



Report

Diversity and productivity – Japan’s employment system at the crossroads



Participants of the workshop on labour market liberalization in December 2018

Many advanced economies have to cope with increased global competition and fast technological change while being confronted with a rapidly ageing workforce. For all of them, basically the same solutions apply: increasing the labor participation of women and elderly persons, hiring more foreign workers, investing in education and training, and advancing the automation of production and services. The common key variables underlying or addressed by these measures are diversity and productivity.

However, significant national differences arise in the ways respective solutions are pursued and implemented. The speed and the quality of outcomes will depend on how legal frameworks and policies, industrial relations, corporate structures, management practices as well as educational institutions and social value systems are able to adjust.

Japan is an excellent case at hand. Presently, 28 percent of its population is of age 65 or older, a share twice as high as in 1995, and bound to further increase. The working-age population, defined by the age group from 15 to 64 years, declined by 14 percent between 1995, when it had reached its peak, and 2018. Surprisingly, actual employment increased by more than 3 percent over the same period of time. This was above all brought about by 4.2 million more people aged 65 and above entering employment. In the age group of 15 to 64 years, 0.8 million more foreigners and 1.0 million more Japanese women found jobs. Taken together, this more than offset the 4.0

million decline in the employment of working-age Japanese men.

At first glance, it seems that Japan managed to adapt very well. However, the quantitative adjustment was accompanied by fundamental changes in the types of employment. Between 1992 and 2017, the number of self-employed and family workers declined by 6.3 million. This was more than compensated by a rise in dependent employment (6.6 million). However, in this subcategory too the composition of jobs greatly changed. Whereas the number of executive and regular employees declined by 4.1 million, non-regular forms of employment – part-time, non-permanent, contract and agency work – grew by 10.8 million. As a consequence, the share of non-regular employment rose from 22 percent in 1992 to 38 percent in 2017.¹

The numbers indicate that employment growth in the last decades has not been inclusive. This can be seen as the logical consequence of the prevailing structural characteristics of Japan’s employment system. While companies continue to commit to offer their predominantly male core employees “lifetime” employment – at least up to the age of 55 – combined with wage and promotion schemes based on length of tenure, they have found it increasingly hard to do so in the context of an ageing workforce and dim growth prospects in the domestic market. Their natural response was to reduce the number of protected core employees while increasing the number of flexible work contracts. The shift was supported by labour market reforms, which expanded the scope of non-regular forms of employment. It was also made possible by the fact that Japan’s company-based labour unions – in any case only existent in larger corporations – have always represented core employees and may not have been unhappy with having the privileges of their members shielded by ever thicker layers of peripheral employment.

The “logical” reaction of coping with a more diverse workforce by diversifying respective employment relations basically reproduced existing labor market segmentations by gender and age. The gender wage gap in Japan remains the second highest among OECD countries, the largest factor being that working-age women despite similar educational achievements are predominantly hired on a non-re-



Roundtable during the Workshop on labour market liberalization with Paul Marx, Bruno Amable and Mari Miura



Symposium on gender equality and workstyle reform at the Japan Institute of Social and Economic Affairs in November 2018

The article summarizes findings of the DIJ project “Work-related diversity in Japan – New Risks and Opportunities for Whom?” With the aim to shed light on what diversity and processes of diversification mean for contemporary Japan, the project examines the multifaceted implications of growing diversity in employment for both the individual and Japanese society as a whole. The topic is approached from a multidisciplinary perspective encompassing sociology, economics, political science, psychology as well as media and literary studies. More details about the project, present and former research members and related publications, workshops and conferences can be found on our website:

► [dij.tokyo/diversity](https://www.dij.tokyo/diversity)

gular basis. The growth of non-regular employment also contributed to a steady rise in income inequality. Japan’s income inequality and poverty indices are today well above the OECD average. The hiring of foreign workers, too, mainly occurred in low-wage segments of labour intensive manufacturing and service industries. The work environment in Japan does not seem to have been conducive to highly skilled foreign workers.

It is not only the quality of jobs created that became a concern to policy-makers. The discriminatory treatment of non-regular workers pertains not only to wages, but also to training and career opportunities. However, without improvements and adjustments in skill levels, Japan will face difficulties in mastering the digital transformation and in realizing its vision of a super smart society as depicted by the policy framework of “Society 5.0”. The growth of low-wage jobs has also been detrimental to productivity growth – an imperative in a “super ageing” society. Japan’s labour productivity, measured in terms of gross value added per hour, remains below the OECD average and more than 30 percent below the German and US levels.

Those on the other side of the line with secure jobs, higher income and career prospects are not necessarily on the bright side either. Companies expect loyalty and diligence in return for employment guarantees. Regular employees suffer under time pressure and long overtime work. This makes it extremely difficult to start a family or to fulfil family obligations alongside work. This is one of the main reasons why women in particular, who according to still-dominant social norms are expected to shoulder the lion’s share of domestic chores, often decide to stay single or take up part-time work. Overly long working hours are of course also detrimental to productivity as they cause fatigue and negatively affect employees’ physical and mental health.

The second Abe administration, which took office in December 2012, soon tackled employment issues as part of “Abenomics”. Under slogans such as “womenomics”, “productivity revolution” and “workstyle reform” and with the propagation of inclusion as a core



Participants of the workshop on diversity management at the University of Göttingen in March 2019

concept of “Society 5.0,” “Abenomics” not only drew widespread public attention, but also introduced policy measures ranging from appeals to promote women into management positions to stricter regulations concerning overtime work and the better treatment of non-regular workers. Recent developments are promising and are prominently advertised by the government. Yet, they mainly constitute soft law as they lack concrete sanctions, and might have little effect beyond what the very tight labour market already dictates to employers.

Fundamental change cannot be brought about by fighting the symptoms. The basic structural characteristics of Japan’s employment system and corporate human resource management practices need to be called into question. Overcoming the segmentation between regular and non-regular employment and creating a work environment which gives employees more discretion over their working time and careers are prerequisites for combining diversity with equality and inclusion and for achieving the productivity growth needed to cope with demographic change and the digital revolution. Policymakers are well aware of the issues. What is lacking are stricter measures with more effective sanctions to encourage business leaders and personnel departments to overcome traditional structures and practices. Last but not least, social values related to work and family will have to follow suit.

— F.W.

¹Statistical sources used: Population Census, Labour Force Survey, Employment Status Survey (<https://www.e-stat.go.jp>).

New Era

Japan's new era has a name: *Reiwa*

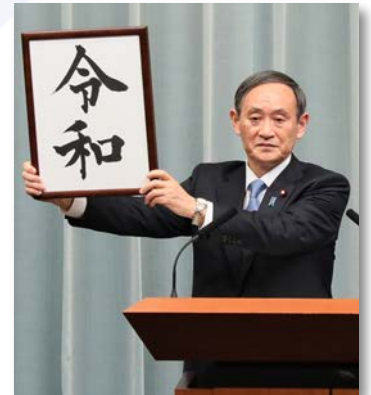
It was no April Fool's Day joke: on April 1st, chief cabinet secretary Yoshihide Suga announced *Reiwa* as the new Japanese *nengō* (also *gen-gō*). On May 1st, 2019, the new Emperor Naruhito has ascended the throne on under this new era name which could be translated as "Rule Japan" or "administered peace".

The Japanese Foreign Ministry ordered its missions abroad instantly to have *Reiwa* translated into foreign languages as "beautiful harmony". A nine-member expert commission – including for the first time two women – had chosen *Reiwa* as its favourite from six candidates. The kanji for *rei* was selected for the first time in the over 1300-year-old history of the *nengō*, while the kanji for *wa* was selected for the 20th time.

Reiwa follows the era name Heisei (1989-2019). Many commentators suspect that the choice of *wa* may be an explicit link to the preceding *Shōwa* era (1926-89) because it includes the same character for *wa*. Prime Minister Abe

praised the "first-time" selection of kanji from the "rich body of Japanese national culture which as Japanese one should be proud of" as timely. By this, he was referring to how, until now, all *nengō* had been chosen from Chinese classics. However, Japanese scholars of literature quickly revealed that the text passage containing *Reiwa* had been used in China for several centuries before it was incorporated into the *Manyōshū*, a Japanese collection of songs, in the 8th century. It does not seem easy after all for "Japanese national culture" to rid itself from its Chinese origins.

In addition, the tradition of *nengō* as era names originates, of course, from China. Polls indicate an approval rate of the new *nengō* between 62 (Yomiuri) and 87 (Fuji/Sankei) percent. Critics have pointed out that the *Manyōshū* was heavily used for nationalistic indoctrination during Japan's imperialistic and militaristic period and that it was therefore inappropriate as a source of an era name.
— T.W.



On April 1st 2019 Yoshihide Suga announces *Reiwa* as the new era name for Japan

DFG-funded Research Project *Nanjing War Diaries*

When Japanese troops in autumn 1937 advanced to the Chinese capital of Nanjing, the German representative of the Siemens Company, John Rabe (1882-1950), decided to remain in the city.

Until his return to Germany in February 1938, he led the International Safety Zone there. In this role as 'de facto mayor' of Nanjing, Rabe helped to save thousands of Chinese from death of cold, starvation, or Japanese aggression (i.e., the 'Nanjing Massacre').

When his diaries were discovered in 1996 and partly published in the following years, Rabe was called the 'Oskar Schindler of China'. For the first time, the complete versions of Rabe's detailed diaries – written in Nanjing and Berlin – have become available and can now be analyzed in the context of other war diaries, memoirs,



John Rabe commemorated as "an international hero" in China (John Rabe House exhibition in Nanjing)

letters, and archival sources from Germany, Japan, China, and the US.

The German Research Foundation (DFG) has awarded Torsten Weber a three-year grant to conduct this research project on *John Rabe's Nanjing Diaries*.

The research activities of this project can be followed on:
▶ rabediaries.hypotheses.org

Torsten Weber

is a historian at the DIJ with research foci in the modern history of Japanese-Chinese relations and interactions.
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Upcoming Events



Studying Japan: The impact of transnationalization and technological innovation on methods, fieldwork and research ethics

Renowned scholars from Australia, Europe, Singapore and the US will discuss new trends, opportunities and challenges that have changed the conduct of research on Japan.

Venue:

► Freie Universität Berlin

Date:

► 23. – 24. Juli 2019

More Information:



► dij.tokyo/studying-jp

Info

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Short message

DIJ Library now with online access to the Japanese National Diet Library



The library of the German Institute for Japanese Studies has been recognized by the Japanese Ministry of Education as an institution that is permitted to duplicate library materials. Consequently the DIJ Library is being granted online access to digital documents of the Japanese National Diet Library. — F.W.

Short message

DIJ Monograph series is now Open Access

Since June 2019 the DIJ's monograph series *Monographien aus dem Deutschen Institut für Japanstudien* is freely available for download via the institute's website. All editions starting from 1999 are Open Access, and the most recent volumes will be made available one year after their initial publication. Single chapter downloads are also available for edited volumes. — S.E.



You can access the monograph series via
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Staff News



Markus Heckel is a Senior Research Fellow at the German Institute for Japanese Studies (DIJ) since November 2018. From 2012 to 2018 he worked at the Chair for the Study of Economic Institutions, Innovation and East Asian Development at Goethe University Frankfurt. He received his PhD from the University of Duisburg-Essen with a study on the Bank of Japan.

Under the DIJ research program “Risks and Opportunities in Japan”, he is currently working on a research project about “Monetary Policy and Central Bank Independence”. Main research interests include macroeconomics, the political economy of central banks and labor economics.

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Tobias Söldner left the DIJ on February 1st after 5 years as a Senior Research Fellow to focus on a career as an intercultural coach/trainer. While at the DIJ he conducted psychological research on acculturation, internationalization of the Japanese workforce, and personality differences on the national level (“National Character”). A common element of both his projects at the DIJ and numerous presentations at international scientific conferences was a strong focus on the interplay between individual thought and behavior, social group membership, and parameters of the larger cultural environment.

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