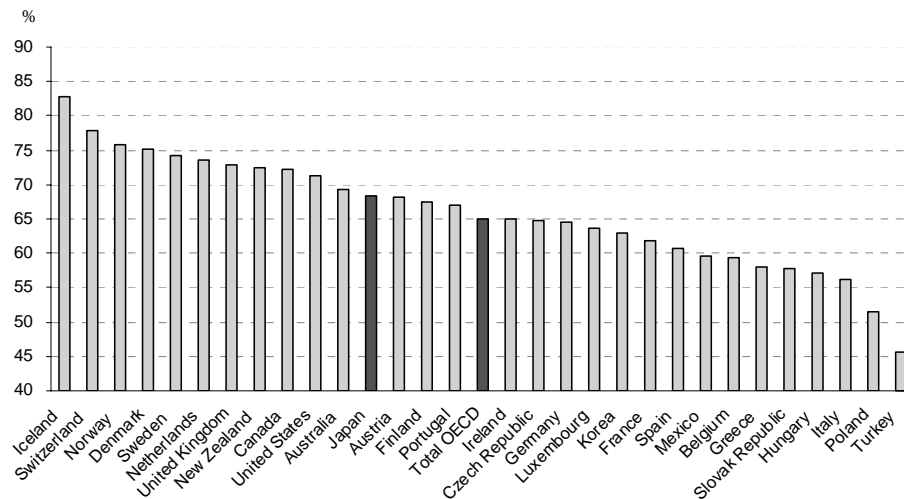


How does Japan compare?

Japan's weak economic growth over the past decade has had a negative effect on labour market performance and things have only recently started to improve. The employment to population ratio in Japan has fallen by about half a percentage point over the past 5 years. Japan's unemployment rate is more than three percentage points above its level at the beginning of the 1990s.

Despite these negative developments, the OECD's latest review of labour market trends and issues, *OECD Employment Outlook 2004*, still shows Japan performing better than the average OECD country. In 2003 the unemployment rate, at 5.3%, remained almost two percentage points below the OECD average. In addition, 68% of people of working age have a job, above the OECD average.

Chart 1.
Proportion of people of working age who are employed, 2003
 Employment as a percent of population aged 15-64



Source: OECD Employment Outlook 2004.

However, these aggregate figures hide important differences across different demographic groups. While men of prime-age are among those who work the most in the OECD, with employment rates above 90%, only 65% of prime-age women are employed. Age differences are also important: older workers in Japan tend to work more than their counterparts in other OECD countries, but more than 60% of young people are non-employed. Getting individuals in under-represented groups into work is all the more important as Japan, according to OECD projections, is facing a scenario of strong decline in its labour force over the next 30 years. Today, there are 2.8 workers per retiree: if participation behaviour does not change, this figure is estimated to fall to 1.7 in 2025 and 1.4 in 2050.

Certain employment regulations may damage the employment prospects of women and youth

According to the OECD, several barriers obstruct getting these individuals into work. For example, employment protection regulations that tend to discourage new hires may represent a barrier for women and youth to enter the labour market. At the same time, the low regulation of temporary work may worsen the position of youth who find themselves trapped in temporary posts with low career prospects.

Japan is characterised by major differences between the regulation of permanent workers and of temporary forms of employment. Regulation of individual dismissals of permanent workers is stricter than the OECD average and has not changed much since the late 1980s. Permanent workers who are dismissed do not have legal right to additional severance pay compared to those who quit, but they are often granted larger payouts. Unfair dismissal charges, meanwhile, give rise to reinstatement with some compensation. In practice firing permanent workers is rare in Japan, where the logic of lifelong attachment to a single employer is still predominant. This may damage the prospects of young people, as new entrants to the labour market, and of prime-age women, who are more likely than men to have intermittent participation patterns.

On the other hand, legislation governing the use of fixed-term contracts and temporary work agencies has been progressively eased over the past two decades. As a result, Japan stands, nowadays, well below the OECD average for the regulation of these forms of work. This may harm the employment prospects of young labour market entrants as temporary forms of employment are typically characterised by weak job attachment and limited opportunities for upgrading human capital, with negative effects on career progression and productivity. Indeed, about 25% of young people are on temporary jobs, accounting for 40% of all temporary workers.

Long working hours may be a barrier to higher female participation rates

Long working hours may constitute another barrier to the participation of women to the labour market. Japan has seen a sharp decline in hours worked per capita following the legislated reduction of the length of the workweek from 48 hours to 40 hours for the majority of workers, which was gradually introduced since 1988. As a result, hours per worker are now close to the OECD average. However, Japanese statistics show that, in 2000, the average number of vacation days taken by Japanese employees was 8.9. In other words, only half of annual leave entitlements are actually taken.

Encouraging part-time is certainly part of a good strategy to increase female participation rates. In this respect, some positive developments can be observed over the past decade. The share of part-time work in total employment increased from 19% in 1990 to 26% in 2003. About 40% of women work part-time, some 20 percentage points higher than the OECD average, and up from 33% at the beginning of the 1990s. This trend of increasing part-time job opportunities is encouraging especially for those with family responsibilities. However, the part-time jobs created are not necessarily quality ones. In Japan, part-time jobs are often non-permanent, badly remunerated and sometimes not covered by social insurance. In addition, they are characterized by low promotion and training prospects. More efforts need to be made to bridge the gap in treatment between part-time workers and full-time permanent ones.

In general, efforts should be oriented to policies that help to reconcile work and family responsibilities. In addition, changes in the structure of the tax and social security system in Japan, which tends to reduce incentives for women to work, may encourage female participation.

OECD Employment Outlook 2004 is available to journalists on the **password protected** web site or on request from the **Media Relations Division**. For further comment on Japan, journalists are invited to contact Paul Swaim (tel: +33 1 45 24 19 77 or e-mail: paul.swaim@oecd.org) or Glenda Quintini (tel: +33 1 45 24 91 94 or e-mail: glenda.quintini@oecd.org) from the OECD Employment Analysis and Policy Division.