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Labour market flexibility in Japan: 1960–2018

INTRODUCTION

The legal and institutional design of the labour market is a hot topic of political discussion in every country. This is because this framework is associated with a specific trade-off between the flexibility of economic adjustment and the security of employment. The flexibility of a labour market in this paper means the ability of a private sector to adjust the endowment of labour responding to any domestic and/or external shocks. As such, this flexibility is a necessary condition for market mechanisms to operate properly, allowing for a rebalancing of the national economy. However, depending only on this “invisible hand” mechanism generates a substantial risk of severe social costs, including increased inequality. Social issues are raised because of the often substantial unemployment experienced, as a response to economic contraction. There are numerous socio-economic problems in such a situation for the whole nation. Being aware of real threats to social life, most developed economies introduced diverse, and country-specific institutional and legal frameworks for their labour markets that aim at granting a different scope of employment security. In each case, however, it has always been achieved at the cost of compromising the abovementioned flexibility of the private sector in adjusting the endowment of labour. Democratic systems believe they can achieve social cohesion in this manner. Peaceful

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coexistence of all social groups should not be denied as a feature of high value, thus justifying some severe measures to achieve it.

Many developed countries, including Japan, have reached a nation-wide consensus of preventing unemployment at the cost of wage-adjustment flexibility and labour endowment adjustment flexibility. Restricting the private sector in the free management of what is still the most important factor of production (i.e. labour) has also potentially severe consequences for the national economy. Competing in global markets with countries offering full flexibility to their respective private sectors, especially in times of economic downturns, results in losing previously held positions, and share in global markets. This, in turn, leads to outright bankruptcies, and an unconditional reduction in employment, which imposes additional costs on governments and societies alike. On top of that, the rigidity of the domestic labour market can also cause another problem for governments in the form of reduced efficiency of traditional instruments used to stimulate the national economy. Those countries that experienced such situations as those described above after the 2008 crisis had no other choice but to directly support failing companies with public funds, or to nationalize them. Only these kinds of policy actions were there to prevent mass unemployment and further deterioration of economic conditions. Such contemporary unemployment prevention measures, however, came at a cost of future generations, which must be able to repay debts created today.

One goal of this paper is to present an extreme case of restricting private sector flexibility in managing labour endowment. The focus in this paper is on Japan, and its labour market, which is considered to be the most rigid among developed economies, as of 2019. These are the legal frameworks of this market, and its institutions that have been created by the government to achieve the ultimate goal of employment stability. It has been achieved effectively. In the course of this government's quest for socially desirable employment and working conditions, the Japanese private sector came up with a wide variety of adjustments in business management concerning labour endowment. As a consequence, corporations have maintained a certain scope of flexibility in responding to business cycles, and have continued to maintain a competitive position in some industries globally.

Research methods for the purpose of presenting developments in labour market flexibility in Japan include the analysis of the actual impact of crucial legal acts. Historical analysis of economic growth in post-war Japan resulted in a proposition to divide the whole period into distinctive sub-periods, using the real GDP rate as a criterion. The validity and applicability of the research method has been demonstrated by the approach based on the division of the post-war period. This way we achieved compliance with crucial changes to the underlying economic system, and the domestic labour market, its legal and institutional framework. Research effort was invested in matching macroeconomic developments with their impact on the domestic labour market. The impact presented consists of two dimensions: (1) the government response to the macroeconomic situation, and (2) the private sector response to government

policy in regard to labour market participants and institutions. A systematic analysis of exogenous events (like oil shocks) and processes (like demographic changes), and their influence on the domestic economy was cast against results of similar studies found in the literature. A literature review seems to validate observations and interpretation of the current analysis in all exclusive sub-periods.

Diligent readers will find in this paper a systematic review of Japanese labour market developments in regard to its legal framework and institutions from 1957 to 2018. One could offer an alternative interpretation of the situation in Japan since 1957, which would be most suitable for presentation in the Journal *Social Inequalities and Economic Growth*. This is because a reversed causality when interpreting the Japanese case also makes much sense. According to anonymous insiders, this was the government that continued with quite inefficient and unsuccessful attempts to protect Japanese workers against corporations. Exploited and depreciated by supervisors, overworked beyond all limits, reaching workload of 100 hours per week in the office are considered together as a very common situation for ‘salarymen’ (and ‘salary women’) in big corporations. Such ‘reversed-causality’ interpretation allows us to explain, among some other phenomena, the high suicide rate in Japan. If this is the correct interpretation, then Japan becomes a very interesting case for studying social inequality from the perspective of a labour market framework designed with the purpose of protecting a vulnerable workforce against cruel corporations, which do not respect individuals, and seek ways to maximize their profits at the cost of the society, environment, and its own employees. One could find more on this matter among conclusions, where results are cast against literature on exploitation of workers globally.

This paper presents an attempt to explain the labour market developments in Japan over the period from 1960–2018. Statistical data utilized in the analysis of the labour market situation comes from the database provided by the Cabinet Office of Japanese Government.

The paper is organized as follows. The next section presents a detailed history of labour law and labour market institutions in Japan (1957–2018) in five sub-periods, along with a systematic discussion on cause-consequence relationships between corporate employment practices and government (regulatory) response aimed at protecting the labour force in Japan. The following section offers an analysis of labour market behaviour in Japan at the beginning of 21st century. The last section provides conclusions.

A HISTORY OF LABOUR LAW AND LABOUR MARKET INSTITUTIONS IN JAPAN

The enactment and revision of Labour Law in Japan since the 1960s was a response to changes in the social and macroeconomic situation. According to changes in the economic situation and associated legal and institutional framework adjustments, the period in focus is divided into five sub-periods:

- Circa 1960–1969: The unbelievable miracle;
- 1970–1979: The unfolding mystery;
- 1980–Circa 1991: Bubble trouble;
- Circa 1991–1996: The lost half-decade;
- 1997–2018: Ushinawareta-ni-ju-nen (two more decades of lost growth).

The division of the post-war period in Japan into five sub-periods is an original contribution of this paper. The real GDP growth rate used as a criterion for this division is different from that found in the literature. Other authors focusing on legal framework of the Japanese labour market suggest just three stages of its development (Kume, 1998, p. 15): I. 1945–1960, II. 1961–1975, III. 1975 – present. As the focus of the current study is on macroeconomic situation and its influence on labour market flexibility, the legal and institutional framework are considered endogenous. Then, the interpretation of the efficiency of the state in protecting the labour force against aggressive private sector management practices is the original contribution that this paper offers. Causality is therefore different from other studies available in the literature. This justifies the abovementioned sub-periods to organize the analysis.

CIRCA 1960–1969: THE UNBELIEVABLE MIRACLE

Japan experienced high real economic growth from the end of the 1950s to the beginning of the 1970s (Figure 1). In the early 1970s, significant changes in the international financial system took place, which negatively influenced the domestic economy.

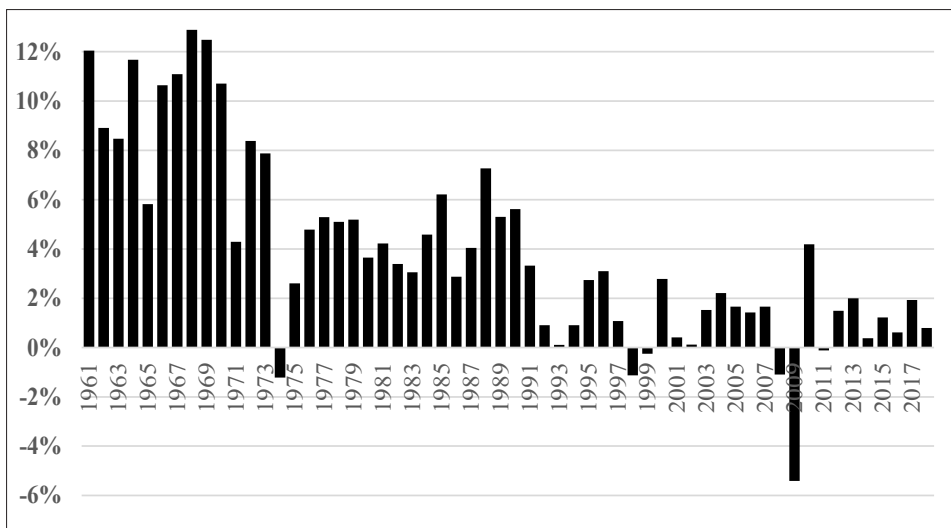


Figure 1. The annual growth rate of the real GDP in Japan, 1960–2018

Source: Author, based on World Development Indicators, World Bank, September 2019.

Although the growth rate of real GDP temporally fell, it started to reach high levels after the 1960s. The effective ratio of job-offers-to-job-seekers rose year by year and reached 1.0 in 1967. The unemployment rate showed a tendency toward stabilization at the lowest level in post-war history (Figure 2).

The Japanese government only implemented active labour market policies for the first time in its post-war history after 1960. According to Kume (1998), in the preceding period (i.e. 1945–1960) labour movement was more militant, and the relations between labour, management and the government were chaotic and turbulent with long and large strikes. It was only from 1960s when labour-management relations became institutionalized.

The government had to deal with a serious structural change in the economy and the society that underwent industrialization and intensive migration from the primary sector to two the other sectors. The ultimate goal of government policies was to facilitate the acquisition of desired skills and knowledge by current and potential employees. A shortage of appropriate skills was the actual cause of the initial imbalance in the labour market in that period. The mismatch of skills offered and demanded resulted from the fact that workers were moving from agriculture and mining to the manufacturing industry and service sector (Figure 5). Due to a well-suited central government policy, it was possible to effectively improve the matching of skills between those required by employers and those offered by job seekers.

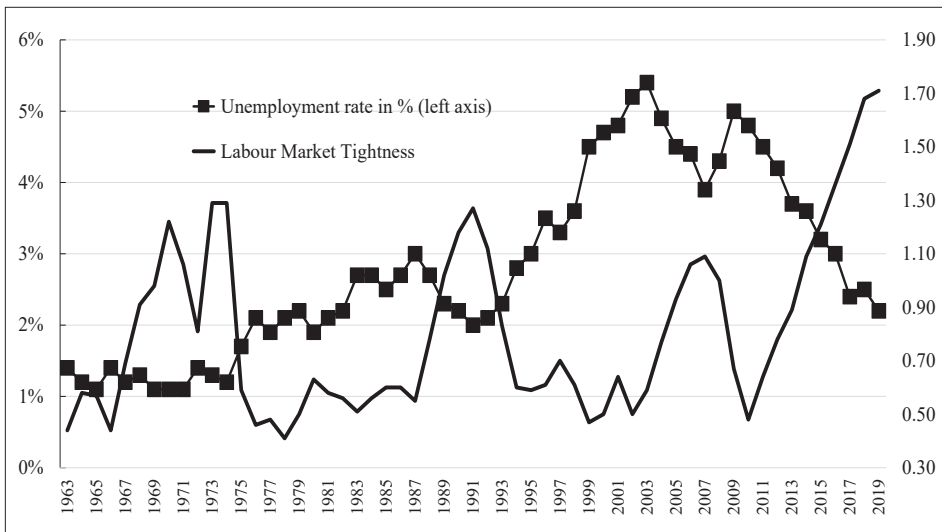


Figure 2. Unemployment rate and labour market tightness (effective ratio of job offers-to-job seekers) in Japan, 1963–2019

Source: Author, based on Labour Force Survey by Ministry of Internal Affairs and Communications; and Ministry of Health, Labour and Welfare.

The policy response included the introduction of two acts, the “Employment Measures Law” (1966) and the “Vocational Training Law” (1969). In the next period this problem was addressed by the enactment of the “Law concerning Special Measures for the Promotion of Employment of Middle-Aged and Older Persons” (1971), which provided support to middle-aged and older workers in finding work. This was one affirmative policy action aimed at developing the skills of workers rather than compensating jobless people. These actions strengthened and facilitated the adjustment mechanism of the labour market. In the Japanese institutional framework these legal acts introduced public employment agencies.

At the beginning of the first sub-period covered by this study, the “Minimum Wage Law” in Japan was enacted in 1959. This legal act was aimed at improving the situation of workers with the poorest skills. This fraction of the domestic labour force was suffering unequal treatment by employers. This situation created conditions for social unrest. Therefore, the government was aiming at achieving harmony in the society meant as decent existence of each and every household. Japan was heading towards an egalitarian system with rigid wage rules supporting citizens prone to failure in market economy. After an extensive amendment of this law in 1968, the minimum wage system was maintained until the beginning of the 2000s without any significant changes. Protection of the workers with the poorest skills was inefficient. Tachibanaki (1987) claims that the “Minimum Wage Law” in Japan did not have any serious impact on the labour market. There were two main reasons. First, the penalty for violating this law by employers was not even explicitly prescribed. Second, any violations in the form of underpaying employees in Japan, or the common sin of not paying for overtime worked, were never executed by attorneys and courts. This situation started to change only after 2016, but serious inertia in court rulings has continued, and courts persistently support corporations rather than complaining employees. Violating the minimum wage law was a marginal issue because most firms paid higher wages than the minimum wage level in that period. Originally, that law was enacted in 1947 when Japan was suffering from the serious damage of World War II. In this way, the government tried to prevent hiring workers at an extremely low wage. As such, government initiative should be appreciated, as aimed at the protection of the work force against aggressive management culture. After that initial difficult period, the Japanese economy experienced high real economic growth and the income earned by workers systematically grew, remaining above the minimum level.

1970–1979: THE UNFOLDING MYSTERY

From the middle of the 1970s, the Japanese economy started to suffer from the systematic appreciation of the Yen due to the end of the Bretton Woods Era of fixed exchange rates. The growth rate of real GDP experienced a sharp decline and the economy entered a recession (1974–1976 in Figure 1) caused by the oil shocks. The unemployment rate was maintained at a relatively lower level in com-

parison with other industrialized countries until 1974. Later, it exceeded two per cent in the late 1970s (Figure 2). The effective ratio of job-offers-to-job-seekers decreased sharply and remained below unity (Figure 2). This meant that there were fewer job offers than the number of job seekers, which represents a situation prone to increase the unemployment rate. The explanation of this decrease is associated with the increase in production costs due to a sharp rise in the price of crude oil. Enterprises tried to counteract this negative factor at that time by reducing labour costs by means of decreasing employment. The rise in unemployment and the decline in the effective ratio of job-offers-to-job-seekers reflect these adjustments.

Several other important laws were established and developed in that period. The government, facing serious pressures on the private sector resulting from the first oil shock, decided to take action. It can, again, be perceived as facilitating social harmony, and reducing negative effects of unemployment by restricting companies in their adjustments of the labour they maintain. The “Unemployment Insurance Law”, established in 1947, was extensively amended and became the “Employment Insurance Law” in 1974. According to Sugeno (2002), the main points of this law may be summarized as follows. First, the system was reinforced to compensate low-wage earners, and middle-aged, and older people for losing their jobs. Harmony and peace in society was granted by means of public transfers. Jobless citizens still had a stable source of income to support their household. Second, employers were provided with subsidies to retain workers through short-time work schedules. Government support in this form restricted real adjustments necessary to solve the underlying problem by, for example moving the workforce to a different sector (or a company). The aim of harmony was achieved. One can clearly see that these measures were of a short-term nature to help companies survive hostile conditions, and return to the previous employment level after a crisis.

When analyzing the employment insurance system (and the law) in Japan it is necessary to understand how a seniority-based system operates. First, older workers receive high wages simply because of age, not skills, productivity, or achievements. Second, they retire at an age between 60 and 70, which is their individual choice. However, retiring at 60 results in receiving a lower monthly pension than in the case of those who retire between 65 and 70. The retirement age is in fact agreed on with employers, and is included in the employment contract. The employer may then rehire these workers (after they officially retire) as part-time workers (using short-time work schedules). In Japan there are two reasons for that. On one hand, old employees often possess desired firm-specific skills and experience that is of value for managers. On the other hand, the young generation is far less numerous to fill the openings. On top of that one should remember the relatively much better health and agility of the Japanese, even in their 60s and 70s, and in some cases even 80s, which makes even full-time work quite possible.

The abovementioned system was consistent with the purpose of the employment stabilization policy. Hashimoto (1993), by using the interrelated factor

demand model, showed that the “Employment Insurance Law” played a crucial role in stabilizing employment in Japan. He concluded that this “Law” of 1974, decreased the volatility of employment and increased the volatility of hours worked over a business cycle. The Introduction of the “Case Law Establishing The Doctrine of Abuse of The Right of Dismissal” in the late 1970s strengthened this adjustment in the behaviour of employers. This “Case Law” was put into statutory form as a provision of the “Labour Standard Law” in 2003.

Stabilization policies by the government and social responsibility-motivated efforts by firms have been recognized as effective in minimizing the consequences of the second oil crisis. Government response to support industries and the areas which suffered from the effects of the debacles in the 1970s took the form of two acts: (1) The “Law Concerning Temporary Measures for Workers Displaced from Specified Depressed Industries” (1977) and (2) the “Law Concerning Temporary Measures for Workers Displaced from Specified Depressed Areas” (1978). After historically low levels of job offers-to-job seekers, one may observe a recovery from 1979 to 1981 during which time the unemployment rate decreased (Figure 2).

1980–CIRCA 1991: BUBBLE TROUBLE

Due to a well-suited policy response, the second oil crisis did not seem to have a significant impact on the Japanese economy. However, the GDP growth rate remained at low levels at the beginning of the 1980s. This was a result of the fact that economic growth in Japan mostly depended on exports. Since the world-wide depression initiated by the oil crisis, Japan’s export sector suffered as a result of stagnation in its major overseas markets. The unemployment rate, which had been below two per cent until 1975, increased and reached three per cent at the end of 1987 (Figure 2).

As described by Tachibanaki (1987), in the early 1980s discouraged women lost the will to seek jobs and left the labour market. The first oil crisis resulted in an increase in the unemployment rate and caused the job-offers-to-job-seekers index to remain below unity. The labour force changed its composition due to changes in preferences and behaviour in Japanese society. Thus official statistics should not be directly compared over time, as they do not seem to be comparable, describing different a labour force.

In addition, the first oil crisis in 1970s led to a lower rate of participation of women (Figure 3). Such an effect prevented the official unemployment rate from rising drastically (Tachibanaki, 1987), which was the case in all other industrialized countries back then. Discouraged women who left the labour market were not counted as part of the labour force in Japan. According to the definition of the unemployment rate, workers who become part of the non-labour force reduce the unemployment rate because this rate (u) is calculated by $u = \frac{\text{the number of unemployed workers}}{\text{the number of employed workers} + \text{the number of unemployed}}$

workers). These discouraged women reduced both the numerator and the denominator of the ratio, and the unemployment rate responded accordingly.

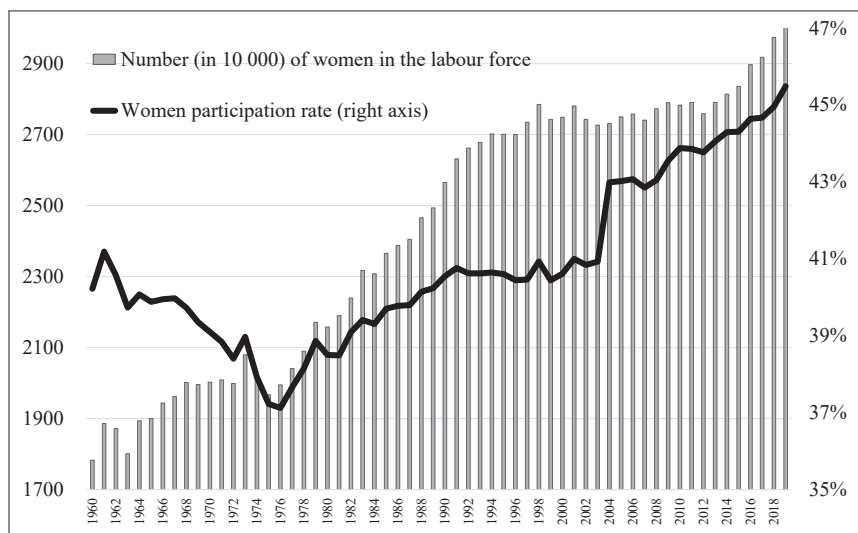


Figure 3. The number of women in the labour force in Japan, and their participation rate, 1960–2019

Source: Author, based on Labour Force Survey by the Ministry of Internal Affairs and Communications.

During the period from the late 1970s to the beginning of the 1990s, the share of women in the labour force steadily increased and their participation rate reached 50 per cent in 1990. This tendency did not seem to be affected by the business cycle or economic policy. One reason for the decrease in the number of discouraged female workers was cultural and institutional change. As Tachibana-ki (1987) observed, women had a strong will to be employed and part-time jobs became popular in Japan. However, there may be two other explanations for this change in work incentives for women. First, the number of women who enrolled in institutions of higher education increased. It had already reached a high level in 1976 (see Figure 4). Second, labour market policies aimed at stable employment created incentives for family budgets to be supported by income earned by women. Since work time could be flexibly reduced by firms during a recession, the income of male workers was decreasing. This resulted in a deterioration of family budgets and generated demand for income from an additional source. An increase in the female workforce made it difficult to balance demand and supply in the domestic labour market. Raymo and Lim (2011) offer an insight into decisions by Japanese women in this regard. They find a strong effect of educational differences. It may be interesting to note that university graduates are more likely to remain in the labour force (no matter the family situation), and at the same time

less likely to reenter the labour force, if they leave the labour force due to a family situation (for example, to deliver a child). Raymo and Lim (2011) explain this difference by the fact that university graduates in Japan have regular full-time jobs that are relatively highly attractive (a reason for not leaving the labour force), and difficult to obtain back after leaving her position (a reason for not reentering the labour force).

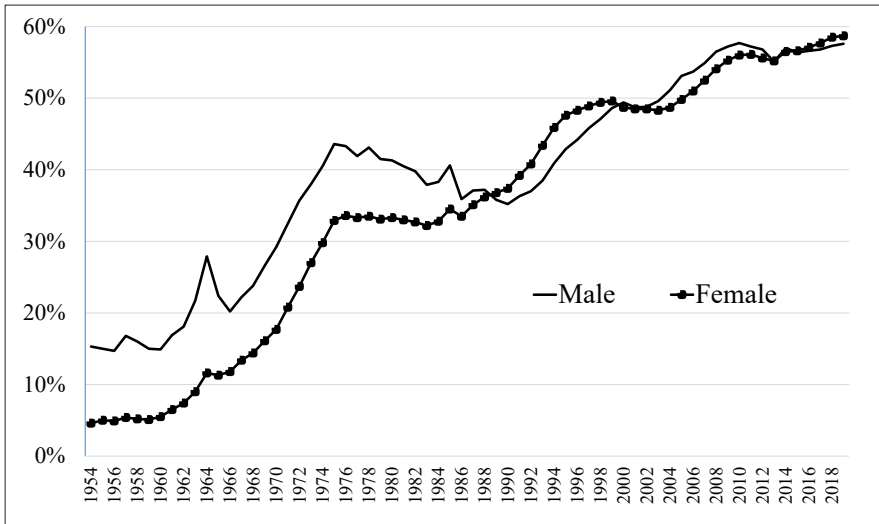


Figure 4. The advancement rate (in per cent) to university and junior college in Japan, 1954–2018

Source: Author, based on data provided by The Ministry of Education, Culture, Sports, Science and Technology.

On the other hand, there were some economic developments as of 1985. The Plaza Agreement, signed in 1985, aimed at resolving the US trade deficit by joint central bank interventions in foreign exchange markets. As a consequence, the Japanese Yen appreciated by 51 per cent over the two years that followed. As pointed out by Kurosaka (1988), Japanese firms survived in this hostile environment by decreasing production costs exhaustively. Although the purpose of this agreement was to reduce the trade deficit between the United States and Japan, it did not work to eliminate that problem because of import restrictions in Japan and the cost cuts conducted by Japanese firms to maintain their competitive position. Another domestic consequence of monetary policy resulting from the Plaza Agreement was the asset price bubble that followed. From the mid-1980s to the beginning of the 1990s, Japan experienced record-breaking boom times. The Nikkei Stock Average (TSE 225 Issues) reached 38,915 Yen, the highest level in history. The indices of the labour market also performed well from 1988 onward. According to Figure 2, the effective ratio of job offers-to-job seekers rose steeply

and reached 1.4 (annual average) in 1990. Although the unemployment rate continued to rise until 1987, it reversed direction and decreased by almost two percentage points over the following five years. In such circumstances, Sugeno (2002) notes that small and medium-sized enterprises faced a shortage of labour and the “Law to Improve Employment Management to Secure the Work Force in Small and Medium Enterprises” was enacted to assist these firms. At that time, the labour market experienced great demand (see Figure 2). People were willing to work for large enterprises because they were receiving high earnings from such firms along with high social status. At the same time, small and medium-sized firms suffered from a serious labour shortage. This situation buffered, to some extent, the initial shock after the collapse of the bubble economy.

Regarding the structure of the economy, the share of the tertiary sector (services) was steadily growing, while that of the primary sector (agriculture) in 1990 became almost one-fifth of that in 1960 (Figure 5). In general, when workers moved from one industry to another, seeking jobs, skills possessed did not coincide with skills required. This was a structural unemployment case of a rather long-term nature. The existence of this structural unemployment was one of the most severe problems to be resolved. Some of the labour laws enacted in that period promoted diversification of jobs, and the other ones promoted the equal treatment of workers. The “Law to Secure Reasonable Operation of Worker Dispatching Enterprises and Proper Employment Conditions of Dispatched Workers” (1985) dealt with problems of the service sector, which is a major category of the tertiary sector.

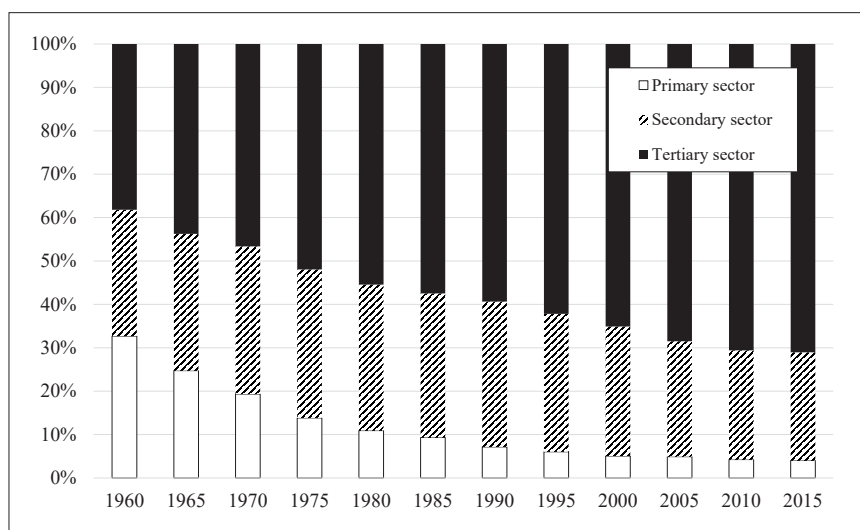


Figure 5. Employment structure in Japan by sector, 1960–2000

Source: Author, based on Labour Force Survey by the Ministry of Internal Affairs and Communications.

Figure 5 presents a period in Japanese economic history when a seminal change in employment by sector took place. Since the turn of the millennium this structure remains unchanged.

The expansion of the services sector also generated jobs that did not require high professional skills and knowledge. For example, in the chain restaurant industry, each restaurant's staff may be composed of one regular full-time worker and several temporary workers. The latter workers make food and serve meals or perform simple tasks that do not require professional skills typical for the tertiary sector. If there is only one regular worker (who is in charge and manages the restaurant), he (or she) must work long hours and many of these people consequently suffer health issues. This is one of many serious management problems in Japan.

At that time, the Japanese government had been prohibiting private manpower businesses (Sugeno, 2002). Manpower business means "job referral services". According to Sugeno (2002), manpower business by private enterprises was prohibited by the "Employment Stabilization Law" enacted in 1947 due to the fear that private firms would provide workers with "crude labour relations" and exploit workers. The Japanese government decided that workers should be protected from having disadvantageous labour conditions. This is because it would have been difficult for workers to get information about jobs and negotiate with employers about employment conditions right after World War II (information technology was not widespread and there was an excess supply of workers compared to the number of jobs offers in those days). Private agencies then had a strong bargaining position, which created the risk of exploiting workers. The Japanese government seemed to be aware of this potential problem for a long time. With the enactment of the law, another important element of the institutional framework was introduced. These private job referral agencies were allowed to levy registration fees on enterprises that were seeking workers. Some predetermined organizations, such as farmers' cooperatives and fishery cooperatives, were from the very beginning permitted to engage in job referral services without levying registration fees on firms. Such preferential treatment for agriculture and fisherman was a result of insufficient food production in Japan (64% of domestic demand in the 1960s and only 38% in 2019). In general, the lack of costs for job seekers was associated with the services provided by job referral agencies. There was an exception for people who wanted to get predetermined jobs. For example, these agencies could charge referral fees from job seekers who wanted to work as on-screen (or TV) talents, or fashion models. Furthermore, agencies could levy fees on workers who were seeking jobs as managerial executives or engineers, as long as the annual income of these jobs was higher than 7,000,000 yen. In addition, there were two kinds of job referral agencies. Some of them offered full-time jobs and others specialized

only in part-time jobs. There were also private manpower business entities that offered intermediation for both kinds of employment. This law opened the door for workers that were hired as dispatched workers, distinguished from full-time regular workers and part-time workers. However, under the “Law to Secure The Reasonable Operation of Worker Dispatching Enterprises and Proper Employment Conditions For Dispatched Workers” (1985) workers could only be dispatched to a narrowly-defined set of occupations. This restriction did not have any significant impact on the labour market (the restriction was relaxed by the revision of this law in 1999 and 2003). One should note that these non-regular workers were not covered by the traditional Japanese employment system, such as the seniority-based wage system, lifetime employment, and organizing enterprise unions. An “enterprise union” is a union organized in every company. It is different from unions such as industrial unions and occupational unions. The enterprise union is composed of representative workers who are employed in “the enterprise” and its role is to negotiate work conditions with this enterprise. This is one element of the traditional Japanese employment system. Improving work conditions for non-regular workers has been recognized as an important issue, but it still has not been fundamentally resolved. Precise descriptions of worker-dispatching businesses are provided by Sugeno (2006). Motivation to enact the “Worker Dispatching Law” was a need for cheap labour because of the appreciation of the Japanese yen in that period and the expansion of the tertiary sector.

In the same year, the “Equal Employment Opportunity Law between Men and Women” (the Equal Employment Opportunity Law) was established. Male and female roles in Japanese society and their activities in the workplace were conventionally separated. This traditional approach disturbed the realization of equal wages and equal treatment. As pointed out by Sugeno (2006), there were clear differences between genders in:

- a. occupational categories,
- b. opportunities for job training and promotion
- c. length of service

The above resulted in lower wages for women. It was therefore difficult for women to achieve high social status. At the global level, in 1979, the United Nations had already adopted the “Convention Concerning the Elimination of All Forms of Discrimination against Women”. The world trend toward equal treatment of both genders was supposed to drive the Japanese government to establish an “Equal Employment Opportunity Law”. Shorter service by women was a result of the protection offered by the “Labour Standard Law” of household responsibilities. That is, the rules prescribed in the “Labour Standard Law” were incompatible with the objective of the “Equal Employment Opportunity Law”. What is important is that this law only imposed a “duty to endeavor” on firms. Sugeno

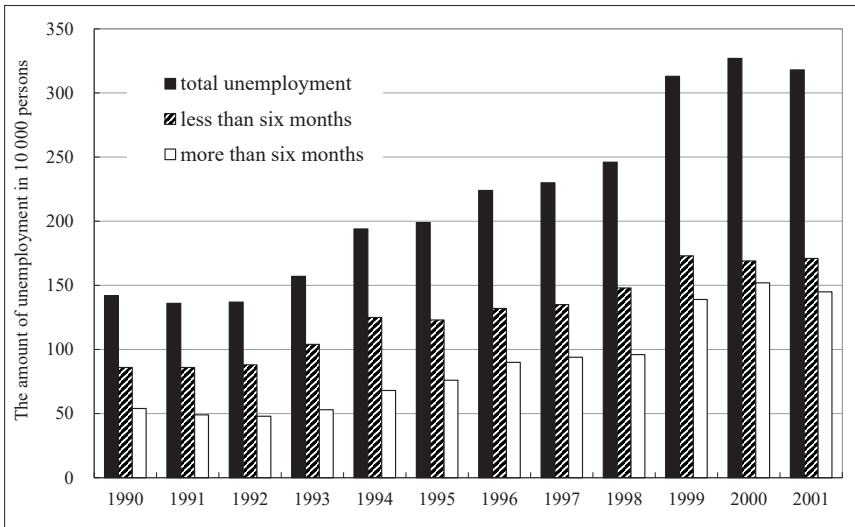
(2006) claims that the purpose of the law was not “prohibiting discrimination against both men and women”, but “seeking to advance women workers’ job awareness and abilities” and “incorporating measures to assist women’s employment in light of their childcare and household burdens” (Sugeno, 2006). On the other hand, as shown in Figure 4, the advancement rate of women to university and junior college started to increase in 1985. The trend toward equal treatment of both sexes gave female workers motivation to study in order to obtain better employment, higher wages, and to develop a professional career. The “Equal Employment Opportunity Law” established only fundamental rules of equal treatment of both genders (the revised “Equal Employment Opportunity Law” was enacted in 1997). Another attempt to address some social problems in this area took the form of the “Law Concerning the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave,” enacted in 1991. It was aimed at assisting the division of household responsibilities between the sexes. This was an additional step towards the goal of equal treatment.

The laws established before 1985 had goals of resolving contemporary unemployment problems. They aimed at providing adequate compensation to unemployed citizens and constructing a rigid employment system, both of which did not easily generate unemployment. On the other hand, laws enacted around 1985 (except the “Law concerning Stabilization of Employment of Older Persons” (1986)) were a result of policies focused on working conditions and altering working conditions in line with equal treatment between the genders, a society with an aging population due to a low birth rate, and a diversified employment status.

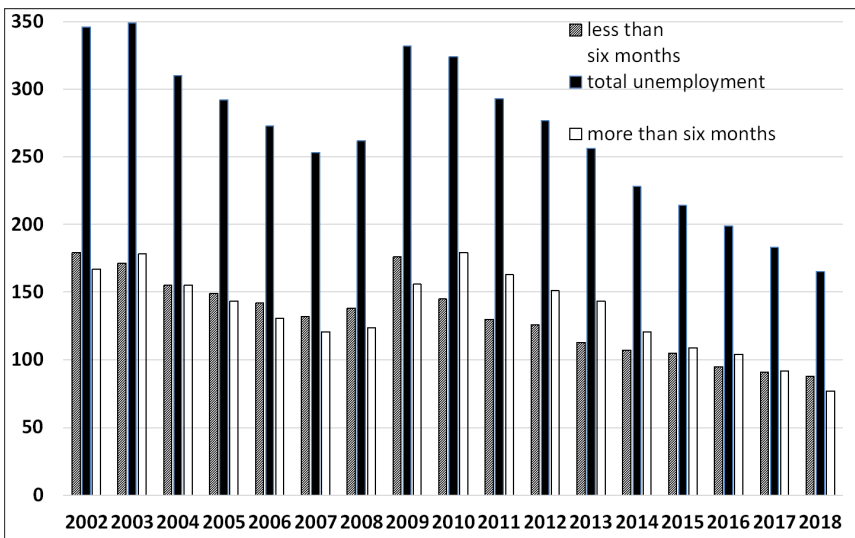
CIRCA 1991–1996: THE LOST HALF-DECADE

After peaking in 1989, the Nikkei Stock Average plunged sharply at the beginning of the 1990s and stayed at the level of 20,000 Yen. The Japanese economy entered a long recession, the so-called “Lost Decade” (or “Three Decades” as we might say today in 2019). As pointed out by Genda (2004), the situation in the labour market was not severe until 1997 because the construction industry, the service sector and medium and small enterprises extensively contributed to job creation at that period. Following this, from 1997 the unemployment started gradually increasing. Firms tried to overcome the recession by reducing the number of newly employed workers (mainly graduates) and decreasing the number of hours worked. Figure 6 focuses on this particular period, allowing for an understanding of the nature of the situation experienced by workforce in Japan after the speculation bubble burst.

In 1993, the “Law for the Improvement of Employment Management of Short-Time Workers” was established. This law focused on part-time workers whose prescribed weekly workload was relatively lower than those of employees with full-time contracts at the same enterprise.



(a)



(b)

Figure 6. Time structure of unemployment (in 10 000 persons) in Japan, 1990–2001 (a) and 2002–2018 (b)

Source: Author, based on the Labour Force Survey, The Ministry of Internal Affairs and Communications.

The major problem of managing part-time jobs was due to a lack of clearly specified working conditions for part-time workers. This law required employers to deliver only a “hiring notice document.” This document states the working con-

ditions of part-time work. Employers were from then on supposed to undertake “a duty to endeavor” to seek the opinion of the majority representatives of part-time workers. The need for preparing such a legal solution was recognized because of an increase in the share of part-time workers in the total work force. A rise in the importance (both economic and social) of part-time work resulted.

As stated in Sugeno (2006), the aging of Japanese society required extensive reform of the public pension system in the form of increased age at which one acquired the right to receive pensions. In 1994, it was agreed that that this age should be raised from 60 to 65 in several stages. At the same time, firms were supposed to make efforts to employ workers until the age of 65. This was prescribed by the revision of the “Older Persons’ Employment Stabilization Law” in 1994.

In addition, the “Special Measures Law Concerning Employment Stabilization of Workers in Specified Depressed Industries”, established in 1995, aimed at mitigating the impact of the collapse of the bubble economy and the introduction of ICT (Information and Communication Technology) both of which decreased the demand for labour. The former reduced domestic absorption and thus the need for workforce, while the latter substituted labour with capital due to new methods of production. These phenomena had an asymmetric impact on industries in the domestic economy. Therefore, the government had to take action in order to aid workers in industries that suffered relatively more. However, one can observe in Figure 6 that both the total amount of unemployment and long-term unemployment (defined as remaining unemployed for longer than six months) increased sharply from 1998 to 1999. Evaluating labour market policy in this period is difficult because the year 1997 has been recognized by Genda (2004, p. 5) as a turning point. One should also note that the unemployment rate had continuously risen since 1992 (see Figure 2 and Figure 6), but the effective ratio of job offers-to-job seekers exhibited a tendency to increase and, as a consequence, the rise in unemployment was relatively small in 1996 and in 1997. It may be said that these latter facts indicated a recovery of the economy at that time.

1997–CIRCA 2018: USHINAWARETA-NI-JU-NEN (TWO MORE DECADES OF LOST GROWTH)

In 1997, the Japanese economy was in a period of transition. There was a sign of recovery from the economic downturn resulting from the collapse of the bubble economy until that moment. Fiscal policy conducted by the Japanese government and the financial crisis are recognized as key factors in the recession in subsequent periods (Młodkowski, 2010). The government raised the consumption tax from 3 per cent to 5 per cent, and then afterwards in April 2014 to 8 per cent and to 10 per cent from October 2019 (while food and a few other special categories of goods and services have remained taxed at 8%). Public spending was first reduced because it was necessary to improve fiscal balance, but the current (2015–2019) era of Abenomics returned to aggressive public spending aimed at stimulating domestic economy.

According to Ihori, Nakazato, and Kawade this initial balanced-budget policy aimed at fiscal tightening had little impact on economic activity (Ihori, Nakazato, and Kawade, 2003). Despite the following information, negative developments should be attributed to the 1997–1998 Asian financial crisis and not the fiscal contraction practiced before Abenomics. Using *Financial and Economic Statistics Monthly*, published by the Bank of Japan, one may recognize that the rate of increase in the number of corporate bankruptcies rose rapidly in 1997 to 11.0 per cent and to 15.3 per cent in 1998. This deterioration was a result of financial institution bankruptcies. There was no doubt that the Japanese economy had moved into a prolonged recession in the late 1990s. This was in sharp contrast to the previously observed short recovery period.

The Japanese labour market responded directly to this economic slump. Genda (2004, p. 6) and Abe (2005) claim that the increase in the unemployment rate at that time was caused by financing problems in the construction industry and service sector at medium and small-sized enterprises. Effort exerted by firms to maintain employment reached its limit and Japanese enterprises had no other choice but to extensively dismiss employees. In particular, enterprises terminated employment of middle-aged and senior workers.

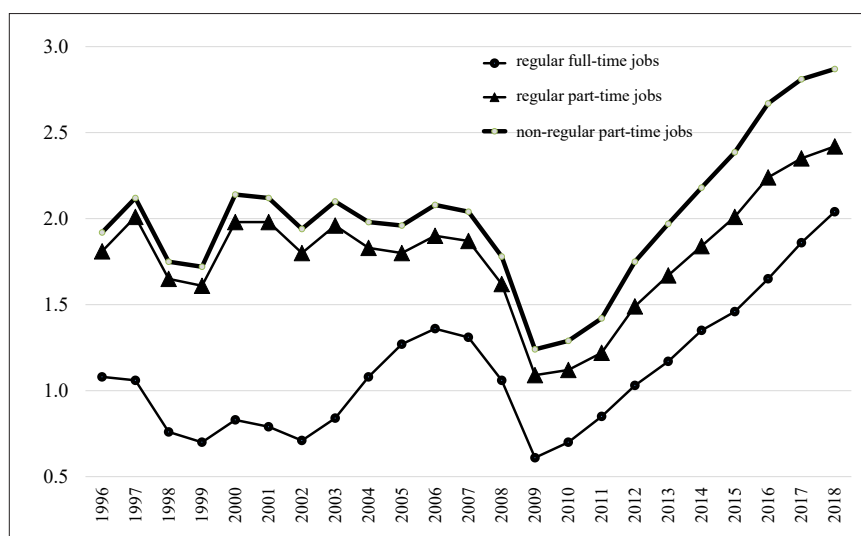


Figure 7. The effective ratio of job offers-to-new job seekers for three categories of jobs in Japan, 1996–2018

Source: Author, based on Labour Force Survey, The Ministry of Internal Affairs and Communications.

Furthermore, the effective ratio for new job offers and new job seekers for any type of employment (Figure 7) decreased from 1997 to 1998. Although the situation in the job market for part-time jobs improved in 1999 and 2000, the market for regular full-time workers had to wait for positive developments until 2002.

Labour laws established from 1997 to 2008 shifted their purpose from maintaining employment and providing assistance for unemployed workers to encouraging job creation and developing the vocational ability of workers. The government relaxed regulations for paid-for job-search services and permitted the existence of private employment agencies. In 1997, the International Labour Organization Treaty C181 was approved and came into force in 2000. It regarded private employment agencies as role models for intermediaries and proxies in the labour market. Since then, policies toward relaxation of regulations for dispatching workers were embodied as an enactment of laws. In Japan, this trend began by revision of the “Employment Security Law” in 1999. In the same year, the “Law to Secure the Reasonable Operation of Worker Dispatching Enterprises and Proper Employment Conditions for Dispatched Workers” was revised. These revisions expanded the range of occupations for which workers could be dispatched (a change from a positive listing to a negative listing). This range of occupations was further revised in 2003 (“the Employment Security Law” was revised in conjunction with the revision of this law). In 2009 the proportion of dispatched workers to non-regular workers was about 11 per cent, which should not be regarded as high. This ratio has steadily increased.

The number of part-time jobs available has also increased. Firms have preferred part-time workers to full-time employees because of the greater flexibility in managing labour costs. As Takazawa (2008) and Sugeno (2006) detail, revisions of the “Labour Standard Law” included a description of an employment contract, the specification of a contract period for a fixed-term labour contract, and the duties in a clear statement of work rules. These revisions contributed to improved working conditions for non-regular workers through an increased number of items in the hiring notice document. In addition, the “Labour Contract Law” (enacted in 2007) and the revised version of the “Part-Time Work Law” (amended in 2008) were enforced to secure non-regular workers who were in vulnerable positions.

Finally, the government introduced instruments aimed at adjusting demand and supply in the external labour market. This was associated with a change of purpose in the former labour market policy that focused on employment stabilization. In 1998, the “Employment Insurance Law” was revised and an “educational training payment” system was established (Sugeno, 2006). The objective of this latter system was to compensate for part of the costs borne by workers when obtaining education or vocational training. A special “Employment Measures Law” was effective for a limited period of time. During this prolonged period of time state payments were received by workers older than 45 who were getting vocational training for reemployment. In the same year, the “Employment Measures Law” was amended to strengthen the ability of public employment agencies to handle the resulting situation of mass dismissals. This revised law imposed on enterprises an obligation to offer workers at different age equal opportunity to recruitment. In addition, the “Law Concerning Stabilization of Employment of

Older Persons” was amended in 2000 and 2004. These revisions made the recruitment of workers up to the age of 65 a reality. The law required firms to construct a system for maintaining older workers, such as by raising the age of mandatory retirement. Enterprises in Japan are allowed to design their own retirement systems. The mandatory retirement age is not legally prescribed. A legal system will be necessary because the seniority-based wage system is more or less maintained in the current Japanese corporate culture.

The first period of serious economic downturn in the Japanese economy ended in 2002. Many people believed that Japan had entered into a long period of economic boom once again. This interpretation proved invalid in the second half of 2008 and at the beginning of 2009 when the Japanese economy collapsed again due to a world-wide crisis. In these months the labour market experienced economic disparity between regular workers and non-regular workers. Many non-regular workers were in a relatively insecure employment situation and received relatively low wages compared with regular workers. How to deal with this disparity is a problem that still needs to be resolved via appropriate changes in the legal framework.

LABOUR MARKET FLEXIBILITY IN JAPAN AT THE BEGINNING OF THE 21ST CENTURY

Due to the legal framework reforms (presented above), the Japanese labour market became more flexible at the beginning of the 21st century in response to internal and external shocks. What were the most important factors that resulted in a situation that called for more real and effective flexibility? First, one needs to understand the significant changes in the employment practices and legal framework of the Japanese labour market between the 1970s and the 1980s: These changes covered: (1) a change of employment adjustment practices by employers; (2) a change of industrial structures; (3) active participation of female workers in the labour market.

A similar interpretation of crucial legal and institutional changes in the aforementioned period was offered by Hashimoto (1993). He claimed that the “Employment Insurance Law” (1974) made employment in Japan less volatile over the business cycle. As a response to this particular legal act, Japanese firms started to adjust the endowment of labour by adjusting working hours and not by the standard dismissing of workers during a recession. This was nothing but a rational response of the private sector to the “Employment Insurance Law” that degraded the propagation mechanism of economic policy. The weakening of monetary policy influence in the bubble economy period was a result of the establishment of the “Case Law Establishing Doctrine of Abuse of Right of Dismissal” in the late 1970s. It also contributed to stable low unemployment after the second oil crisis. This means that those who desire to study the response of the labour market to

the economic situation using the job offers-to-job seekers ratio, empirical results will be blurred from the 1980s onward. This is due to the systemic change in legal framework and the permanent change in adjustment form in the private sector.

Second, concerning the economy's structure, the share of tertiary industries rose, while that of the primary sector rapidly declined (Figure 5). Since tertiary industries include services with a variety of jobs, employers need diversified employment patterns in order to perform efficient job allocation within the internal labour market. The enactment of the "Law to Secure the Reasonable Operation of Worker Dispatching Enterprises and Proper Employment Conditions for Dispatched Workers" (1985) reflected this change in the structure of the Japanese economy. It is debatable whether this legal act was an adjustment to those deep changes in Japan or an attempt to cope with problems resulting from these changes in the structure of the economy. It seems that this law did not have any significant impact on the creation of jobs for dispatched workers. Part-time work was already back then the major form of nonstandard employment. This was because the scope of occupations to which workers could be dispatched was highly restricted. This restriction was gradually relaxed in 1999 and later in 2003.

When one compares the effects of the legal framework and institutions of the labour market in Japan with other countries, benchmarking against the USA may bring interesting insights. Historical analysis in the current paper suggests the systematic decline of flexibility of the private sector in managing labour endowment. This forced stability of employment came at a cost to certain fractions in the domestic labour force. According to results reported by Genda, Kondo and Ohta (2008), there were persistent negative effects of the unemployment rate at graduation for less-educated Japanese men, while Americans did not suffer anything like that. Trouble in finding the first contract after graduation was associated with dismissal regulations in Japan that discouraged private sector when it came to employing less educated members of the society. As such, one can see a strong effect for social inequality. This is a vivid cost of otherwise positive stability of employment for those better educated, but achieved at the cost of handicapped and weaker.

The appreciation of the Japanese yen and severe competition resulting from dynamic globalization in the 1980s created incentives for intensive cuts in labour costs. To interpret the results obtained for the bubble-trouble period, one can also refer to Houseman and Osawa (2003). These authors point out that part-timers, temporary workers, and dispatched workers were receiving lower wages, fewer fringe benefits, and less job security than the regular full-time workers. The phrase "job security" as used by Houseman and Osawa means stability of jobs for employed workers, or, how long workers are expected to be retained in their current job (having strong job security is equivalent to being assured of lifetime employment). Nagase (2003) adds that there was a significant wage gap between regular and part-time workers, even when factors such as education and tenure were controlled. Thus, workers having nonstandard employment terms were preferred by

firms. Houseman and Osawa (2003) observed a steady increase in the number of vacancies for part-time jobs since the late 1970s. A reduction in labour costs was a priority for Japanese corporations in order to survive in global markets. The use of nonstandard employment forms, particularly part-time, has been very popular in Japan since then.

According to the Labour Force Survey conducted by the Ministry of Internal Affairs and Communications, the proportion of workers having nonstandard employment terms over the total labour force in 1984 was 15.4 per cent. This does not seem high compared with 34.1 per cent in 2008 and around 40 per cent in 2019. This share grew steadily in the 1980s and reached 20 per cent in 1990. Non-standard employment terms were useful for employers because employment could be flexibly adjusted by changing the number of workers over a business cycle. In the 1980s, the share of the flexibly adjustable labour force was still too low to allow for efficient adjustments. However, it reached a sufficient level in the 1991–1996 period. The ease of adjusting endowment of labour was generally perceived as one reason why legal acts allowing nonstandard employment terms facilitated Japanese employers in maintaining competitiveness.

As observed by Sasajima (1993), the labour market in Japan was not as flexible as labour markets in other industrialized countries. This was because the flexibility of the labour market and awareness of its importance were not sufficiently discussed due to the low level of official unemployment in Japan.

Lack of flexibility is not only a result of the legal framework, but originates from the everyday practice of Japanese corporations. According to Itoh (1994), accumulated human capital is perceived as firm-specific and workers tend to engage in a wider range of closely related jobs at Japanese firms. Another important factor relates to the period during which people have been working for the same firm. This is one of the most important factors considered in promotions and wage increases. Japanese firms generally tend not to value any work experience gained at other firms, which is in contrast to practices in the U.S. and Europe. In addition, legal and institutional settings established in the 1970s encouraged firms to retain their employees for as long as possible, and to adjust labour endowment by changing the number of hours worked. Thus, firms and workers have been able to make a long-term employment relationship and the “internal” labour market rather than the “external” labour market played a critical role in achieving a low unemployment rate in Japan. The internal labour market is the market “inside” or “within” a firm. The main objective of the firm in this market is to allocate the right employees to the right jobs. The external labour market is the market outside firms where job seekers and firms with vacant jobs meet.

Third, female workers actively participated in the labour market from the mid-1970s to the beginning of the 1990s. During that period, from the late 1970s to the beginning of the 1990s, the share of women in the labour force steadily increased and their participation rate reached 50 per cent in 1990. This tendency

did not seem to be affected by the business cycle or economic policy. One of the reasons, notes Tachibanaki (1987), is that the number of discouraged female workers had decreased since the late 1970s, due to a strong will to be employed coupled with the widespread availability of convenient part-time jobs in the economy. There are two other explanations for this change in work incentives for women. First, the number of women enrolled in institutions of higher education increased, reaching highs during the 1980s (see Figure 4). This high advancement rate in education provided women with incentives to obtain employment. Second, labour market policies aimed at stable employment also gave married females incentives to work in order to support family budgets. Since the number of working hours was flexibly adjusted during the recession, the incomes of male workers decreased due to a reduction in overtime. This, likely, suppressed the budgets of average families and generated demand for extra income from side-jobs. This social change reduced the number of discouraged female workers who were leaving the labour market during economic slowdowns (Tachibanaki, 1987). The meaning of “discouraged” differs between the 1970s and the 1980s. In the latter period, discouraged female workers tended to favor becoming involuntarily part-timers or being unemployed when it was hard to find full-time or regular jobs.

This tendency is due in part to the prevalence of part-time (or other temporary) jobs that were making the labour market more flexible. In addition, since the income growth of male workers in Japan slowed down after the mid-1970s, particularly married females continued to participate in the labour market. This means that in the 1980s the Japanese economy could no longer expect the gap between labour supply and labour demand to disappear simply due to a decline in the number of females suffering from the discouragement effect.

Macroeconomic fundamentals together with the rigid legal and institutional framework in the 1980s led to the creation of more flexible forms of employment. Since the beginning of the 1990s, this has enabled workers to find jobs more easily, regardless of gender, and strengthened the job reallocation function of the labour market.

CONCLUSIONS

The focus of this study has been developments in the Japanese labour market over most of the post-war period. The objective was to illuminate any potential influence of legal and institutional framework changes on labour market flexibility. The situation that emerged, due to numerous legal initiatives by the government and reforms to institutions of the labour market, places Japan in a very different position from all other developed countries. Not only underlying demographic process of imploding society, but also unique labour relations make this case very special, and thus attractive for investigations. One would be mistaken thinking that Japan is

homogenous in terms of the labour market and its society. As a recent study by Abe (2013) shows, there are significant regional variations in behaviour in the labour market, when it comes to women's participation. These regional differences indicate that government policy should have generated asymmetric shocks in the domestic labour market over the period analyzed in Northern and Southern Japan.

There is more government failure in the labour market in Japan. The state did not seem to be efficient in protecting the working class against capitalists. As such, the concept of *parasite state*, developed by Hobson and Lenin at the beginning of 20th century (Lauesen, 2018) may not be an appropriate way of describing the nature of class struggle in Japan over the period studied here.

It is believed that there is a trade-off between the flexibility of the labour market and the stability of employment. Due to certain political decisions, developments within legal and institutional frameworks in Japan during the 1970s resulted in a rigid labour market that threatened the competitive position of domestic enterprises. However, since the beginning of the 1980s, the legal framework changed and everyday practices in Japanese firms led to a new, fully-operational setup in the 1990s. It was based on non-standard terms of employment. An international comparative study of Japanese and Korean labour market developments from 1990 to 2010, by Song (2012) revealed the consolidation of labour market dualism (i.e. standard jobs versus non-standard jobs) and growing inequality in both countries. This is a straight confirmation of the interpretation offered in the current paper, based on different data, and extended period. Looking for others, the most recent confirmations for results and interpretations offered, one can refer to Gordon (2017). He claims that the rise of the non-standard employment forms in Japan since the 1980s is the most important change generating significant social consequences. His comments address potential reforms that are needed to protect vulnerable groups of workers (i.e. non-standard workers), who represent above 40% of the labour force in Japan in 2019.

Non-standard forms of employment started to grow as a fraction of total jobs at the beginning of the 1980s. The reason was in the share of a flexibly adjustable endowment of labour in total labour that was still not enough to buffer shocks. However, the end of the bubble economy in 1991 witnessed a substantial (and still growing) share of workers employed on non-standard employment terms. This allowed the private sector a much more flexible response to any kind of shocks. Since then, this share has been growing, bringing more and more flexibility to the Japanese labour market.

Japanese firms intended to retain their employees. Avoiding the dismissal of workers was made possible through a reduction of overtime hours during times of negative economic shock. This was outlined in the "Case Law Establishing the Doctrine of Abuse of the Right of Dismissal" and the "Employment Insurance Law". Therefore, the labour market did not become more flexible. These legal acts made the Japanese labour market play a minor role in adjusting labour demand and supply. Japanese firms became more flexible in adjusting endowment of labour without

entering the labour market for additional workers (demand) or creating job seekers when they dismissed workers (labour supply). To put it in other words, these legal acts introduced a new framework that allowed for the omission of the labour market. This demonstrates why, when one tries to capture the response of the labour market to economic policy (when there are theoretical reasons for observing responses to negative and positive policy shocks), one observes no statistically significant responses. However, in reality there was a response (by corporations), which was based on mechanisms imposed by those legal acts. The response of Japanese firms avoided the labour market because the legal framework allowed for such a solution. Any negative response was not present. Everything one could potentially observe in the 1970s and 1980s, when there was a policy stimulus leading to increased demand for labour, was most probably only the positive impact of monetary policy on the labour market. However, there are recent studies for OECD countries, that present some evidence for Japan as responding to fiscal stimulus (Bruckner and Pappa, 2012). Another similar result for fiscal policy reducing unemployment in Japan is reported by Kato and Miyamoto (2013). These authors do not distinguish, however, between forms of employment, while growing importance of non-standard workers in the domestic economy justifies such focus.

In the 1990s the share of employees with non-standard employment terms became high enough to enable the achievement of a statistically significant result and one could observe the response of the labour market in two directions. This is because “non-standard workers” played a significant role and all agents (firms and workers) responded to policy actions.

One may call this change in flexibility from the 1970s “downward rigidity” because firms were discouraged from dismissing workers, and when they needed to employ full-time workers, there were no barriers due to labour availability, in contrast to the situation over the most recent period 2014–2018 (Figure 2). There was still a continuous move toward a more rigid legal and institutional framework from the post-war period up to the 1980s. Suffering from the shortcomings of flexible labour endowment adjustments in global markets, Japanese firms implemented an original solution. This involved the creation of a new category of workers that could be flexibly managed. These workers were not subject to any standard labour market laws of motion. This solution allowed Japanese enterprises to maintain their competitive position a little longer. The question remains as to whether this will be enough to maintain competitiveness, in light of the current global situation, after 2019. Therefore, results of the analysis conducted may be useful for the private sector in Japan, and the government. The former struggles with maintaining competitiveness in the global markets. While capacity of non-standard forms of employment might have been depleted already, there is a need for another kind of organizing production (and services). Robotics appears to be a solution tested for this purpose. In case of the Japanese government, our results deliver yet another signal of failure in protecting the domestic labour force. The

most recent changes to immigration policy by Prime Minister Abe seem to confirm a new strategy: if protection of workers is so difficult, the Japanese economy should use imported labour. However, as shocking reports about outrageous abuse of foreign workers in Japan appear in headline news (Osumi, 2019), this may cause an international response to unethical market capitalism practiced in Japan.

This paper represents an eclectic interpretation of the labour market and labour force situation in Japan. In the literature one can see a clear asymmetry in the way Japanese and foreign researchers evaluate government policy and business management practices. Domestic commentators and researchers tend to appreciate government policy achievements in protecting workers, while foreign studies focused on Japan offer much criticism. The current analysis, and evaluation, of the situation in each period seems to be well-balanced, with justified criticism, where necessary. Representing a holistic approach to socio-economic subject of this research, we understand that the performance of Japanese labour has changed over time. As explained by Kume (1998), it is necessary to go beyond the strong/weak dichotomy of the class politics approach and propose a more dynamic understanding of labour politics. This may be an idea for further studies of the labour market flexibility and employment security in Japan and other advanced economies. In particular, a systematic review of the labour market legal framework, institutions and contemporary situation in 2018 suggests clearly directions for further investigations. First, Japan remains the most prominent example of non-standard forms of employment, and this particular fraction of the labour force should be studied for the sake of efficient policy response. Second, the Japanese government is aware of the causes of the rise of this new form of employment that must be blamed on employment stabilization policy, since 1960s. Therefore, for the purpose of managing this new situation, policy-oriented research, both theoretical, and empirical, should make inquiries into the nature of non-standard forms of work and their socio-economic impact in a society that grows old. It seems that there are other, severe consequences for the national pension system, and future pensioners, who work today as non-standard workers. While such forms of employment remain marginal in other countries, for Japanese economists this may be one of the hottest topics to focus on.

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LIST OF LEGAL ACTS

- “Unemployment Insurance Law” (1947)
- “Minimum Wage Law” (1959)
- “Employment Measures Law” (1966)
- “Vocational Training Law” (1969) (enacted in 1958 and amended in 1969)
- “Law concerning Special Measures for the Promotion of Employment of Middle-Aged and Older Persons” (1971)
- “Employment Insurance Law” (1974)
- “Law Concerning Temporary Measures for Workers Displaced from Specified Depressed Industries” (1977)
- “Law Concerning Temporary Measures for Workers Displaced from Specified Depressed Areas” (1978)
- “Case Law Establishing Doctrine of Abuse of Right of Dismissal” (in the late 1970s)
- “Convention Concerning the Elimination of All Forms of Discrimination Against Women” (1979)
- “Equal Employment Opportunity Law between Men and Women” (1985)
- “Equal Employment Opportunity Law” (1985)
- “Worker Dispatching Law” (1985)
- “Law to Secure Reasonable Operation of Worker Dispatching Enterprises and Proper Employment Conditions of Dispatched Workers” (1985)
- “Law concerning Stabilization of Employment of Older Persons” (1986) (amended in 2000 and 2004)
- “Law Concerning the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave” (1991)

“Law to Improve Employment Management to Secure the Work Force in Small and Medium Enterprises” (1991)
“Part-Time Work Law” (1993) (amended in 2008)
“Law for the Improvement of Employment Management of Short-Time Workers” (1993)
“Special Measures Law Concerning Employment Stabilization of Workers in Specified Depressed Industries” (1995)
International Labor Organization Treaty C181 (1997)
“Employment Security Law” (1999)
Amendment of “Law to Secure Reasonable Operation of Worker Dispatching Enterprises and Proper Employment Conditions of Dispatched Workers” (1999)
Amendment of “Labor Standard Law” (2003) (enacted in 1947 and amended several times)
“Labor Contract Law” (2007)

Summary

This paper offers an analysis of labour market developments in Japan in the post-war period. There is an original periodization based on macroeconomic performance. A systematic review of legislative initiatives as responses to questionable private sector practices delivers an image of the national economy torn by a struggle for decent working conditions. Striving for harmony in the society through increasing employment stability resulted in the creation of unique managerial solutions that allow for the circumventing of more and more rigid regulations governing the Japanese labour market. The flexibility of the labour market was reduced by consecutive legal acts aimed at protecting employees. Unfortunately, the private sector responded to these policy actions by introducing most undesirable solutions. Several decades of awkward attempts by the government to protect the labour force resulted in a situation when more than 40% of all employees work in non-standard working conditions. This, in turn means that full-time jobs are a luxury of a declining cohort. This is a good reason for concern, as this is about social inequality, also due to the lack of traditional forms of labour protection (i.e. labour unions among non-standard workers). This is what differentiates Japan from all other advanced economies. Together with the underlying society that is growing older, a declining group of full-timers creates a serious threat to the stability of the national economy, and the pension system in particular.

Keywords: labour market, unemployment, Japan, economic policy, labour endowment adjustment.

Elastyczność japońskiego rynku pracy: 1960–2018

Streszczenie

Artykuł podejmuje analizę japońskiego rynku pracy w okresie powojennym. Autorzy oferują nowatorski podział na podokresy w oparciu o sytuację makroekonomiczną. Systematyczny przegląd inicjatyw legislacyjnych ze strony rządu w reakcji na wątpliwe etycznie praktyki sektora prywatnego przynosi obraz gospodarki rozdzieranej walką o godne warunki pracy. Dążenie do osiągnięcia harmonii w społeczeństwie poprzez zwiększanie stabilności zatrudnienia doprowadziło do wytworzenia unikalnych praktyk zarządczych umożliwiających omijanie coraz sztywniejszych reguł japońskiego rynku pracy. Elastyczność rynku pracy redukowana była kolejnymi

ustawami chroniącymi pracowników. W odpowiedzi na usztywnianie reguł zarządzania nakładem pracy, sektor prywatny wprowadził rozwiązania omijające niewygodne regulacje. Kilka dekad nieudolnych prób ochrony pracowników przez centrum rządowe przyniosło sytuację, w której ponad 40% wszystkich zatrudnionych pracuje w oparciu o niestandardowe kontrakty. Oznacza to, że pracę pełnoetatową wykonuje w Japonii coraz mniejsza grupa pracowników. Wywołuje to duże kontrowersje ze względu na brak tradycyjnych form ochrony pracowników (takich jak związki zawodowe) w przypadku tej frakcji na rynku pracy. Sytuacja ta odróżnia Japonię od pozostałych krajów wysokorozwiniętych. Wraz ze starzejącym się szybko społeczeństwem malejąca grupa pracowników pełnoetatowych tworzy zagrożenie dla stabilności systemu gospodarczego, w tym systemu emerytalnego.

Słowa kluczowe: rynek pracy, bezrobocie, Japonia, polityka gospodarcza, dopasowanie nakładu pracy.

JEL: J20, J21, E58.