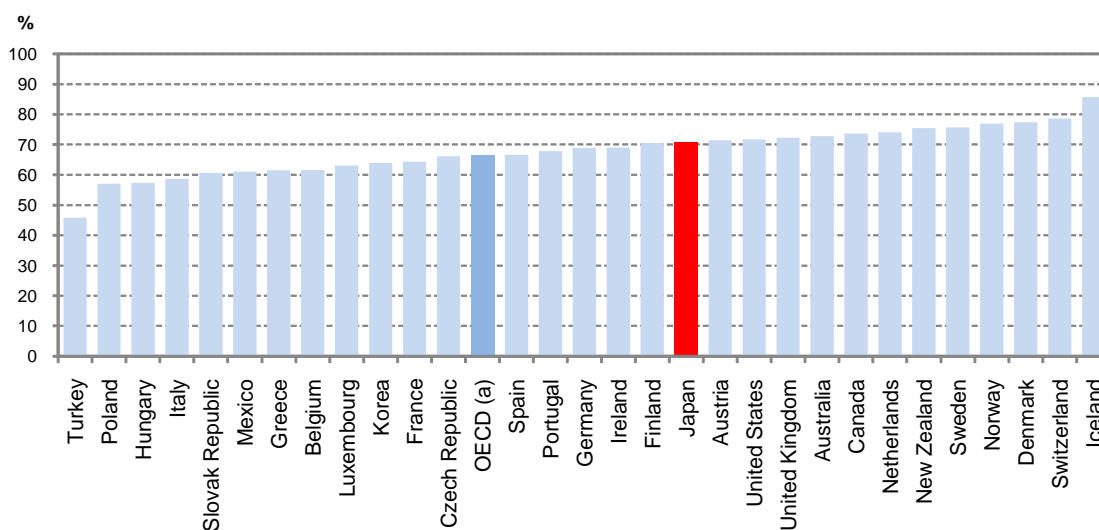


Employment Outlook 2008 -- How does JAPAN compare?

Labour market performance in Japan has improved. At 3.9%, the unemployment rate was among the lowest in the OECD in 2007, down from 5.5 % in 2002. This compares with an OECD average unemployment rate of 5.6% in 2007 and a EU15 average of 7.1%. The employment rate, or the proportion of people of working age who are employed, in Japan stood at 70% in 2007, slightly higher than the OECD average of 67% (see Figure 1). The latest OECD projections (see OECD Economic Outlook No. 83 for more details) suggest that the unemployment rate will stabilize around 3.8% in 2008 while real wages will grow at 0.2%.

Figure 1. **Proportion of people of working age who are employed**
Employment as a percent of population aged 15-64, 2007



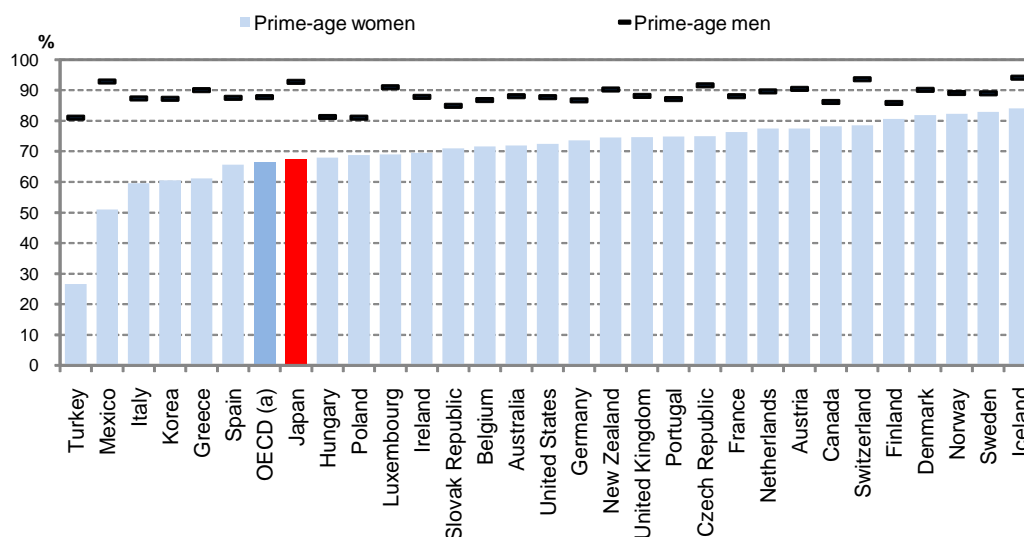
a) Weighted average of OECD countries.

Source: OECD (2008), *OECD Employment Outlook*, Paris.

Despite the relatively good employment picture, a number of groups remain under-represented in the Japanese labour market and are often trapped in unstable jobs. Young people, in particular, find it difficult to obtain regular jobs in Japan. Nearly one-third of young workers are now in non-regular jobs and, especially for those with low qualifications, it is difficult to move into regular jobs. This is related to the weakening of the lifetime employment system of which the on-the-job training of young graduates was an essential part. Moreover, the declining importance of the lifetime employment system has brought to the fore a growing mismatch between the education system and labour market requirements.

Female employment still lags behind that of men. In Japan, only 67.4% of women aged 25-54 have a job, about 15 percentage points less than the best performing OECD countries such as Sweden, Norway, Denmark and Finland. This stands in sharp contrast with the labour market situation of their male counterparts: almost 93% of them have a job, the highest employment rate in the OECD, after Iceland and Mexico. Prime-age women in Japan are as educated as men, however. And what is more, they are among the most educated in the OECD (after Finland and Canada): in 2005, 42.5% of them had a tertiary education qualification, against 28.5% on average in the OECD area. Their underemployment is a considerable waste of valuable human resources, which needs to be address urgently, notably in the actual context of population ageing.

Figure 2. **The gender employment gap varies widely across OECD countries**
 Employment as a percent of population, women and men aged 25-54, 2007



a) Weighted average of OECD countries.

Source: OECD (2008), *OECD Employment Outlook*, Paris.

Strict labour market regulations are obstacles to female employment. Various factors account for these large employment disparities between men and women. Strong labour market duality, which partly results from the regulation of labour contracts and the system of industrial relations, and where women are more likely than men to end up with a non-regular and low-paid job, insufficient supply of childcare support and insufficient fiscal incentives for young mothers to take a full-time job are all among the well-known determinants of the low Japanese female employment. But the *OECD Employment Outlook* points out that discrimination in the labour market also plays a significant role.

Effective policy action is needed to fight discrimination. Indeed, raising the social value of non-discrimination and changing people behaviour take time, and compared to many other OECD countries, Japan was somewhat late to introduce a national legislation that firmly bans gender discrimination in the workplace. Even if legal rules have been strengthened recently, Japan would benefit from further improving its anti-discrimination legislation that still lags behind OECD best practices. For example, the Japanese legislation requires the plaintiff to prove discrimination before the courts, a difficult task since the defendant employer typically has all the elements of proof into his hands. In a number of OECD countries, including Australia, Canada or the United States, equality bodies have strong investigative powers and effectively help the plaintiff to collect evidence of discrimination. De facto, the Japanese framework primarily focuses on mediation and conciliation as the way to solve discrimination dispute in the workplace. True, formal mediation and conciliation procedures have been proved to be an effective alternative to court proceedings in countries that have a long experience of such procedures (*e.g.* Canada and the United States). However, since settlement agreements are based on the voluntary acceptance of a compromise solution by both parties, mediation and conciliation will always work better against the background threat of litigation.

OECD Employment Outlook 2008 is available to journalists on the **password protected** web site or on request from the **Media Relations Division**. For further comments on Japan, journalists are invited to

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