk management

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1 Introduction

“Survival becomes possible only if generality is preserved.(...) The general welfare state may survive if it imposes a limit upon itself and does so generally; the discriminatory welfare-transfer state will not survive” Buchanan (1998: 14-15 *as cited in* Schmid & Gazier, 2002:393).

Prolonged economic recession, decrease in productivity, diversification of employment, increasing unemployment rate, ageing society and difficulty in balancing work and life have been changing and challenging the labor market structure in Japan. These changes in demography, economy and life-styles of Japanese people have necessitated some degree of flexibility in employment structures and led to segmentation in employment opportunities. Despite increasing relaxation in the labor market, security proportion-social protection of individuals- has not been in the same pace¹. The Japanese labor market is hit by the paradox that “the feeling of job-insecurity is among one of the highest in the world” despite high job security inherent in the life-time employment system (Boyer 2006; Bredgaard & Larsen, 2007). As a consequence, many people have to overcome the increasing risks (i.e. long-term unemployment, low skill due to failure in education and training or employability risk) emerged out of transforming labor market themselves in the face of changing of life-time employment and increasing performance-based earnings² (Schmid, 2010). In other words, risk-management has become more individualized.

The search for remedies under these conditions leads the focus of this paper to the Transitional Labour Market (hereafter TLM) model which is originated in Europe. The significance and merit of this model is its ability “to generate and propose concrete and relevant policy solutions” which are sufficiently flexible to be adjusted to local circumstances “to enable sustainable improvement of welfare” (Schömann & Siarov, 2006). According to the TLM theory, there are five critical events over the life-course of an individual and institutional arrangements are needed to handle these transitions between various employment statuses, education/training and household activities. This paper intends to apply the TLM framework in the form of these five transitions over the life-course to Japanese labor market to clearly outline the deficiencies of the current institutional arrangements and to lay some groundwork for analyzing good transitions in line with four principles (*autonomy-solidarity-effectiveness-efficiency*) of the TLM. Even though the concept itself and its scientific and political applications are developing, it is not known enough outside Europe despite existing commonalities between different continents within the sphere of social and labour market policy. This paper aims to contribute to the mutual learning process by providing insights for cross-regional transfers (between

¹ For a detailed definition of the concepts “flexibility” and “security”, see the heading “Transitional labor market theory”

² For detailed information, see JILPT, 2009:61,68,77,78.

Europe and Asia) and extending the scope of the TLM model.

The main question raised in this paper is “*how can a labour market which builds bridges rather than dead ends between various statuses inside and outside the labour market be created in Japan?*” In this context, “status” refers to labour market related statuses including “between jobs, occupations, employers, different types of employment contracts (part-time, full-time and temporary), unemployment and retirement” (Gier & Berg, 2005:2). In order to answer this question, two sub-questions are developed: “*What kind of institutional arrangements are present in the labour market of Japan to assist individuals overcome risky transitions over their life-courses? To what extent are these institutional arrangements compatible with the four principles (individual freedom/autonomy; solidarity; effectiveness; efficiency) of the TLM?*”

This paper notes that social protection in Japan has been mainly traditional in that it does not properly cover new risks arising from increasing flexibility in the labour market especially from the diversification of the employment statuses. Therefore, this paper argues that it is important to develop tailor-made labour market arrangements in Japan targeting the vulnerable groups such as women and non-regular employees in line with the principles of the TLM model. Such a tailor-made approach will assist individuals manage the risks they face under the current labor market situation and help to achieve sustainability of the entire social system by decreasing the associated heavy costs.

The findings state that the institutional arrangements in Japan are not accordant with the solidarity principle of the TLM on a sufficient scale. This lack of accordance is the most problematic during the transitions between “various employment statuses and various working times”. The dualism in Japanese labour market that is excluding especially non-regular workers and the women in terms of education attainment, social protection and income level is found to be violating the solidarity principle. Therefore, some suggestions from the TLM perspective are presented. On the other hand, the *effectiveness principle* has found inspiring institutions in Japanese context which have rich infrastructure-adequate monitoring and public/private cooperation as including businesses, local governments and universities. Social protection systems are found to be very related to the labour market in the area of transitions between retirement, disability and employment as they focus on enhancing the employability of the vulnerable group. Finally, there has been a shift towards more activating policies in Japan together with the recent reforms which are favorable from the TLM perspective but close attention to the propositions of the solidarity principle is required.

1.1 Economic outlook

A dramatic rise in asset prices – i.e. share and land prices- in the latter half of the 1980s and then, a sudden decrease in the first half of the 1990s caused the emergence and collapse of a bubble economy in Japan. Thereafter, Japanese economy continued to remain stagnant for a long time, which is referred as “the 10 years lost”. After five years’ of recovery from 2002 (when the economy hit the bottom), in 2007, Japanese economy entered a downturn because of the decline in exports³ (JILPT, 2009:2-4). This downturn was fuelled by the sub-prime mortgage crisis (September 2008) originating in the United States which dragged the world into a recession including Japan whose economy started to deteriorate rapidly from the end of 2008 (JTUC-RENGO, 2008; OECD, 2009a; JILPT, 2009).

1.2 Labor force features

The labor force is composed of people aged 15 and older who currently have jobs and unemployed people who seek jobs but are not currently employed. The number of Japanese people constituting labor force has increased from 65.20 million in 1960 to 110.49 million in 2005. From 1970 to 2004, the ratio of males aged 24 and below has declined and the ratio of the older segment (age 55 and older) has increased⁴. The ratio of female labor force develops an “M” curve in that the number of those in their late 20s declines and increases again as they age through their mid-30s⁵. In 2004, Japan's labor force population ratio⁶ was 60.4% (male: 73.4%, female: 48.3%) while it was 69.2% in 1960 (JILPT, 2009:19). From the mid-1990s, owing to the reasons of slight economic recovery and demand for workers to replace retiring older cohorts (namely baby-boomers), the proportions of young part-time workers as well as other non-regular employees (people employed other than as permanent employees) saw a continuous rise until seeing a slight drop in 2006 (JILPT, 2009:41).

1.3 Structural labor market changes and related problems

Together with the changes in labor situation and the prolonged recession, increasing unemployment has gained concern in Japan. The collapse of the major financial institutions in 1997 led to sizable job losses and the unemployment rate reached to the level 5.5% in 2003 from around 2% in the 1980s to 3% in the 1990s. After an improvement in 2006, the global financial crisis deteriorated the situation as the unemployment reached 5.7% in July 2009 (JILPT, 2009:7). The ratio of “active job openings to active job applicants” fell (from 1.06 in 2006) to 0.5 in March 2009 (Higuchi & Hashimoto, 2005).

3 The case was the global slowdown due to the sub-prime loan crisis and sharply rising crude oil and raw material prices in 2007 (JILPT, 2009:3-4).

4 According to JILPT (2009:9, 16), the population after reaching its peak- 127.78 million- in 2004, has decreased for the first time in history. It is foreseen that in case this trend continues, older people aged 65 and over may comprise around 30% and 40% of the total population in 2017 and 2055, respectively. Also, the working population is already contracting in both “real and proportional terms”, which causes growing concerns regarding the sustainability of the society and economy of Japan.

5 See Appendix 1.

6 The ratio of the labor force to the general population aged 15 and older (JILPT, 2009:19).

One of the structural problems related to unemployment is documented to be the high rate among younger cohorts⁷. For example, in 2008 unemployment rate was the highest among 15- to 19-year-olds, 20- to 24-year-olds and 25- to 29-year-olds, accounting for 8.0%, 7.1% and 6.0% respectively as compared to the all age groups combined (4.0%). In recent years companies started to employ less graduates as regular employees (*hereafter* regulars)⁸. As a result, people who start their career as non-regular workers (*hereafter* non-regulars), shift between jobs, which increased the unemployment rate (JILPT, 2009:21).

Diversification of employment is another change in Japan's employment landscape. The proportion of regulars fell below two thirds to 65.9 % in 2008 in comparison to the 1980s when regulars were over 80%. So, the scale of non-regular employment⁹, which includes part-time workers¹⁰, entrusted workers (*shokutaku*) who are employed “for a predetermined period of time” for their expertise in a specific type of work, dispatched workers who are hired from temporary labour agency¹¹, temporary (*arbeit*) workers who are hired for one month or more but less than one year and others, has increased since 1990s (JILPT,2009:37;2006:42; Ariga, Kambayashi & Sano, 2009; MIAC, 2009).

The increase in non-regular employment has led to the emergence of the “working poor”¹² issue because of the widening wage gap and the decreasing number of young people in regular employment. On the other hand, since companies contracted the number of their regulars, these employees have to work longer hours. For instance, 20% of male workers who are of 30 year old spend 60-hour weeks or even more and thus spend little time for their families (JILPT, 2009:7-8).

To sum up, while regulars enjoy job security, they are also restricted in terms of place of work and working hours to a certain degree. As for non-regulars, there exist fewer such restrictions however; they suffer a deprivation of job security as the worsening economic situation has caused “dismissals and non-renewal of contracts” of many non-regulars (JILPT, 2009:37).

1.4 Research design

1.4.1 The focus of the paper

In the face of increasing non-regular employment and gradual but continuous diminishing of the long-term employment, most people have difficulty in handling with these risks emerged out of the changing

7 See Appendix.2 & 3.

8 Most of the young people who could not find a regular job at the time of the “ice age” during the recession either stay in non-regular employment which have fewer opportunities for education and training or are jobless(JILPT, 2009:7).

9 See Appendix 4 &5.

10 Part-timers constitute the largest segment of all employees having 15.9% in 2008.

11 There has been a remarkable increase in the proportions of contract and entrusted employees (from 4.7% in 2002 to 6.2% in 2008) and dispatched workers (from 0.9% in 2002 to 2.7% in 2008).

12 Those people who lives on low incomes of about 1.50 million yen a year and comprise around 20% of the employed (JILPT, 2009:7).

labour market structure by themselves. This paper intends to bring a new perspective from the TLM theory to analyze the labour market situation in Japan. Therefore, applying the TLM framework in the form of five main transitions- between various forms employment statuses, education/training and household activities- over the life-course to the related risks in Japanese labor market to clearly outline the deficiencies of current institutional arrangements is the interest of this paper. Furthermore, this paper aims to lay some groundwork for analyzing good transitions with the best real-life instances from European countries before analyzing Japanese labour market in line with four principles (autonomy-solidarity-effectiveness-efficiency) of the TLM. At the same time providing insights for the cross-regional transfers (between Europe and Asia) by extending the scope of the TLM theory is aimed.

It is noteworthy that the aim of this paper is not to compare Europe and Japan. The TLM is taken as an approach rather than a specific programme; a “procedural tool” rather than a “policy device”. The reason why the model is not illustrated with a specific European country is that “each nation or region can adopt its own set of institutions and bargaining arrangements” as the perspective does not rely on “one single policy agenda” (Schmid & Gazier, 2002:205). Gunther Schmid states that no one single country in the European Union can offer “a genuinely European solution” that other countries could adopt in the face of the changing labour market challenges (Schmid & Gazier, 2002:151).

1.4.2 Research questions

In line with the aforementioned labour market situation, the main question raised in this study is:

- How can a labour market which builds bridges rather than dead ends between various statuses¹³ inside and outside the labour market be created in Japan?

In order to answer this question two sub-questions are raised:

- What kind of institutional arrangements are present in the labour market of Japan to assist individuals overcome risky transitions over their life-courses?
- To what extent are these institutional arrangements compatible with the four principles (individual freedom/autonomy- solidarity-effectiveness- efficiency) of the TLM?

1.4.3 Research methods

In an effort to answer the main question of this single *case*, this paper aims to *describe* various institutional arrangements in Japan in the first place. Then, in an *explanatory* attempt, this paper aims to *examine* and develop *explanations* from the perspective of the TLM theory to analyze this case. Applying the propositions of the TLM model to the real-world problems and happenings in Japanese

¹³ As mentioned in the “Introduction” section, in this context “status” refers to labour market related statuses including “between jobs, occupations, employers, different types of employment contracts (part-time, full-time and temporary), unemployment and retirement” (Gier & Berg, 2005:2).

context has been done in an *applied research* manner. Four principles of the TLM model and propositions from this model guide the data collection in a *deductive* manner. However, rather than testing the theory, the aim of this paper is to *qualitatively* exemplify the TLM model with practical instances from a different (Japanese) context (Seale, 1999: 92; Patton, 2002: 234), which makes the approach to the relationship between theory and research *inductive* (Bryman, 2008:55).

By case selection and utilization of *intensity sampling* as involving information-rich institutional instances from Japanese labour market that manifest the phenomenon of interest intensely, the aim of this paper is to extend the scope of the theory as well as putting a light to the problems in Japanese labour market from a different analytical framework (the TLM) (Patton, 2002: 234). In this process, the techniques of *analytical induction* and *theoretical sampling* are also utilized as they are argued to work best when there are multiple instances of the phenomenon studied (Ragin, 1994: 111). In this research various instances are needed to be examined at five different dimensions of the TLM model.

In analytical induction, the institutional arrangements which illuminate aspects of the TLM model are selected from a variety of similar instances in Japan (Seale, 1999: 109). On the other hand, instances from European countries to exemplify the TLM model constitute analytical framework to be applied to the data in Japanese context. Therefore, deductive analysis is seen in this research. For application of the theory to the Japanese context, it is not sufficient to provide only theoretical statements. In an attempt to exemplify the TLM theory with convincing instances, the strategy of “extreme case sampling” which suggests selecting information rich cases that are often shown as successful is utilized (Patton, 2002: 230). The advantage of this strategy is believed to develop a more convincing theoretical framework with real-world examples everyone could recognize. In other words, it can be said that “the quality is by-product of grounded theorizing” (Seale, 1999: 88).

Public documents such as official documentary records, detailed reports and official statistical analysis which are produced to inform the public (publications of key organizational bodies and legal establishments such as Japanese Institute for Labour Policy and Training (JILPT), Organisation for Economic Co-operation and Development (OECD), Japanese Trade Union Confederation (RENGO), Ministry of Health, Labour and Welfare (MHWL) and International Labour Organization (ILO) constitute the primary data of this study (Svenning, 1999: 149). One of the disadvantages of being dependent only on public documents is that there might be missing elements in an official government document which could be the very information of the interest to this study (Berg, 2004: 213) The most challenging issue in data collection has been locating the data relevant to the labour market institutions in Japan. In spite of the many various data archives, it has not been an easy task to find the ones in the interest of this study. Especially given that the recent labour market measures and reforms- in the face

of the global economic crisis in 2008- have been transforming the labour market structure in Japan, the ideal data for this study (in relation to the theoretical framework) have been the most recent information. However, the difficulty of accessing the required data appropriate in time has always constituted a challenge. Therefore, from the year 2010 (as including June) back to the year 2000, related governmental documents accessible on the official websites of the related organizations were retrieved.

As for the advantages of using secondary data in this study, besides the economy in money and time (as the findings are much more rapidly generated than collecting new data), it provides a “fresh, creative approach and personal style” to the data (Chadwick, Bahr & Albrecht, 1984: 262, 261). Also, there is a societal benefit in the sense that only a part of the data collected at such a great expense was used by the primary investigator and “storing or discarding the original data wastes societal, organizational and intellectual resources”. However, the most important reason for data selection is that public documents are the most suitable data to carry out this research.

In terms of the concerns about validity and reliability of this research, it is believed that social phenomena are also existent beyond the minds, in the objective world through the laws. After a careful selection of the documents published by the *reliable* key organizational bodies and legal establishments, the only concern is the *validity* of the interpretation of the findings (Patton, 2002: 94). In order to minimize biased interpretation of the data, four principles of the TLM are set to analyze the institutional arrangements in Japan and interpret the findings in a correct way. Qualitative findings obtained from this study tend to be oriented to the contextual uniqueness and significance of Japan. As it is suggested, whether these findings hold in some other contexts or in the same context at a different time is an “empirical issue”. At this point, a *thick* description of the theoretical database provides other cases with the possibility to transfer the findings into other “milieux” (Bryman, 2008:378).

Finally regarding *ethical considerations*, these archival data do not include any certain identifiers such as names, addresses and the like. Therefore, it is not sensitive in that there has not been any ethical harm in terms of data collection to third parties in this study (Berg, 2004: 215).

1.4.4 Disposition

Having presented an overview of the labour market in Japan and the research design, the theoretical framework as including the TLM model and its key concepts is presented in the next section. After providing real-life instances to the TLM model from some European countries in the form of five transitions over the life-course, a fresh account of the Japanese employment system and labour market model within the framework of the TLM model is provided. More specifically, the extent of the compatibility of the present policies and institutional arrangement in Japan with four TLM principles is

analyzed. In the discussion part, a bigger picture of Japanese labour market including deficiencies together with some related policy suggestions from the TLM perspective is provided. Finally, I conclude with implications on Japanese labour market.

2 Theoretical framework

2.1. Why do we apply the TLM model to Japan?

The Transitional labour market (TLM) model has stimulated increasing attention in Europe especially in Germany, Denmark and Netherlands (Schmid, 2006a). The approach originated as a proposal for a new European employment strategy against “mass unemployment” (Schmid, 1998), it then evolved into a wider and more general framework which could be used in “labour market behavior” analysis and “social policy measure” evaluation (Van Huizen & Plantenga, 2009). As argued by Schömann & Siarov, 2006, TLM works on “the basis of universal entitlements”. However, the model does not offer “one-size-fits-all approaches” which restricts the application of the model to all type of contexts. Some countries are more successful in adjusting their institutional arrangements to the challenges of “the information and knowledge economy and society” (i.e. Netherlands and Denmark) while others which have stronger “male-bread winner model” in their institutional setting and increasing flexibility demands without addressing rising security needs, are slower in this adaptation. The TLM approach can particularly assist these countries to realize such a transformation by providing “a flexible and adaptive frame of reference” that shall be useful in devising and evaluating solutions.

Similarly, Japan is a male-breadwinner country and has rising social security needs in the wake of increasing labour market flexibility. Therefore, the TLM can also provide insights to the Japanese context. The significance and merit of this model is its ability “to generate and propose concrete and relevant policy solutions” which are sufficiently flexible to be adjusted to local circumstances “to enable sustainable improvement of welfare” (Schömann & Siarov, 2006). This quality makes the TLM model relevant and necessary for Japan. In addition, even though the concept itself and its scientific and political applications are developing thanks to the theoretical and analytical support, it is not known enough outside Europe. As, there exist commonalities between different continents regarding recent research in the sphere of social and labour market policy, the exchange of conceptual views should be considered as an encouraging start in which countries learn or get inspired from one another. This paper aims to contribute to this mutual learning process by applying TLM model to Japan (Schmid, 2006a).

2.2 Research field

Japan has been compared to Europe regarding several labour market issues such as ageing population, collective employee representation systems, atypical employment, older workers and compensation systems across several studies (Raisanen, 2005; Gal, 2005; Verret, 2006; Seifert, 2010). Likewise, Europe's labour market policies have been closely studied by Japanese scholars (Hamaguchi, 2009; Arita, 2009; Owada, 2009; Morozumi, 2009). For example, the study by Thomas Bredgaard and Flemming Larsen, (2007) compares Japan and Denmark in terms of labour market flexibility and social security nexus (hereafter *flexicurity*). The worsening situation of the economy in Japan from the 1990s on has necessitated employment reforms in the country. The authors ask if a new balance of flexicurity (the productivity and competitiveness of Japanese enterprises are complemented by secure transitions in and out of the external labour market) is promising for Japanese employment system or not.

Another study analyzing the Japanese labour market in terms of flexibility and security distribution is by Kazutoshi Chatani (2008). The research illustrates rise and fall of the corporate-centered approach to security¹⁴ which challenged stable employment system in Japan. He argues that Japan needs to develop new types of security to meet the needs of both businesses and employees who face new risks inside a labour market which is becoming more flexible. Like Gary Becker (1993:24), Chatani (2008) suggests that “stable employment–cum–investment” in human capital of employees is crucial for Japanese firms leading to modern production technology implementation. Likewise, the study by Arjan B. Keizer (2008) analyzes the introduction of performance-related pay and the rise in non-regular employment in Japan by making a comparison between Japan and the Netherlands since both countries have seen a similar remarkable rise in non-regulars however with different implications for part-time employees in particular.

These studies lead to the view that both Japan and some European countries (i.e. Netherlands, Denmark, and Germany) have faced similar labor market challenges (not necessarily simultaneously). Employment problems in relation to these issues that Japanese labour market has going through since late 1990s were already or are being experienced in European countries (Miyamoto, 2005). Therefore, it is interesting to examine how Japan is gearing up for the challenges facing its labour market in relation to European instances or what type of regulations are introduced as a response to (i.e.) the changing patterns of employment. So far, very few studies have analyzed Japan from the TLM perspective. In this respect, this study aims to contribute to fill this gap by providing insights both for the labour market in Japan from the TLM perspective and for the TLM scope from the instances in Japanese labour market.

¹⁴ Especially in the face of the market liberalization and corporate governance reforms during the 1990s.

2.3 Transitional labor market theory

The TLM is a negotiated and systematic management process of transitions in and around the labour market. The main idea is “to secure the transitions between different working and non-working situations” over the professional life-course of individuals by constructing institutional arrangements to provide “stepping stones” or bridges in order to enable mobility (Schmid, 2006a; Gautié, 2003). According to Bernard Gazier and Jérôme Gautie (2009), the key concept within the TLM approach is “transitions” which is defined as “any departure from the reference situation of a full time long-term job” (Schmid, 2009). By departure alternations between full-time and part-time work or various activity or inactivity situations (i.e. an unemployment spell, parental or training leaves, temporary jobs and subsidized programs) within a wider sphere are meant (Gautié, 2003). Finally, transitions should reach somewhere which should be defined (Gazie & Gautie, 2009).

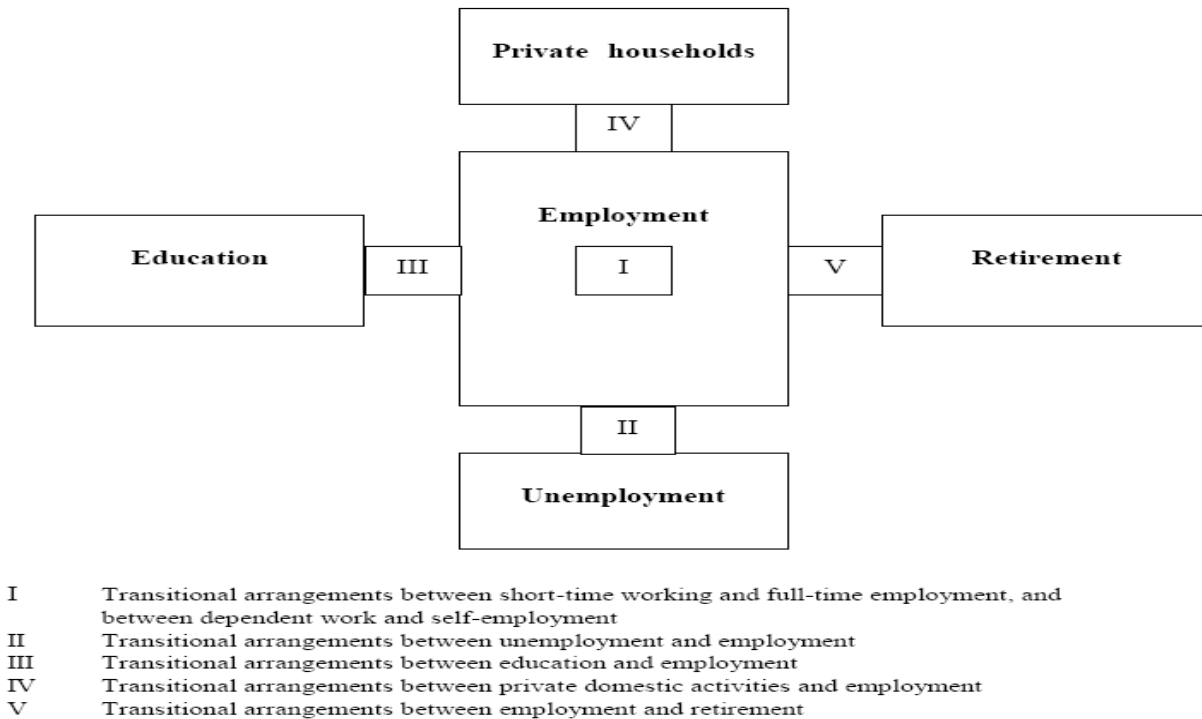
One of the main assumptions of the TLM is that the transitions in modern labour markets are becoming increasingly complex and institutional arrangements are needed to handle these transitions between various forms of employment statuses, education/training, unpaid activities and retirement. Here, the dynamic feature of individuals' career development is emphasized in relation to the way employees are “stabilized” beyond the mere availability of steadily secure jobs. For instance, the road from education to employment is becoming longer and more complicated with internships or contracts for services; individuals' work lives over the life-course include positions of unemployment; an increasing number of older workers are entering jobs that offer lower salaries after retirement (Hartlapp & Schmid, 2008; Rigg & Sefton, 2006). These happenings affect future statuses, career chances, income and social security of individuals. Yet, against these risks, individuals are not properly insured (Hartlapp & Schmid, 2008). Therefore, as these critical events requiring transitions are increasing, they are needed to be socially protected and managed (Schmid, 2006a; Lassnigg et al., 2007).

As such, building “bridges” in form of institutional arrangements -offering security and flexibility at the same time throughout a life-course- against critical events is crucial (Hancock et.al.,2006; Schmid 2006b). Flexibility (from employers' angle) refers to the easiness “to hire and fire; use of temporary layoff, fixed-term contracts, temporary-agency work, overtime or short-time work, part-time work, on-the job or off-the-job training”. Security (from employees' angle) refers to “the certainty of remaining in work with a specific employer or with several employers; income protection during dismissal, mass unemployment, illness, disability or retirement; entitlement to continuous education or training; the right to combine paid and unpaid work”. The nexus of flexibility-security reflects a “mutually supportive or complementary relationship” (Leschke et.al.,2006).

2.3.1 Five Critical Transitions

The TLM model presents five areas regarding which institutional arrangements are to be established in line with five critical periods throughout a life-course in Figure 1 below:

Figure 1. The transitional labour market



Source: Schmid, G. (1998): *Transitional Labour Markets: A New European Employment Strategy*, WZB

2.3.1.1 Four principles of the TLM for successful transitions

As the focus of this paper is on successful transitions over life-course of an individual, four principles of the TLM are required to be met with regards to the success of the institutional arrangements:

- 1) *Individual Freedom (Autonomy)*: Empowering individual employees and establishing entitlements are highlighted in this principle. The objective is to provide options between different employment statuses in accordance with the changing conditions and preferences over the life-course besides enabling individuals to take part in employment decisions. In return, these individual employees would be ready to take greater risks and tasks.
- 2) *Solidarity*: Risk sharing needs to prioritize inclusiveness and generality in the sense that the unfavorable selection created the problem of “some ex-ante redistribution through the inclusion of high-income groups” that do not generally hold high employment risks.
- 3) *Effectiveness*: Public and private partnership is emphasized with regards to specialization, cooperation and coordination in order to enhance effectiveness.

4) *Efficiency*: Supporting cost-sharing-co-financing-between private and public actors is a feature of the financial provisions which enhance employability of individuals. Risk management techniques such as “monitoring, evaluation and self-regulation” through decentralization or management by objectives (Schmid & Gazier, 2002: 398; Schmid, 2006a) are included here.

Below, five areas of the TLM transitions are presented together with some good examples from different European countries before applying it to Japan to lay groundwork for good transitions:

2.3.1.2 Transitions between various working time regimes and employment statuses

The flexibility of working hours -working more or fewer hours for a period- is the highlight here. In order not to cause any “involuntary” decrease or increase in working hours of an employee, full flexibilization of working hours is not encouraged. The “short-time allowance scheme” in Germany enables workers to decrease working time cyclically according to “demand fluctuations”. Short-time employees are provided with partial unemployment benefits for reduced working hours. Such practice of reducing working time flexibly has been a significant adjustment for many European countries by helping to prevent redundancies (Schmid, 1998). Likewise, French firms that sign work-sharing agreements (to reduce average yearly working time) are qualified for refunds of 40% in their contributions to the social security in the first year and 30% in the second year¹⁵ (Schmid, 1998; 2006a).

As for the transitions between employment statuses, an example that serves to enhance individual autonomy is about the entitlement to an “intermediate employment status” between full-time and part-time work which may ideally be supported by “a general part-time unemployment benefit scheme”. Examples are the “part-time unemployment benefit scheme” in Finland or the involuntary part-time work related schemes in Sweden¹⁶. Also, treating multiple employment relationships -mostly a range of part-time jobs performed at the same time- as one regular employment relationship is another example. Part-time benefits in such cases exist in Germany (Schmid & Gazier; 404).

2.3.1.3 Transitions between education, training and employment

According to the TLM, education has become increasingly significant for career development of individuals (Bredgaard & Larsen, 2006; Schmid, 1998) who in this context are those that are about to enter the labour market, workers participating in vocational training and the unemployed aiming to re-enter the labour market (Bredgaard & Larsen, 2006). Securing education level as high as possible at the entry in labor market and during employment with further training is the highlight of the TLM.

¹⁵ The precondition for the firms is to reduce working hours minimum 15 percent with a joint decrease in wages and an 10 % expansion in the work force.

¹⁶ If an employee looking for full-time employment gets a part-time job instead, he has a legal right to be given priority in full-time position openings.

Apprenticeship systems which are widely seen in Germany, Austria and Switzerland are an example for establishing successful transitions between work and education for adults (Schmid, 1998). Firstly, it embodies practical and theoretical training. Regarding *individual freedom (autonomy) principle*, “entitlement” to a training place is guaranteed. As the cost is shared between employees, firms and the state, *efficiency principle* is included. Also, the *effectiveness principle* applies since the system is a form of education and training including trainees, employees, vocational training schools and companies, is a product of the partnership between public and private sector (Schmid, 2006a).

Providing individuals with the opportunities for transition from employment to (further) education is another dimension (Bredgaard & Larsen, 2006). Job rotation scheme in Denmark is a good example as it promotes the recruitment of unemployed people as a replacement for those who are on further training courses (Schmid, 2006a). Likewise, the authorities of Sweden have subsidized continuous training for workers with low vocational qualification if firms recruit the unemployed as a replacement. These firms receive wage cost subsidies for the unemployed recruited (Schmid, 1998).

2.3.1.4 Transitions between private domestic activities and paid employment

Individuals may need to leave the labour market “partly” or “completely” for a while to look after their children or other family members and thereby demand a different work/life balance. “Childcare leave” beside “sickness benefit” is the most widely-known example in this context (Bredgaard & Larsen, 2006). Inside a transitional society, the examples include divorces, mid-life crisis, elderly becoming dependent and so on. In many European countries, it is mostly women who withdraw completely or partially from the labour market due to family responsibilities or other critical events (Schmid, 1998).

The most prominent example in this context is the parental leave scheme in Sweden (Schmid, 2006a; 1998). Having introduced a one-month “papa sabbatical”, the right to parental leave has been individualized¹⁷(Schmid, 1998). The scheme also enables a flexible “take-up” of entitlements to “family-time off” in that these 450 days can be used anytime until the child reaches to the age 8. To enhance individual choice, this entitlement has been converted into a “time- account” which allows a flexible usage, for example, by decreasing working time of both parents to 30 hours a week over 12 years or by taking part-time work of parents for six years. In addition, this system includes “wage-related benefits” during parental leave¹⁸ (Schmid, 2006a).

Besides, few studies have shown “time banks” as an ideal example for flexible alternations between family duties and work (Bredgaard & Larsen, 2006). Time banks are individualized accounts

17 The “30 father days” having been extended to 60 days in the year 2002, are subtracted from the 450 days of “joint parental leave”

18 Out of 450 days covered by this scheme, 360 days are paid according to the salary earned before (75 percent of this salary) and the remaining 90 days are paid at a flat rate

which are to be utilized at certain periods of an employee and they include both combined savings and current account: “depositing extra hours worked and withdrawing capital” in accordance with critical life events (i.e. pregnancy and illness). However, such arrangements are currently very few.

2.3.1.5 Transitions between unemployment and employment

From the perspective of a dynamic market economy, unemployment cannot completely be eradicated. The more dynamism is needed, the higher transitional unemployment level is. Thus, the necessity is to establish bridges for transitional employment which should lead back to regular labour market (Schmid, 1998). According to the TLM, if employees become unemployed involuntarily, their income maintenance should be guaranteed to a certain extent to let them search a new job efficiently and be better integrated back into the labour market as soon as possible. The new job should be sustainable or act as a stepping stone to a “sustainable job” (Schmid, 2006a).

“Placement services” function to match the unemployed with labour demand and the cooperation between private and public services enhance reemployment of the unemployed (Schmid, 1998). Similarly, “wage subsidies” serves to accelerate the transition to regular employment. There are various kinds of vouchers that allow the unemployed to use their unemployment benefit entitlements for training or employment services. According to the TLM, “a combination of more intensive checks of unemployment benefit eligibility and intensive placement services” are proposed to be more effective in terms of cost than financial incentives (Schmid, 1998). In Denmark, Italy, Sweden and Ireland, “short-term recruitment subsidies” for the disadvantaged-young and hard-to-place people- is common. “Employment companies” or “transition agencies” providing temporary work, training and placement for the unemployed or employees in danger of dismissal are also good examples as they convert unemployment benefits into vouchers to encourage start-ups (Schmid, 2006a).

2.3.1.6 Transitions between employments and retirement

As well as the entry into labour market, good transitions also concerns exits from it. As such, exit from the labor market is a matter of securing a “well-functioning, flexible and gradual” retirement (Bredgaard &Larsen, 2006). In cases where the elderly lose their capacity to perform any work due to disability or mandatory retirement, the TLM suggests making provision for income replacement in such a way that enables a “gradual (freely chosen)” or “reduced work income” (Schmid, 2006a).

A distinction between “income security” and “employability security” is crucial. Income security is to enable retirement after a certain age (i.e. 65) at an appropriate living standard and employability security is to provide the elderly with the opportunity to be active. Both the problems of

financing social security within demographically changing society and the preference to be active require an “abolishment of mandatory retirement from work”¹⁹ (Schmid, 1998).

Social security, unemployment insurance and dynamic labour market policies should be coordinated (OECD 1998b *as cited in* Schmid, 1998). The loss of pension is a discouragement for the older workers to reduce their working hours. However, some changes in the calculation of pension entitlements or partial compensation of the income loss should eradicate this problem and provide protection for older workers (Schmid, 1998). Sweden's high employment rate (69%) of older workers aged 55 to 64 is promising. First of all, there is intensive training opportunity for the elderly. Financial incentives for early retirement have been removed. “Work-adjustment groups” within companies “relocate” or “rehabilitate” older workers in case of “reduced work capabilities”. Women obtain pension right independent from their working spouses, which serve gender equity (Schmid, 2006a).

Any shift from full-time to part-time work is discouraging as it causes a loss in status and income. In case of inadequate skills and expertise to cause such loss, “continuous education and training” to fight against age discrimination is suggested. In case of inadequate physical capacities or preference for more leisure time, firms would offer jobs related to “i.e. retailing, caring, financial advice and counseling” where older workers can be productive (OECD 1998b *as cited in* Schmid, 1998).

3 Adapting the Transitional Labour Market Theory to Japan

3.1 Transitions between education, training and work

3.1.1 In-house training predicated on long-term employment

Human resources development of Japanese employees has been mainly based on the “on-the-job-training (OJT)” as workers are assumed to remain at one company over their career lives. Within in-house training system, OJT is the core practice as it provides employees with the opportunity to build up skills through “actual” business experience.²⁰ OJT is divided into formal and informal OJT. Informal OJT has a greater role as compared to formal OJT as formal OJT only provides “initial skill improvement” to a certain extent for the newly hired or “by-level training” for workers in upper-level

19 For example, the policy of early retirement seen in Germany in the face of financial crisis caused a decline in the labour force participation of those aged 55-64 from 85 percent in 1965 to 55 percent in 1997. Even though this policy was advantageous for workers who have no alternative employment option but unemployment, under current demographic structure -ageing society- it is expensive and causes social exclusion for the elderly (Schmid, 1998).

20 For example, besides production process, workers in factories are trained by “repair malfunctioning machinery and perform maintenance work”. Likewise, clerical workers are trained through “analyzing divergences between budgeted and actual results” (JILPT, 2009).

positions. In order to gain advanced skills, long term informal OJT is generally necessary for workers in Japan. Also, *job rotation system* in which employees shift across a wide range of positions is included in informal OJT system. In this respect, OJT provides functional flexibility to the labour market and diversified work experience and competences to the workers.²¹

According to a survey by MHLW, 45.6% firms provided “formal OJT” and 77.2% provided “off-JT” for regulars in 2006. These numbers for non-regulars were only 18.3% and 40.9% respectively, which means a “2.5-fold gap” in formal OJT and “1.9-fold” gap in off-JT services for non-regulars²² (JILPT, 2009). Thus, in-house training system of Japan violates *solidarity principle* of the TLM. Concerning the generality and inclusiveness in risk sharing, adverse selection becomes a problem by empowering regulars who have lower risks of employment compared to non-regulars who are vulnerable to the risks of unemployment and gaining less income (Schmid & Gazier, 2002:398,401). If non-regulars constitute an important proportion -i.e. one third- of the total employees in Japan today, a long-term vision is necessary to expand training and education to include non-regulars.

3.1.2 Public vocational training policies

Public Vocational Training, defined narrowly as “vocational training conducted at public human resources development facilities”, is based on three policies: 1) The encouragement of employers and employer associations within the private sector to provide vocational training by subsidy awards and “consulting services”; 2) Incentivizing employees to attain skills through subsidy granting and offering consulting services; 3) Enhancing the transition to stable employment by empowering individuals²³. These policies led to the establishment of “Job Card Scheme” in 2008: In order to assist these people further in their job seeking efforts, the results of their work experiences together with the evaluations of the firms are registered in the “job cards”. Furthermore, vocational training takes forms of the following practices to serve a smooth transition into employment (JILPT, 2009):

1) *Fixed-term practical work experience*: Individuals such as *freeters* who do not have much stable work experience are offered practical training (3-6 months duration) at a firm. 2) *Practical human resource development system*: Newly graduating students are offered employment experience in an enterprise for between 6 months and 2 years. 3) *Japan-style dual education system*: Women after raising their children and *freeters* are provided with training for about 4 months by private training institutions.

21 As for the implementation of this system, large companies have adopted a wider and more organized manner while few small- and medium- sized companies utilize older workers to pass on their experiences and expertise to young workers. Besides, off-the-job training (Off-JT) is performed outside the workplace. Through off-JT, employees gain a theoretical perspective to supplement their OJT experiences (JILPT, 2009).

22 See Appendix 6 & 7.

23 Mostly those who do not have many chances to improve their vocational capabilities such as *freeters* (young part-time workers) and (single) mothers.

Graduating students are generally offered long-term training (1-2 years) and unemployed people take part in short-term training. Those who are changing jobs and the unemployed receive training courses at private training institutions. While implementing of short-term vocational training for the employed, the needs of the employers and related regional associations are taken into account. As a public vocational capacity development university, the Polytechnic University has training services to educate “public vocational instructors” besides preparing textbooks towards this goal.

This public vocational training system is in line with the *solidarity principle* of the TLM. As solidarity element needs to be enhanced by directing public support towards target groups, low-skilled *freeters*, the unemployed and single mothers are among the target groups in Japan. This system is also coherent with the *individual autonomy principle* as it empowers employees by providing subsidies and consultation to obtain skills voluntarily. Employers are encouraged and empowered through subsidy awards to provide vocational training, a feature which also makes the aforementioned Swedish case of “wage subsidies” effective (Schmid & Gazier, 2002:400-401). Thirdly, the infrastructure of training institutions is rich which increases the *effectiveness* of the system according to the TLM. More specifically, Polytechnic University contributes to the quality- thus effectiveness- of the training system by increasing the quality of services provided by public vocational instructors and developing the content of the courses according to the needs of participants. However, the limited variety of courses offered in public vocational training system compared to private sector training should be extended to enrich the infrastructure in accordance with *the effectiveness principle*.

Job Card Scheme contributes much to the system by enhancing private and public partnership in line with *the effectiveness principle*. As for the *efficiency principle*, since the system is recent, the equivalent balance of costs and benefits of the co-financing arrangements between employers and employees or negotiation between the government and enterprises in the extension of the system is to be seen in the following years. However, investment in human capital should increase qualified workforce at macro level, which contributes to the sustainability of economic growth in the long term.

3.1.3 Recent trends in private sector training services

Recently, measures have been taken towards provision of training in the private sector. For example, *career development promotion grants* aim to enhance career development of employees. Employers are provided with subsidies to defray part of the wages and training expenses of their employees. These subsidies serve for empowering the employees according to *the individual autonomy principle* of the TLM and increase system’s *efficiency* through co-financing arrangements between employees and

employers²⁴ (Schmid & Gazier, 2002: 400). To support self-education, *the Education and Training Grants System* was introduced in 1998 targeting employees who are registered in employment insurance for minimum three years.²⁵ The targeted workers are those who attend and complete training activities organized by the MHLW.²⁶ This criterion should increase the *efficiency* of the system from the TLM perspective since an account of performance is taken into account to ensure *efficient* usage of financial resources through monitoring and evaluation (Schmid & Gazier, 2002). The establishment of a new system for human resources training has been worked towards since 2002 in collaboration with the government, academia and industry. This incline of public/private cooperation should increase the *effectiveness* of the services by providing a rich infrastructure and increasing the competition and quality standards as suggested by the TLM's principle.

3.2 Transitions between various working time regimes and employment statuses

According to JILPT (2009), “diversification in forms of employment” refers to the increasingly diversified forms of employment, alongside regulars, with a mass of “non-regular workers”. A non-regular refers to any worker but “regular staff who works full-time for an infinite period of time” excluding self-employed workers (JILPT, 2009b:83). According to JILPT (2009b: 83), as the proportion of regulars decreased from 77.2% in 1994 to 65.4% in 2003, the proportion of non-regulars constantly increased from 22.8% in 1994 to 34.6% in 2003²⁷.

3.2.1 Short-term working

Short-term regulars are those who have the same position, task responsibilities, and go through the same “skill evaluations” and wage systems as full-time regulars, however, they have shorter weekly working hours. Short-term work is very similar to part-time work in terms of working hours but unlike part-time workers, short-term workers are treated equally as full-time regulars (JILPT, 2005). Among short-term employees, most common group is “regulars in child nurturing and nursing care”²⁸. Hourly-based wage system is utilized and most systems have average 6-7 hours of work. Many firms consult with

24 The funding of career development promotion grants is financed by a separate body built under the “employment insurance umbrella”. The funds are gathered from business owners to be used for employers taking the form of subsidies for training and education (JILPT, 2009).

25 Under this grant, 40% of training expenses have been met (the maximum amount is set as 200,000 yen). However, if employment insurance period is less than five years, the grant is 20 % having a maximum amount of 100,000 yen.(JILPT, 2009).

26 In 2005, the number of eligible courses were around “8.807 at 2,552 facilities” (Ibid)

27 For example, the number of temporary workers (*arubaito*) increased from 5.0% in 1994 to 6.7% in 2006. Likewise, the ratio of part-time workers expanded from 11.6% in 1994 to 15.6% in 2006. Also, the number of dispatched workers²⁷ grew from 0.7% in 2000 to 2.4% in 2006. The aim of this section is to examine the institutional arrangements addressing to the needs of diversifying labour force.

28 In 1990, a child-care leave law was introduced and since then the number of enterprises introducing short-term work systems to address the needs of child nurturing and nursing care has increased (JILPT, 2005).

supervisors to establish targets. Then, they make assessments according to the quality rather than the quantity (labour hours) of work performed.

Short-time employment gives employees the opportunity to be able to bargain on their working times, thus enhance their autonomy from the TLM perspective (Schmid & Gazier, 2002: 403). The advantage for employees is greater time sovereignty in response to certain life-cycle stages by maintaining their employment status while continuing to fulfill their household responsibilities. For employers it means less overtime pay while keeping the competences and experiences their female staff. The problem is that the current system is not compatible with the *solidarity principle* of the TLM since it does not include other excluded groups such as part-timers²⁹. Such a system should be accessible by a broader range of employees without being restrained to only limited needs and employees' gender.

3.2.2 Temp-to-hire placement

In December 2000, it became legal to arrange “temp to hire placement” in Japan. Accordingly, temporary agencies send employees to client companies on the condition that they will be hired as regulars by these companies after a certain temporary period of working³⁰. There are certain requirements to be met before the arrangement is allowed. Temporary agencies are to offer job placement for temporary agency workers in agreement with these workers and clients. Also, decent working conditions must be confirmed when temporary help service is completed (JILPT, 2005:40).

The strength of this system is the rich network it provides between public and private partners to enable transition between temporary and full-time regular work from the perspective of *effectiveness principle*. As for the *efficiency principle*, self-regulation is the strength of the system because risk-sharing between different partners guarantees cost-containment and collective agreements (or individual contracts) that explicitly formulate risk-sharing arrangements to achieve a stronger self-regulation (Schmid & Gazier, 2002:413). In addition, this system is beneficial for firms alongside employees as it gives the opportunity and *autonomy* to companies to actually test the skills and suitability workers before hiring. If work content is not suitable to the worker, the company has the *freedom* not to hire this worker (JILPT, 2005:40). Therefore, both sides have the autonomy and flexibility to bargain on their employment contracts in line with the *individual freedom (autonomy) principle*. One restriction concerning the *autonomy* is that job placement criterion³¹ hinders smooth operation of job placement.

29 While short-term workers are treated like regular employees, part-timers - who have almost the same amount of working time- are not.

30 Similar arrangements exist in both Europe and the United States. The difference of the Japanese style temp-to-hire arrangements is that temporary agencies are ought not to perform job placement services for temporary agency workers during “the process when they are temporary employees” until the contract for temporary help service has been completed (Houseman & Osawa, 2003: 411).

31 Job placement is prohibited as long as the temporary help service contract is still in process.

3.2.3 Flexible working hours system

The Labour Standards Act (1947) provides working hour legislation system. Since 1988, traditional 48-working-hours-per-week has been shortened gradually and all industries have adopted 40-hours-long-work week except for 44-working-hours-per-week within some sectors³² (JILPT, 2009:79).

Within the Labour Standard Act, a variable scheduling system including four systems is prescribed: an annual variation system, a monthly variation system, flextime, and a free-style system of weekly variation (JILPT, 2006:48). Under *the annual and monthly variation systems*, the total number of weekly working hours is increased to exceed 40-hours for, respectively, a specified month(s) or a specified week(s) and the rest of the months/weeks will be shorter³³. Under *the flextime system*, the total number of working hours for a worker during not more than one month is set. Accordingly, workers can adjust their working hours-the time they start or stop work each day- on the condition to meet total working hours (JILPT, 2009: 81-82). Under *the free-style system of weekly variation*, an employer can have employees work for more than eight hours per day -but not exceeding 10- without any requirement to pay increased rates of wages unless total workings hour do not exceed 40 hours per week.

The shortening of working hours is encouraged from the TLM standpoint, with which the trend in Japan seems to be parallel. *Solidarity principle* requires the extension of the system beyond manufacturing industry to i.e. the service sector which is growing. However, there are already options for firms of different sizes, which free companies to implement any working hour system available to them. Employees can bargain on their working-time while employers get the flexibility to have employees work more within a limited weekly-working-time schedule. Theoretically, this system is in line with the *autonomy principle*. However, the embedded risk is the tendency towards extension of working hours. Then, such a tendency does not help to the reduce unemployment or increase employability (except for temporary and exceptionally busy periods) (Schmid & Gazier, 2002: 406).

3.2.4 The revised part-time work act

Together with increasingly important roles of part-timers (including managerial positions), the need to eliminate unfair differences in pay, training and other treatments between part-time and regulars has eventually become an issue. “The revised Part-time Work Act” came into force in April 2008. Accordingly, balanced treatment between part-timers and regulars in terms of the work they do and the

³² Commerce, motion picture and theater, health and hygiene, and service and entertainment workplaces of fewer than 9 employees.

³³ This system is suggested to be applicable to, i.e. a manufacturing industry where there are exceptionally busy periods varying with different seasons. According to the annual variation system, since April 1999, it has been eased to plan scheduled working hours flexibly for a specified period of more than one month, but within the limits of 10 hours per day and 52 hours per week.

promotion of part-timer workers' into regular employment is aimed so such workers can exercise their skills and abilities effectively (JILPT, 2009:125). There is not any enforcement for firms to implement the law³⁴. Instead, employers are provided with subsidies. According to JILPT (2009:126) action is being taken to ensure balanced treatment of part-time workers in accordance with the law.

So, the risks created by various employment statuses or working-time regimes are not fully met by social protection systems in Japan yet. However, recent institutional arrangements provide more protection for those in weak bargaining positions such as part-timers, dispatched or temporary workers. To be able to assess the effectiveness and efficiency of the self-regulations of these new arrangements, we need to see the outcomes in the forthcoming years.

3.3 Transitions between unemployment and employment

3.3.1 Public employment services (PES)

Public Employment Security Offices (PESOs), a nationwide network under the MHLW, has 550 locations including branch offices. These offices aim to match job seekers (especially women, young and older people) with jobs opportunities according to their skills and preferences. As the needs of the people have become diversified, the number of temporary staff almost doubled by reaching over 17,000 besides over 12,000 regular staff in 2009 (ILO, 2010) and following measures are introduced:

Bank of Human Resources mainly handles technical, administrative and professional positions to enhance employment of the elderly through 12 banks. *Part-time Job Banks (2008)* provide job placement service through 66 banks for part-time job seekers. *Mothers' Hello Work, Mothers' Salons, and Mothers' Corners (2006)* give support and information on childcare to mothers looking for jobs. These offices collaborate with "local governments" and "related offices" and give access to joint support by personal advisers who monitor each job seeker's situation. Mothers' Hello Work Offices have been extended with additions of 36 "Mothers' Salons" since 2007 and 60 "Mothers' Corners" since 2008. *Hello Work Plaza (2008)* offer employment support services such as "direct access to job search engines" and "employment placement services" to match job seekers with employers via 60 Plazas. *Comprehensive Support Center for Student Employment, Student Employment Centers and Counseling Offices* offer employment counseling to graduating students and unemployed graduates. Job introduction services are expanded to universities and other similar institutions (JILPT, 2009).

³⁴ Both part-timers and business establishments are encouraged towards implementation of the Act through the provisions of consultations and are assisted with dispute resolution upon request by prefectural labor bureaus' employment equality offices.

PESs are excellent arrangements in terms of *effectiveness principle* of the TLM. Theoretically, “the assessment of individual needs and capacities and their match with available jobs” is of utmost importance. In order to better address to the needs of both enterprises and vulnerable groups in line with *the solidarity principle*, professional specialization of placement services and their coordination is being striven for in Japan. This is also aimed by the TLM’s *effectiveness* principle alongside public-private cooperation -including businesses, local governments and universities. A thorough and strict monitoring is inclined to some extent. For example, through Mothers’ Hello Work, personal advisers are involved in monitoring each job seeker’s situation which should increase *the efficiency* of the service -in line with the TLM principle (Schmid & Gazier, 2002:415).

3.3.2 Employment insurance system

The employment insurance system is an important safety net which serves to stabilize living conditions of workers who become unemployed and to assist them in finding another job quickly³⁵. The payment is set at a fixed proportion (50%-80%) of a worker's salary before unemployment. As for the elderly (60-65 years old), the benefit rate is set at 45-80%. The benefit period is between 90-330 days for job losses due to bankruptcy or layoff and between 90-150 days for “voluntary retirement” depending on enrollment duration and the age of the insured³⁶ (JILPT, 2009b:113; ISSA, 2009).

Employment insurance system after some revisions made in April, 2009 (Nagoya International Center, n.d.), extended income maintenance provisions of labour market insurance scheme to enable better bargaining between employees and employers in line with the *autonomy principle*. Thanks to the recent revisions to the system, contract and temporary workers could obtain stronger bargaining power which is in harmony with the *solidarity principle*. However, this principle requires the inclusion of all category workers in the extended labour market insurance (Schmid & Gazier, 2002: 415). Part-time employees working less than 20 hours/week are excluded which contradicts the *solidarity principle*. The *efficiency principle* requires “cost-containment through self-regulation”. So, negotiated financing between employers and employees enhances efficiency. Finally, the system’s *effectiveness* is dependent on both insurance system and employment policy agencies and the coordination between the two.

3.3.3 Subsidies for job preservation

The Employment Adjustment Subsidy Program (EASP) is quite extensive by having one of the largest

³⁵ There were 37,130,000 numbers of insured persons and 570,000 persons receiving benefits in 2007.

³⁶ The benefit level increases for the elderly who have been insured for a longer period and have gone through bankruptcy or layoff as compared to those who have voluntary retirement (JILPT, 2009b:113).

budgets to mitigate the effects of the employment crisis. Eligible companies for subsidies -i.e. to cover partial wages of employees- are those which intend to maintain employment through employee transfers to other firms, vocational training or “temporary operations closures”. In 2009, the MHLW made revisions to the existing program. Recent revisions³⁷ seem to be in line with the TLM principles.

Concerning *the solidarity principle*, the requirement of certain employment period for unemployment insurance coverage of non-regulars has been eased from one year to six months (ILO,2009; 2010). Also, as they reintegrate the long-term unemployed, these companies play important role in *empowering* people to make choices according to the TLM’s *autonomy principle* (Schmid & Gazier, 2002: 416). The maximum period covered by subsidies was increased from 150 days to 300 days throughout a three-year period³⁸ in accordance with the *autonomy principle*. In terms of *efficiency principle*, estimation about the implementation displays “costs and benefits”. Accordingly, “the subsidy has covered average 3-5 days a month per worker in companies employing a maximum total of 2.5 million workers”, which translates into 350,000-600,000 full-time jobs. The ratio of active job openings to applicants is likely to have positive effects on restraining the unemployment (ILO, 2010).

3.4 Transitions between private domestic activities and paid employment

3.4.1 Maternity allowance

This system provides 66.67% of the average daily basic wage for “42 days before” or 98 days for multiple births and “56 days after” the birth. A sum of 350,000 yen is given to the insured worker or the spouse as “child care allowance” (ISSA, 2009)³⁹. Through this system income maintenance of mothers is guaranteed according to the TLM propositions (Schmid & Gazier, 2002: 409).

3.4.2 Child-care leave system

Before recent revisions made to the existing child care leave system in 2009, 90% female workers took child care leave and 70% female workers left their jobs on the birth day (MHLW,2009) which resembles to the trend in most European countries as women are argued to be the ones mostly dealing with

³⁷ Accordingly, employees are not anymore required to be covered by employment insurance for six months for eligibility to the subsidy. Also, subsidy rates for both companies and employees have increased and eligibility criterion in terms of the decline in the output or sales of companies has been eased. As a result of these expansions in the program there have been a higher number of firms applying for subsidies and employees covered (ILO, 2009; 2010).

³⁸ This practice is similar to the recent changes made in the German *Kurzarbeit* scheme which has been extended to include temporary agency workers (ILO, 2009). For small and medium-sized enterprises (SMEs) an increase to reach 90 percent of wages and for larger companies, an increase to 75 percent have been made.

Subsidies were increased to reach ¥6,000 per day for employees of SMEs in vocational training and to ¥4,000 per day for larger firms.

³⁹ The number of recipients was 9,295,555 in 2007 including 6,184,712 employees and 2,300,887 non-employees.

combining regular work with family responsibilities (Schmid & Gazier, 2002:408). Recent revisions to the Child Care Law⁴⁰ would require employers to take measures of introducing “short working hour system” for those in need of taking care of children aged below 3. Exemption from overtime work is planned to be applicable for such workers. Also, recent revisions aim to expand the sick/injured child care leave up to 5 days/year and up to 10 days for those with two or more pre-school-age children.

These recent developments provide new social rights to contractual choices between paid work and unpaid activities as suggested by TLM’s *individual freedom principle*. The options have been widened to address different “individual” or “household” situations. Fathers are encouraged to take child care leave. According to the Mom & Dad Child Care Plus, the period during which the leave is taken is extended if both parents take the leave⁴¹. This development signifies treating risks as collective. The outcome in line with *the solidarity principle* is hoped to be more participation of men in the leave to share family risks (Schmid & Gazier, 2002:408-409). However, non-regulars on non-renewable, fixed contract (scheduled to end prior to the child’s second birthday) are excluded (Ray, 2008). So, there is still more room to improve the system from the perspective of *solidarity principle*.

3.4.3 Family care leave system

A related system to help achieving a better work-life balance is the “Family Care Leave” which allows workers to take care of a family member such as a spouse, children, siblings and parents by granting the leave up to five days/year (10 days in case of two family members). For each family member, 93 days (containing the days that short-working hours are applicable) is allocated. Those who are hired daily or employed for less than six months and who work two days or less/week are excluded (MHLW, 2009).

The existing systems of child and family care leave are still being improved with new initiatives and it is not easy to assess the *effectiveness* of these systems yet. However, judging by the available arrangements to support the balance between family and work, there is harmony with the *effectiveness principle* (Schmid & Gazier, 2002:410). In December 2007, “Work-Life Balance Charter”⁴² and “Action Guidelines to Promote the Work-Life Balance”⁴³ were introduced (JILPT, 2009: 136). All these help to establish better coordinated bargaining process between employers and employees at firm level on implementation of entitlements to family leave as suggested by *the effectiveness principle* of the

40 For companies with 100 or less regular employees, “certain provisions will come into force on the day specified by Cabinet Order within three years.

41 According to the policy “If the father [mother] takes child care leave in addition to the mother [father], the period during which child care leave may be taken will be extended to a period until the child reaches one year and two months of age (extra two months for the father [mother])” (MHLW, 2009).

42 Work-Life Balance Charter defined certain measures to bring about a society in which every citizen should work and carry out their tasks while at the same time enjoying their private lives including parenting, middle/old- age years. More specifically, a proposal was made in December 2008 to enforce shortened work hours legally while caring for children and to identify measures for encouragement of men to take childcare leave (JILPT, 2009:136).

43 The Charter calls enterprises and workers to be cooperative regarding productivity and voluntary action at workplace; the Government to take supportive steps; and local governments to take innovative measures for local people (JILPT, 2009: 136)

TLM. In this context, public-private coordination is very important if employability of the workers in transitions between work and unpaid activities is to be maintained (Schmid & Gazier, 2002:410).

Finally, eligibility for child-care leave benefit requires an employee to have minimum one-year of tenure at the same company before taking the leave. Eligible employees get 30% of their usual wage through the Unemployment Insurance program. Also, a lump sum payment is provided for such employees after 6 months of their reemployment, which makes the income replacement up to 40 % of their usual wage prior to taking leave, which is still lower than for example, Sweden. There is not any legal enforcement for employers to let such workers return their previous positions⁴⁴.

A discouragement for men to take child care leave can be attributed to the 60% wage loss during the leave (MHLW, 2009) and is a problem in terms of the *efficiency principle*. For the system to be self-regulatory, risk sharing should be increased to contain costs. Further cost-benefit analysis should help to determine co-financing limits. For example, larger participation of men in family care will probably bring more benefits to the economy of Japan than embedded costs (Schmid & Gazier, 2002:410).

3.5 Transitions between employment to retirement

Public pension system is supplemented by corporate pensions such as defined benefit, defined contribution and employee pension funds. This pension system works in cooperation with unemployment insurance. For workers aged 60-64, “elderly employment continuation benefits” and “elderly reemployment benefits” exist against wage falls below 85% of the level prior to retirement at the age 60. The age for pension benefits to be paid first time is 60 currently but it will change to 65 for females from 2018 and for males from 2013 (JILPT, 2009: 154-156).

3.5.1 Retirement benefits system

Retirement related monetary allowance consists of “lump sum retirement allowances” and “retirement pensions”. According to the length of continuous employment years at a specific firm, proportions of retirement benefits and pensions are calculated. Yet, the payment rate is lower for employees who “have left on their own convenience” compared to the higher payment rate for long-term employees who have worked until the mandatory age and those who are demanded to resign during financial recessions, which is shown to be a reason that encourages long-term work tenures of Japanese employees.

Even though pension systems are very complicated and too broad to be given space in this paper,

⁴⁴ The only requirement is that they must reach consensus on the reemployment conditions before the leave starts. This allows employers to promote subordinate employees to fill the positions of employees on leave (Ray, 2008:19-20).

according to *the efficiency principle* of the TLM, unfunded systems would have to stay as a “central pillar” of the pension systems in the future. However, the problem of *cost-containment* emerges from “generous pensions, ageing population and increasing life expectancy”. Thus, gradual rise in retirement age is suggested (Schmid & Gazier, 2002:420). The application of this point to Japan besides 5 years rise in retirement age is that as the workforce age and the burdens of cost increase, companies are provided with incentives via tax laws to transform retirement benefits to pensions (JILPT, 2005:51-52).

3.5.2 Public assistance

This system offers benefits for minimum living standard during times of poverty -because of sickness, disability and accident- by the government via local governments (JILPT, 2009: 156). The minimum benefit (i.e. cash money or medical benefits) level is identified according to the “minimum cost of living” determined by the Government and income of the regarding person.⁴⁵

The conventional approach to the risk of old age is the mandatory age which requires a full-stop of employment and transformation of earnings into pension. The changing demographic structure and preferences to remain at work have contributed to “a reversal of the actual retirement age” as also suggested by the TLM (Schmid & Gazier, 2002: 417-18). The concept of “active ageing” as advocated by the European Commission (2007), promotes gradual retirement. Likewise, recent developments⁴⁶ in Japan intend to enhance extended employability of the elderly and provide *individual freedom* or *empowerment* from the TLM perspective. The *effectiveness principle* suggests the cooperation of key local actors to successfully meet diverse individual needs (Schmid & Gazier, 2002:421). PESOs and senior citizen employment advisers in partnership with prefectural job development associations provide guidance to those who do not take such measures. Action is being taken towards enabling everyone who wants to work until the ages of 65-70 depending on the situation of firms which are given financial incentives for employing older people⁴⁷ (JILPT, 2009:117-118).

3.5.3 Reemployment of older/ middle-aged workers

Employers, who provide “continued employment” for older workers having difficulty in finding jobs, are supported with financial incentives to employ middle-aged or older workers (as a trial for a certain period) together with assistance of PESOs about the process. Career counseling towards affiliated

⁴⁵ The number of people who need public assistance has grown to reach 1.60 million/ 1% of the population in December 2008 (JILPT, 2009).

⁴⁶ For instance, since 2006 together with legal revisions employers are required to take necessary measures to provide older workers with employment.

⁴⁷ According to the Act concerning the Stabilization of Employment of Older Persons which entered into force in December, 2004, in case an employer asks an employee to retire because of the business conditions, this employer has to provide a document displaying the achievements of this worker to increase his reemployment chances. (JILPT, 2009: 117).

employers with job openings and retirees in need of jobs, is provided through employers' groups and other bodies in collaboration with local organizations (JILPT,2009:117).

3.5.4 The silver human resource center program

The program provides “convenient community-based” non-regular jobs such as temporary and short-term job opportunities to serve the needs of older people. In March 2008, there were 1,332 centers with about 750,000 members. These centers work with local governments in their focus on “education, childcare and nursing care” and in their efforts to expand support for firms; “secure job opportunities” for their community members; the variety of jobs for females. Also, under *the Senior Citizen Support Program*, job support courses and workshops are being held to enroll the skills and work experience of the elderly and eventually to match them with the needs of local enterprises⁴⁸ (JILPT, 2009).

3.5.5 Employment measures for persons with disabilities

Social protection systems concerning older people and people with disabilities are quite related to the labour market as they encourage such people to take risky transitions between various forms of employment as well as productive activities (Schmid & Gazier, 2002:398). Below is an example of how institutional arrangements can help to activate transitions between work and disability. Instead of depending on passive income, these people engage in productive activities and improve their skills. In this way, they become empowered and less vulnerable during the transition. This instance can exemplify one way of transforming “social policy into joint risk management by encouraging people to accept more risks with beneficial externalities for society” (Schmid & Gazier, 2002: 394).

The Basic Programme for Persons with Disabilities (from 2002 to 2012) was established to guide measures for disabled persons alongside the Five-Year Plan for Implementation of Priority Measures (from 2003 to 2007) and “the Fundamental Policy for Employment Measures for Disabled Persons” (from 2003 to 2007). These policies aim for actively pursuing the employment measures for people with disabilities⁴⁹. The most important feature of these policy objectives is the “movement from welfare facilities into regular employment” (JILPT, 2009:120). “The Levy and Grant System for Employing Persons with Disabilities” was founded to assist the economic burden on enterprises that employ disabled people, thus increasing job possibilities for this group. The *effectiveness* of the system is based on the levies gathered from the enterprises who fail to obey the employment quota, to be distributed in the form of bonuses to other enterprises that fulfill this quota.

⁴⁸ Older people wishing to start business are supported by partial subsidies if the team includes at least three older people aged + 45 (JILPT, 2009).

⁴⁹ Examples include providing employment to 640,000 people by 2013 through i.e. PESOs and employment quota system for the employment of disabled persons (9,000 people per year) for their movement in regular jobs as prescribed in the Five-Year Plan for Implementation of Priority Measures.

3.6 Discussion

As standard employment relationships have been changing in the face of diminishing life-time employment practice, ageing population and diversification in employment, the tendency has become more towards performance-oriented payment systems in Japan. On the labour demand side, there is an increasing interest in flexibility in terms of working hours, contract types and higher skill levels and so on. In return for this flexibility, there is an expected “discretion in the bargaining on the co-financing”. However, due to inadequate provision of social protection on the side of non-regulars, bargain power of these employees does not enable them earn at adequate level, which does not serve for self-containment feature of the TLM (Schmid & Gazier, 2002:394). The result of this trend is the shift of income risks from the companies to the employees (Schmid & Gazier, 2002:402).

The figures below illustrate the institutional arrangements analyzed from the TLM perspective in this paper and serve to make the discussion around the TLM as comprehensive as possible via visualization. The instances in “Figure 2” are not country specific as noted no one single country in the European Union can offer “a genuinely European solution” which other countries could adopt (Schmid & Gazier, 2002:151). Figure 3 presents institutional arrangements in Japan which are more activating (Gier & Berg, 2005:14) in the sense of providing more “employment and transition security arrangements” than “income and job security per se”⁵⁰. However, it is far from easy to give a complete account of the institutional arrangements partly because there is currently a strong trend towards reforms in labour market policies to improve social protection in Japan.

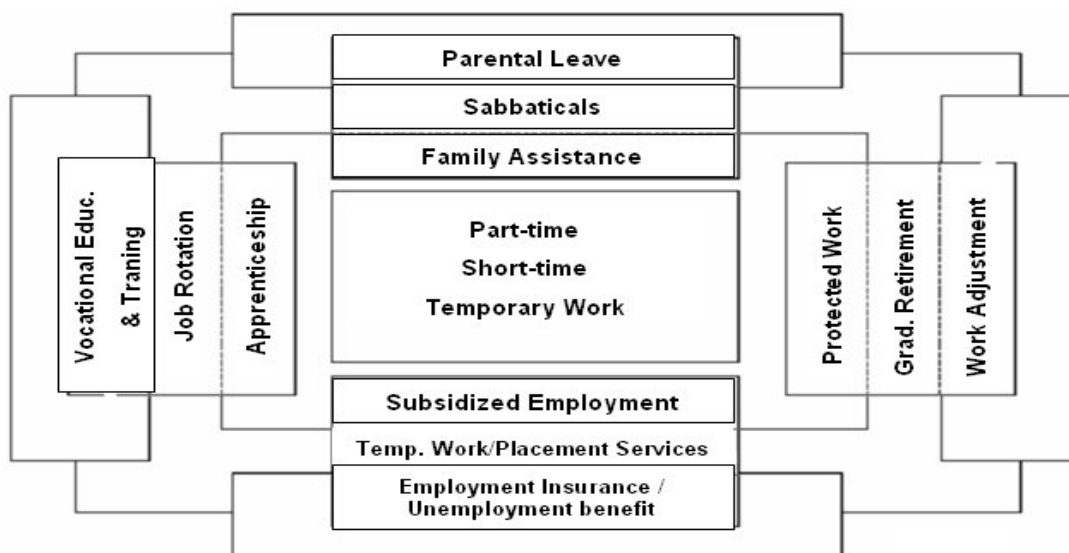


Figure 2. The TLM in Practice (Instances from European Countries)

⁵⁰ Job security refers to “a job with one employer” and employment security is “the potentiality to maintain jobs with multiple employers” (Auer, 2010).

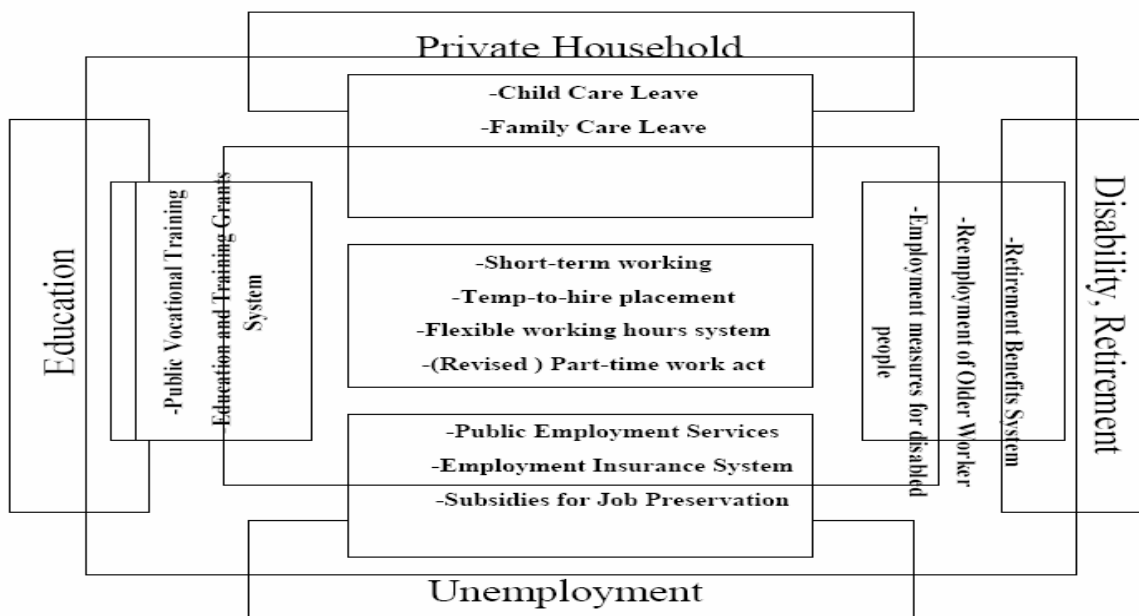


Figure 3. The TLM in Practice (Instances from Japan)

This paper notes that social protection in Japan has been mainly traditional in that it does not properly cover new risks arising from increasing flexibility in the labour market especially from the diversification of the employment statuses. Therefore, this paper argues that it is important to develop tailor-made labour market arrangements in Japan targeting the vulnerable groups such as women and non-regular employees in line with the principles of the TLM model. Such a tailor-made approach will assist individuals manage the risks they face under the current labor market situation and help to achieve sustainability of the entire social system by decreasing the associated heavy costs.

The findings state that the institutional arrangements in Japan are not accordant with the solidarity principle of the TLM on a sufficient scale. The lack of accordance with the principle is most problematic during the transitions between various employment statuses and various working times. The dualism excluding non-regulars and the women in terms of education attainment, social protection and income level in Japan is found to be violating the TLM which highlights inclusiveness. On the other hand, the effectiveness principle has found inspiring institutions in Japanese context which have rich infrastructure and public/private cooperation. Social protection systems are very related to the labour market during transitions between retirement, disability and employment, as they focus on enhancing the employability of this group. Finally, with the recent labor market reforms targeting vulnerable groups there has been a shift towards more activating policies which provides employment/transition security rather than job/income security per se which are all theoretically favorable (Gier & Berg, 2005:14). These findings are to be further discussed after presenting some quantitative trends.

3.6.1 Quantitative trends

This study has mainly utilized the JILPT resources. The JILPT carries out in-depth analysis of various issues related to labour market policies. However, as also noted by Duell *et al.*(2010), quantitative evaluation of the effect of active labour market policies like participation rates in the programmes and outcomes based on administrative registers is rarely available. Such a lacking makes it difficult for i.e. researchers “to undertake statistical evaluations based on administrative data”. This section aims to provide quantitative trends of labour market policies in Japan.

To begin with, the expenditure on active labour market programs as a percentage of GDP, Japan has a low rate compared to the OECD average. Total expenditure on programmes other than PES and administration in 2006 and 2007 was around JPY 250 billion. However, in the face of the financial crisis, the expenditure on labour market policies increased thanks to the supplementary budgets amounting to JPY 405 billion in 2008 and JPY 2.513 billion in 2009 (MHLW, 2009).

The ratio of PES placements in Japan was at 16 % in 2007 which was lower compared to Finland but higher than the UK or Ireland. There were 192,588 job placements with an active application number of 2,851,542 in June 2010. In addition, the number of registered job seekers rose from 5.1 million in 1994 to 7.7 million in 2002 whereas job vacancies reached 10 million (15.5% workforce) in 2006 but declined to 6 million in 2009 (Duell *et al.*,2010)⁵¹. As of 2008, there were 30.000 participants within the Job Card System⁵². Regarding unemployment insurance⁵³ and social benefit, the number of recipients was only about 1.2% of the working population as of 2004 which was below the average rate (7%) of OECD average for 15 other OECD countries (Duell *et al.*, 2009)⁵⁴. The number of insured people within Employment Insurance System was 37.51 million as of April, 2010.

The number of the unemployed in public vocational training had a downward trend (by 16 %) from 190.000 in 2004 to 160.000 in 2007. This number implies that only 0.24% of the work force took part in publicly labour market training whereas labour force participation rate was about 2.7% in labour market training programme in OECD average, which puts Japan below most European countries (Duell *et al.*, 2010)⁵⁵. With the expansion in public assistance coverage rate after the recent financial crisis, the recipients totalled 1.27 million in 2009- the highest by then (NIPSSR, 2011).

Regarding the elderly, almost all firms used mandatory retirement system in 2008. Among these organizations, 85% had their retirement age set at 60, 4% had it between 60 and 65, while 11% at 65.

⁵¹ For jobseekers in general, the PES came on the third place as the channel for job finding: 32.3% hires utilised newspaper/magazine advertisements, 23.9% personal connections and 22.8% the Hello Work network (together with its website service).

⁵² The Japanese Dual System had about 28.000 participants. Short internships offering lower- and upper-secondary students work experience received 59.000 participants from 1000 schools in 2006. Also, around 120.000 students may take part in internships annually (Duell *et al.*, 2010).

⁵³ The number of people receiving unemployment benefit was 855,000 in 2009 when the unemployment rate was 5.1%.

⁵⁴ This number is attributed to low recipience of unemployment and related benefits, which means low benefit coverage of unemployment.

⁵⁵ Participation rates in non-formal job-related education and training was 29.1 for regulars and 16.5 for non-regular in 2003.

Moreover, 71% of firms had a “re-employment system” and 11% utilized an “employment-extension system”. The remaining 8% possessed both systems (MHLW, 2008). Regarding the Employment Continuation Benefit, there were 180.000 beneficiaries (3.7% work force) aged 60-64 in 2007 with an rise from 46.000 in 1996 and the employment rate of those aged 55-64 was 66.3% in 2008. In 2008, 6 million people aged 65+ were economically active (Duell *et al.*, 2010).⁵⁶

The number of subsidiaries targeting people with disabilities more than doubled and the number of people with disabilities employed showed a triple increase to reach about 12.000 since 2002. The number of people who got support from vocational rehabilitation centres was 3000 in 2007 while the rate of job retention – after 6 months from the completion of support- was 84%. Finally, the number of registered people at PESOs who have disabilities and could find a job increased by 78% from 1998 until 2007 in parallel to the increasing rate (by 37%) of new registrations, which should be seen as a success as it implies motivation for employability among this group (Duell *et al.*, 2010).

3.6.2 The Shift from the Group to the Individual and the Solidarity Principle

The tendency that the target of assistance has been shifting to the individual from the group is observed in Japan. For example, recent reforms around employment programs targeting young people focus on career guidance and utilize personal counseling strategy through which young people are assisted in their personal development. As argued by other studies and the TLM (Miyamoto, 2005; Schmid & Schömann, 2004; Schömann & Siarov, 2006) ‘individual development programs’ are considered to be more successful than “traditional collective programs” when formed in parallel to “individual wishes”.

Against the trend of individualization of the life-course, some present institutional arrangements in Japan are not sufficiently accordant with the TLM’s *solidarity principle*. This lack of accordance is most problematic during the transitions between “various employment statuses and various working times”. Social protection systems are “a support and promote employment only if they are structured according to the nature of the risks people face over their lives” (Schmid & Gazier, 2002: 425). Social protection in Japan has been mainly traditional in that it does not properly cover new risks arising from especially diversification of employment statuses. For example, non-regulars (including women) are not properly protected against the risks in diverse employment arrangements. However, TLMs are supposed to be inclusive in that “a set of mobility opportunities” needs to be accessible by “all categories of workers”. As Bunchanan (1998 *as cited in* Schmid & Gazier, 2002:393) states “the general welfare state may survive if it imposes a limit upon itself; the discriminatory welfare state will not survive”. The discussion around the tasks of a welfare state is another dimension of the TLM which cannot be given

⁵⁶ For most people aged 70+ the Silver Human Resource Centres constitute a significant source of employment (Duell *et al.*,2010).

space in this very limited research but what is important here is that the risk sharing is not equal in Japanese labour market among the three groups: Non-regulars who provide flexibility to the firms, the employers who are avoiding their share in this relationship and regulars who are the ones protected most against concerning risks. More flexibility needs more, not less security (Schmid & Gazier, 2002:394, 396) and this security should not be exclusive.

3.6.3 The Nexus between Regular and Non-regular Employment

In terms of career development opportunities of non-regulars, limitations in the scope of work and expansion of the career exist as these people work under fixed-term labor contracts for certain periods of time. It is significant to enlarge the scope of a career beyond such limitations and thus, to change how regulars work by i.e. reducing long working hours or/and introducing shorter working hour system for regular workers. It is argued by JILPT Research Report (2011) that the transition of non-regulars to regular employment is positively affected by being “full-time” non-standard employees with “scheduled working hours of 35 hours or longer per week” and this transition mostly occurs “within the same job types than between different job types”. The *solidarity principle* suggests that non-regulars have the opportunity to accumulate wider employment experiences besides job-specific vocational abilities for career development. Rather than encouraging the transference to regular jobs, the conditions facing non-regulars should be improved as some especially women prefer to stay in non-regular employment to achieve a better work/life balance.

Against these challenges facing non-regulars, this paper suggests that employment protection legislation for regulars should be reformed. Considering the gap in labor market expenses, reduction in employment protection for regulars is accordant with the TLM’s self-containing consideration (OECD, 2010:122). Some examples from European countries presented earlier such as “part-time unemployment benefit scheme” in Finland, the involuntary part-time work related schemes in Sweden or treating multiple employment relationships as one regular employment in Germany are inspiring in this context (Schmid & Gazier, 2002:404). While reducing employment protection for regulars, the coverage of social insurance to include more non-regulars to reduce the gap in labor costs should be striven given that “the difference in productivity between regulars and non-regulars is much smaller than the wage gap” (OECD, 2009a). A comprehensive approach in this direction could reverse existing dualism.

Regarding the transitions between “various working times”, flexibility suggests that working time can be either shorter or longer compared to normal working hours. According to JILPT Report (2009c:95-96), flexibility serves “to make working time longer” in Japan. Since companies contracted the number of regulars, most regulars currently have to work longer hours. 20% of male workers aged

30 work 60-hour/week or even more. Therefore, short-time employment in Japan should be revised to decrease working time of regulars which can create employment for the unemployed or further positions for non-regulars. The two aforementioned examples -“short-time allowance scheme” in Germany and work-sharing agreements in France-can be considered at this point as both enable creating additional employment (Schmid, 1998) and leisure time for employees to have better work/life balance. However, as part-timers perform important business functions and similarities with short-term regulars, it might cause “loss of motivation” at part-timers due to different treatment between the two. Before introducing short-term employment system, the entire employment system should be reviewed as this system has the potential to transform both business and society in Japan (JILPT, 2005).

3.6.4. The Importance of Working Women and Gender-equity concerns

Japanese males spend little time for their families and housework due to long working hours, which puts a larger burden on their spouses and creates challenges to the work/life balance of particularly Japanese women. Non-regular employment has become the “new norm” for Japanese women and 53 % of women take place in non-regular employment in Japan (Seifert, 2010). Interestingly, these women view regular employment as having to make a choice between staying in employment and forming a family with children - which contributes to the declining birthrate (JILPT, 2009:7-8). This situation creates a significant loss of female workforce at the macroeconomic level.

It thus becomes inevitable not to observe a labour market in Japan that is split along gender lines and holds significant disadvantages for women. The *efficiency principle* of the TLM comes to the front among these concerns. As previously stated, the working population is already contracting in both “real and proportional terms”, which causes a stagnation in economic growth. Consequently, growing concerns about sustainability of the society and economy of Japan have emerged, which requires raising productivity and employment rate (JILPT, 2009:9,16). Even though, the reforms are very recent, which makes it difficult to assess the efficiency of institutional arrangements, it is not hard to assess that declining (female) work-force, ageing population and declining birth rate require a sustainable workforce. The steps towards integrating women better into the labour market should provide them a secure work life so that they want to stay longer and sustain the labour force.

Likewise, in relation to life-time learning Japan needs a better “gender-neutral risk sharing” since both “good education” and “life-long learning” are crucial determinants within a competitive labour market (Schmid & Gazier, 2002:399). Competition between educated people in Japan is on the

rise but women who are mostly in part-time work have lower training opportunities than men⁵⁷. The average length of training for jobs demanding males is longer than four weeks, (30.5 days) while for jobs demanding females it is 10 days. Since the amount of training is crucial for earnings, females end up earning less than males (Gordon, 1998; Mun, 2007; Yamaguchi, 2008; Tanaka, 2004).

In the face of the above-mentioned gender-equity concerns, this paper suggests that women should be attracted to the Japanese labour market by being provided with attractive job opportunities, flexible work arrangements allowing a better child care and work/life balance. From gender-neutrality aspect of the solidarity principle, tax and social security system, which put Japanese women off full-time work and trap them in mostly part-time⁵⁸, low-paying jobs with little training opportunities and employment security while making them dependent on their spouses during their retirement, has to be revised⁵⁹. Likewise, more male workers should take child care leave. To encourage this, a revision to the 60% wage loss that discourages men from taking child care is necessary in terms of the TLM's *efficiency principle*. Theoretically, in the long-run, such steps can create a better work/life balance which shall reverse the downsizing fertility rate and ageing society.

3.6.5 Building Human Capital

Another area of critical transition between “education/training and employment” does not sufficiently fulfill *solidarity principle*. In Japan, one of the important means of providing human investment is in-house training. Businesses provide such training for non-regulars by selecting only those who work in a similar fashion with regulars or those with full-time working hours. So, there is no active investment in training for non-regulars by businesses, which directs challenges at macroeconomic level and does not comply with the TLM's *efficiency principle*. More specifically, non-regulars who have fewer chances to obtain training, create a situation where building human capital becomes a hardship. According to the TLM, this hindrance can be viewed as a concern for future economic growth of Japan given that human capital and highly-qualified workforce have had significant contribution to economic growth (JILPT Research Report, 2011). Therefore, training opportunities for non-regulars at private sector should be upgraded since life-long learning enhances job prospects in Japan as in the TLMs. However, Japanese government has prioritized vocational training and swift employment especially for the young and the unemployed. Michiko Miyamoto (2005) points to the shift towards education in the government's

57 As also argued by several studies, Japanese women are excluded by employers from valuable training that is required to attain high status occupations due to discriminatory practices like dual-track employment system, in which Japanese women have to accept assistant level jobs. The wages of women tend to fall after their 30s whereas those of men increase steadily until their 50s (Gordon, 1998; Mun, 2007; Yamaguchi, 2008; Tanaka, 2004).

58 See Appendix 8. for large female worker proportion in part-time employment.

59 As several studies pointed out, the public pension system in Japan discourages dependent spouses – mostly women- from working longer hours than the determined income level so that they do not have to pay public pension contribution (Horioka et.al, 2007; Takayama, 2008).

employment policy stressing that life-time learning would bring success which is in line with the TLM.

3.6.6 The Bright Side of the Case

Japan has strong networks and cooperation which provides insightful instances to the scope of the TLM's *effectiveness principle*. PES and EASP are two promising examples among others which have rich infrastructure-adequate monitoring and public/private cooperation as including businesses, local governments and universities (Schmid & Gazier, 2002:380). Similarly, regarding the transition during unemployment, the tendency in Japan is accordant with the TLM which suggests that “a combination of more intensive checks of unemployment benefit eligibility and intensive placement services” are more cost-effective than financial incentives (Schmid, 1998).

The Japanese government can constitute a good example to some European governments with its subsidies for employment of the elderly. For example, while France implemented employment subsidy schemes for young people, its public-funded early retirement schemes were mainly used by employers to get rid of the senior workers (Gautié, 2003). The culture of early retirement is widespread in some European countries where there is an approach of “blocking early retirement exits”. Theoretically, such a restriction cannot serve its purpose unless another option is made attractive at the same time (Schömann & Siarov, 2006). Older workers should be prepared for the market. The recommendations include “intensification of lifelong learning and promotion of part-time, active retirement” (Anxo & Erhel, 2006). For example, part-time retirement assists to prevent any loss in employability and human capital and provides flexibility for employees and employers. Thus, the discrepancy between salaries and productivity becomes minimized.

According to the TLM, “decentralized policies” that maintain a “very close connection” to labor markets works best (Schömann & Siarov, 2006). During transitions between “retirement, disability and employment”, social protection systems are very related to Japanese labor market as they encourage the elderly and people with disabilities to take risky transitions between “employment and productive activities” (Schmid & Gazier, 2002:398). The institutions related to this group are inspiring as they aim to enhance employability of this vulnerable group rather than providing them with passive income.

More specifically, “activating measures” should replace “long-term benefits as far as possible” (Schmid & Gazier, 2002: 425). This TLM statement promotes “employability enhancing measures” like wage/cost subsidies for employers as incentives to employ the disadvantaged people and placement services among others which are present in Japan. The “transformation of the conventional unemployment insurance (UI) system into a system of employment insurance (EI)” is among TLM's labour market solutions in that enhancing individual employability can sustain labor market via high

employment rate and productivity. One crucial point, however, is regarding highly subsidized low skill jobs. The government has recently made generous subsidies to increase employment rate throughout Japan. The inherent risk is decreasing incentives to work or to invest in human capital according to the TLM (Schmid & Gazier, 2002:425). However against such a risk, increasing network of public vocational training agencies alongside other related services to enhance human capital of people with low skills has been rigorously promoted throughout Japan. Therefore, usually systematic and coordinated feature of the institutional arrangements should prevent this risk from happening.

Together with the recent reforms targeting vulnerable groups there is a shift towards more activating policies in Japan, which involves a change of focus from job/income security to employment/transition security and from conventional unemployment security to employment security arrangements. This trend is critical from the TLM perspective that aims to preserve accumulated human capital- to be improved with further “employability measures” such as life-long learning- rather than protecting individual jobs per se (Schmid & Schömann, 2004; Schömann & Siarov, 2006; Schmid, 2010:41-42).

Finally, it is noteworthy that active labour market programs are associated with “deadweight costs”. Therefore, targeting is critical in the application of the TLM model. To achieve the sustainability of the whole social system those in most need should be focused while providing benefits (Schömann & Siarov, 2006). This paper suggests that tailor-made approaches emerging in Japanese labour market together with the recent reforms are justifiable from the TLM’s *efficiency perspective*. Concerns about equal opportunity provisions to include non-regulars and women employees should enhance the image of Japanese government as an enabler of flexibility and security over the life-course of individuals.

4 Conclusion

Throughout this paper, the type of critical transitions Japanese people have been challenged to make over their life-courses under the present labour market situation are analyzed from the TLM perspective. As an answer to the first sub-question regarding the *institutional arrangements that are present in the labour market of Japan to assist individuals overcome risky transitions over their life-courses*, various institutional arrangements and policies are examined. Thereafter, the question about how compatible the labour market institutions are with four principles of the TLM is looked into.

The findings are mainly compiled around solidarity principle. This lacking is most problematic during the transitions between “various employment statuses and various working times”. The dualism in Japanese labour market that is excluding especially non-regulars and women (in terms of education attainment, social protection, income level) is found to be violating the propositions of the solidarity principle of TLM which highlights inclusiveness by providing “opportunities for all categories of

workers” (Schmid & Gazier, 2002: 394). This paper notes that social protection in Japan has been mainly traditional in that it does not properly cover new risks arising from increasing flexibility in the labour market especially from the diversification of the employment statuses. Therefore, this paper argues that it is important to develop tailor-made labour market arrangements in Japan targeting the vulnerable groups such as women and non-regulars in line with the TLM principles. Such a tailor-made approach will assist individuals manage the risks they face under the current labor market situation and help to achieve sustainability of the entire social system by decreasing the associated heavy costs.

Japan has strong networks and cooperation which provides insightful instances to the scope of the TLM with their rich infrastructure, that is, adequate monitoring and public/private cooperation as including businesses, local governments and universities. Especially, within the area of transitions between “retirement, disability and employment”, social protection systems are found to be very related to the labour market as they encourage the elderly and people with disabilities to take risky transitions between “various forms of employment and productive activities” (Schmid & Gazier, 2002:398). The institutions in this group are inspiring and can provide valuable insights for the TLM model with their focus on employability enhancement of the vulnerable group more than passive income offers.

In an attempt to answer the main question about *the ways a labour market which builds bridges between various statuses inside and outside the labour market can be created in Japan*, analysis and subsequent suggestions are made regarding employment protection legislation for regulars, the coverage of social insurance to include more non-regulars, training opportunities for non-regulars and women, short-time work and flexible work arrangements to realize gender-neutrality. It is found that with the recent labor market reforms concerning vulnerable groups there has been a shift towards more activating policies in Japan which are favorable from the TLM perspective but close attention to the aforementioned concerns of the solidarity principle is required. Finally, targeting policy is crucial in the application of TLM model. Therefore, tailor-made approaches emerging with recent reforms in Japan targeting the youth, elderly and women are theoretically justifiable to realize the improvement of a labour market that builds bridges between various statuses inside and outside the labour market.

All in all, on the bright side of the Japanese case, there is currently a strong trend towards reforms in active labour market policies designed to improve the social protection of especially the women, young and older workers, which are accordant with the TLM. Annual spending on “job search support” and other “reemployment services” for those who lost their jobs has almost doubled against the crisis. However, even though Japan has taken significant measures to help job losers get back into work, it is early to assess the effect of these on the labor market segmentation issue. The effectiveness of the

recent institutional arrangements is promising in that once these reforms are fully enacted; they most likely improve the conditions of the vulnerable and thus their employability in accordant with the TLM.

4.1 Limitations

This paper is aims to give a comprehensive account of the labour market transitions in Japan from the TLM perspective and does not limit itself to one specific transitional area. Future studies can focus on one area or one group to provide more elaborate policy recommendations. Another point is that there are regional differences in Japan, which appears to persist in employment conditions (JILPT, 2009:112, 26). Although, various institutional arrangements exist-mainly in large cities- these institutions (i.e. Mothers' Corners) are not spread evenly around Japan (JILPT, 2009:131). Thereby, future studies should get a closer look at regional disparities. Finally, the role of the welfare state in the face of transforming labour market can be analyzed deeper. In this respect, the rights of Japanese citizens alongside active citizenship and labour market policies can be studied.

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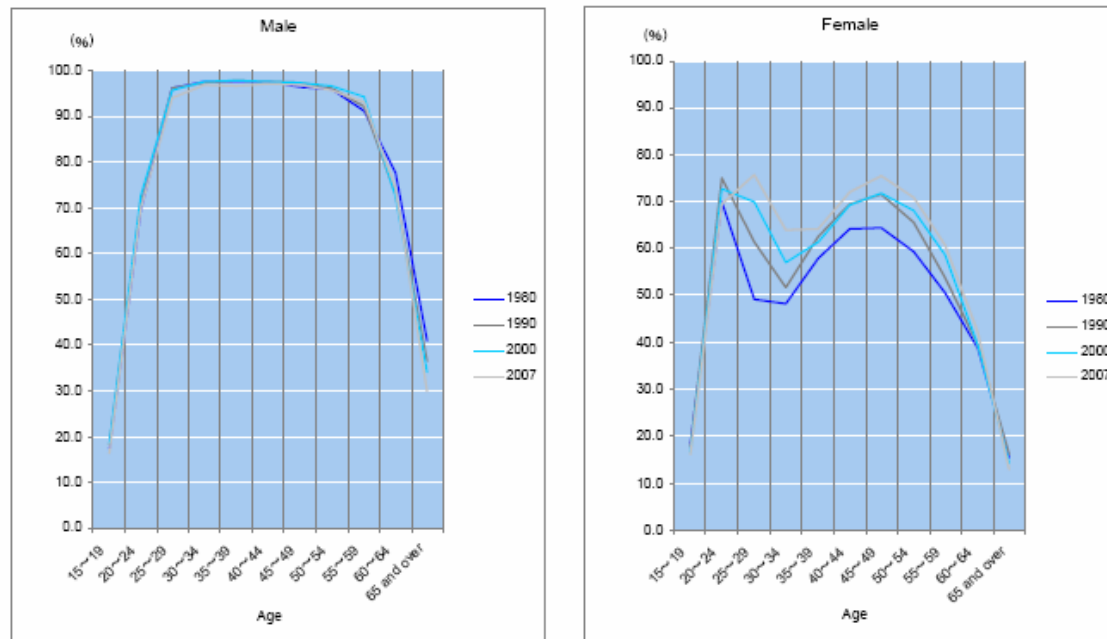
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APPENDIX

1. Labor Force Participation Rate by Sex and Age

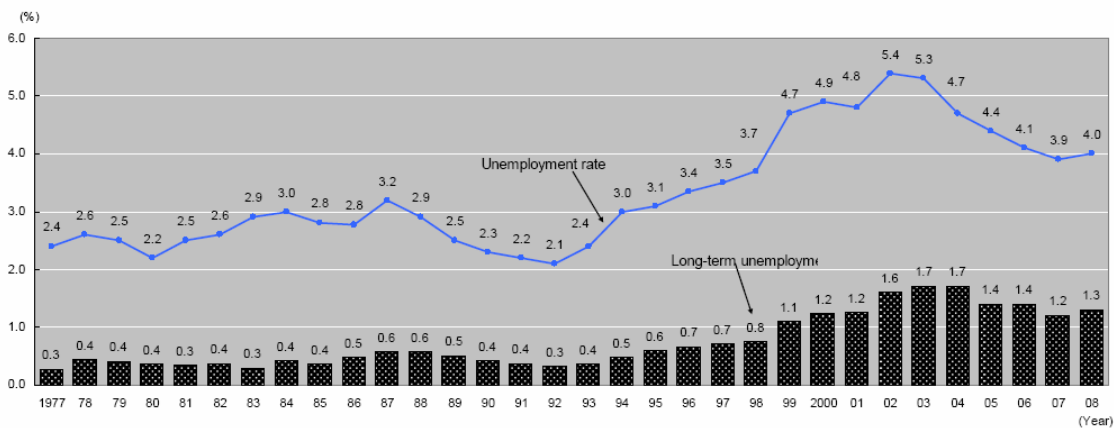
II-4 Labor Force Participation Rate by Sex and Age



Source: Statistics Bureau, Ministry of Internal Affairs and Communications, *Labour Force Survey*.

2. Trends in Unemployment Rate and Long-Term Unemployment Rate

II-8 Trends in Unemployment Rate and Long-Term Unemployment Rate



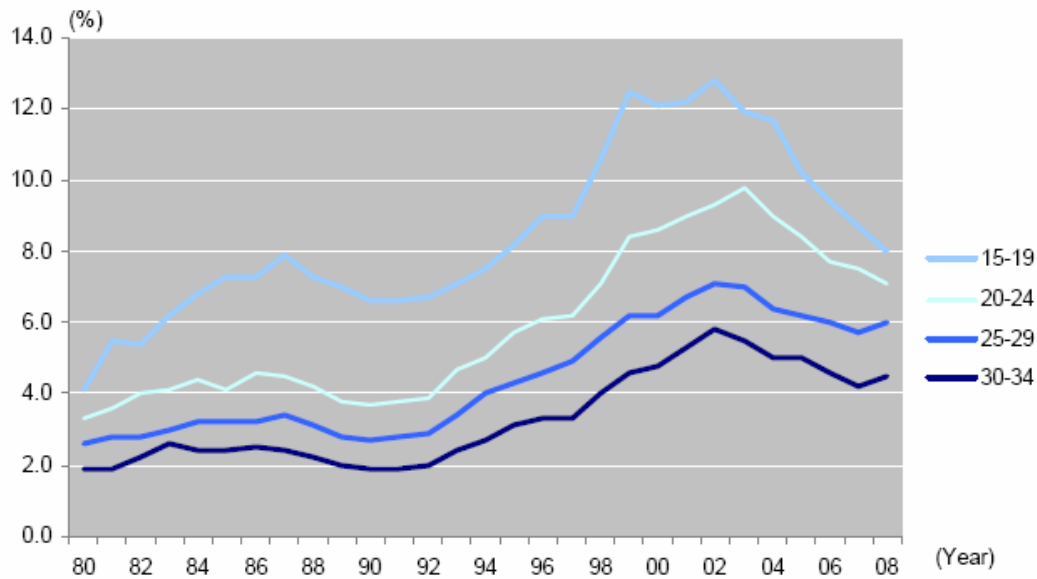
Sources: Statistic Bureau, Ministry of Internal Affairs and Communications, *Labour Force Survey*, *Special Survey of Labour Force Survey (1977-2001)*, *Labour Force Survey (Detailed Tabulation) (2002-2008)*.

Notes: 1. Long-term unemployment rate = persons unemployed for 1 year or more / labor force population
2. The values are for each March up to and including 1982 and for each February from 1983 to 2001, and are yearly averages from 2002 to 2008.

Retrieved from JILPT (2009).

3. Trends in youth Unemployment Rates

II-22 Trends in Youth Unemployment Rates



Source: Statistics Bureau of Ministry of Internal Affairs and Communications, *Labour Force Survey*.

Retrieved from JILPT (2009).

4. Change in the Number of Non-Regular Employees

II-18 Change in the Number of Non-Regular Employees

Year	Number of Non-regular Employees (10,000 persons)	Proportion to Employees Excluding Executives (%)
1990	881	20.2
1991	897	19.8
1992	958	20.5
1993	986	20.8
1994	971	20.3
1995	1001	20.9
1996	1043	21.5
1997	1152	23.2
1998	1173	23.6
1999	1225	24.9
2000	1273	26.0
2001	1360	27.2
2002	1451	29.4
2003	1504	30.4
2004	1564	31.4
2005	1633	32.6
2006	1677	33.0
2007	1732	33.5
2008	1760	34.1

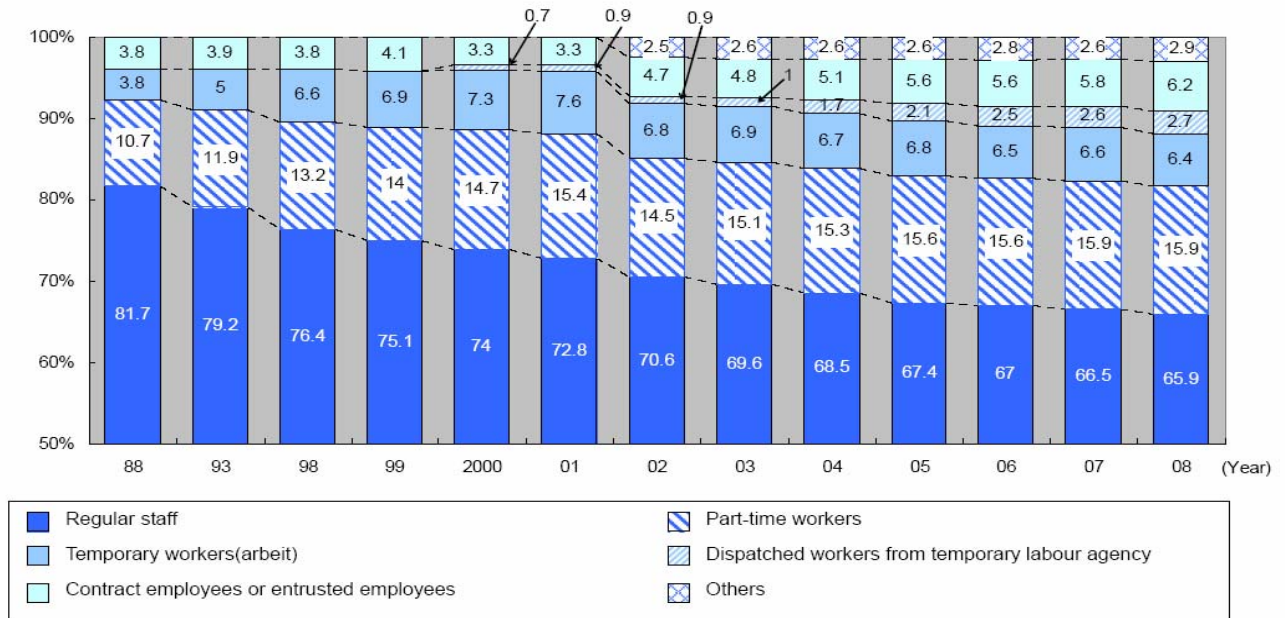
Sources: Ministry of Internal Affairs and Communication, *The Special Survey of the Labour Force Survey, Labour Force Survey (Detailed Tabulation)*.

- Notes:
- 1) The figures up to 2001 are based on the *Labour Force Survey-Special Survey* that was taken every year in February, and from 2002 based on the *Labour Force Survey (Detailed Tabulation)* which figures are the average taken between January and March each year.
 - 2) Non-regular employees refer to all persons who are referred to as part-time workers, dispatched workers (or temporary agency workers), contract workers, entrusted workers(shokutaku), and similar phraseology.

Retrieved from JILPT (2009).

5. Proportion of Employees by Type of Employment

II-6 Proportion of Employees by Type of Employment

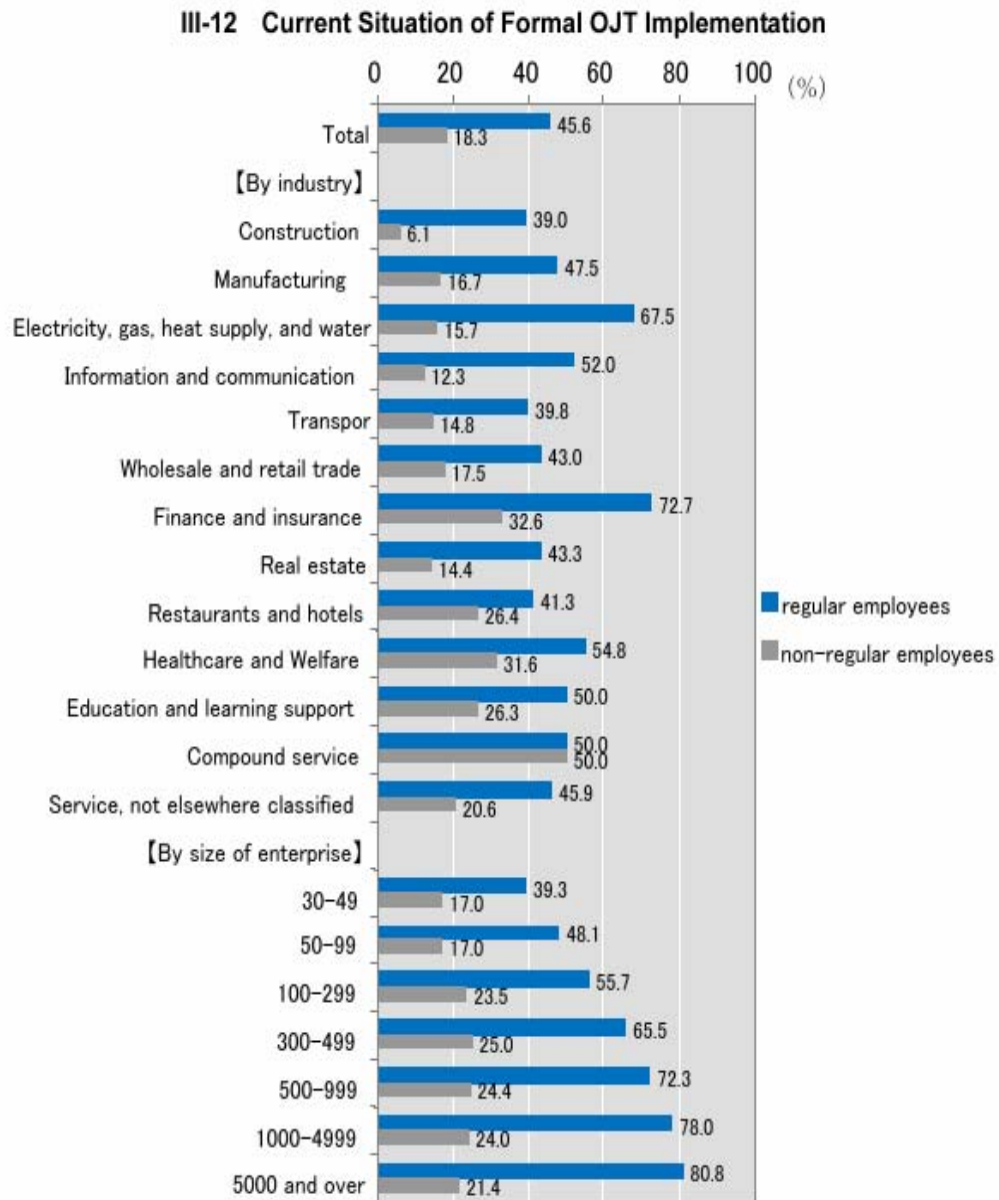


Notes: Data source is "The Special Survey of the Labour Force Survey" from 1984 to 2001, "Labour Force Survey (Detailed Tabulation)" since 2002. Because there is difference such as survey methods and reference period, attention need to be paid to the time series comparison.

- 1) The data classified "Entrusted, Other" prior to Aug. 2001, except Aug. 2000 and Feb. 2001 ["Other (entrusted, etc)"]. The data subdivided "contract employee or entrusted employee" and "Other" since Aug. 2001.
- 2) Rates are to the totals shown in breakdown of "Employee, excluding executive of company or corporation".

Retrieved from: JILPT (2009:23).

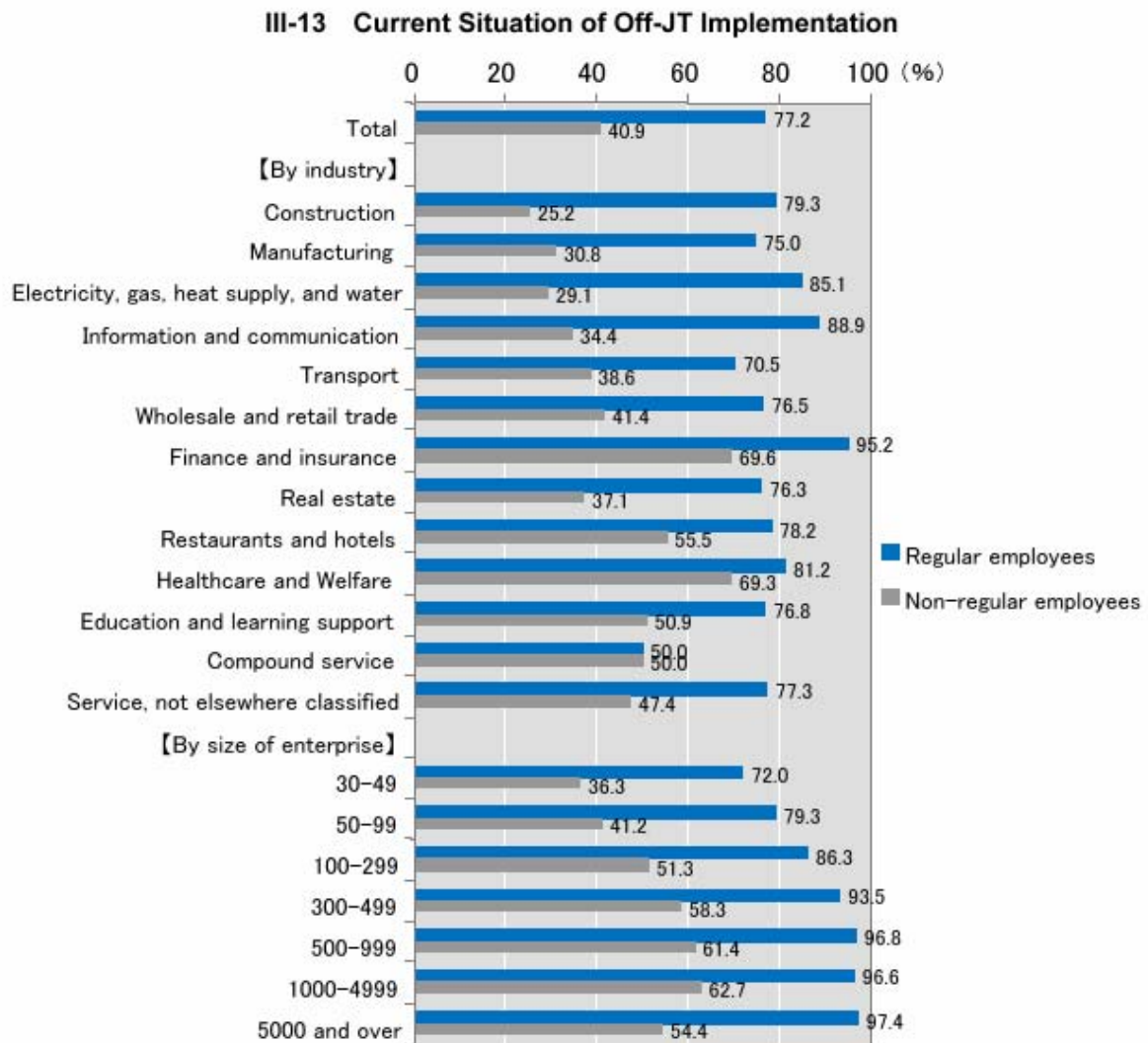
6. Current Situation of Formal OJT Implementation



Source: Ministry of Health, Labour and Welfare, *Basic Survey of Human Resources Development*, 2007.

Retrieved from JILPT (2009:75).

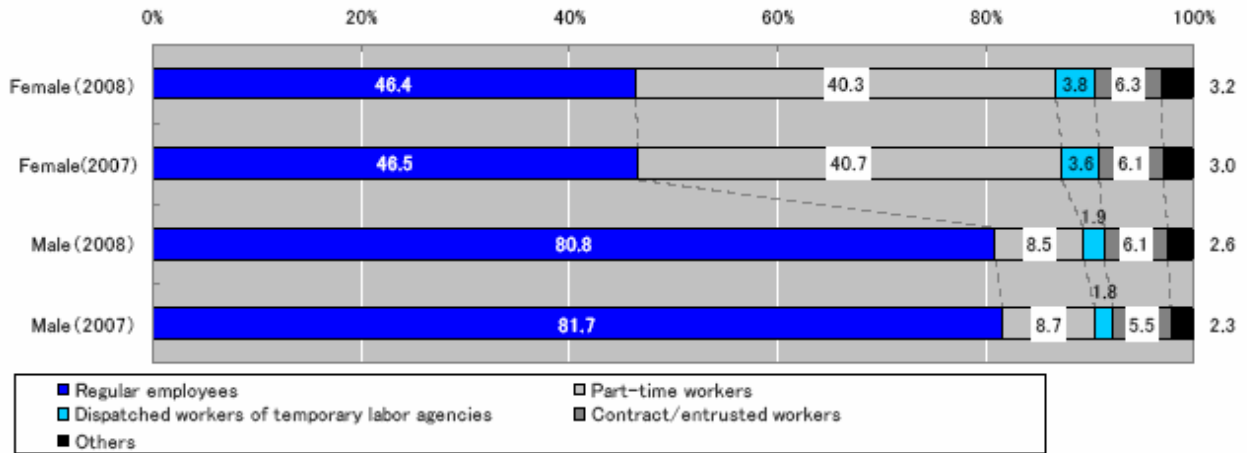
7. Current Situation of Off-JT Implementation



Source: Ministry of Health, Labour and Welfare, *Basic Survey of Human Resources Development*, 2007.

8. The large female proportion in part-time employment

II-31 Comparison of Forms of Employment of Men and Women
(excluding Executives of Companies and Corporations)



Source: Ministry of Internal Affairs and Communications, *Labour Force Survey (Detailed Tabulation) (2007, 2008)*.