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**Lifetime Employment in 21<sup>st</sup> Century Japan**  
**Stability and Resilience Under Pressure in the**  
**Japanese Management System**

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# **Lifetime Employment in 21<sup>st</sup> Century Japan**

## **Stability and Resilience Under Pressure in the Japanese Management System**

**By Peter Matanle and Kenji Matsui**

### **1. Introduction**

Despite repeated predictions of its demise, lifetime employment remains the core institution of the Japanese management system, and regular employment in a large and prestigious organization continues to be the aspiration of the majority of Japanese younger people. Although organizations have continuously adapted their systems to developments in the domestic and international political economies, prompting debates as to the nature and significance of such change, assertions that lifetime employment is disappearing, or has even collapsed, have thus far proven incorrect.

In this chapter we root our analysis in the social constructionist assumption that all employment relationships are produced and reproduced as a continuously negotiated settlement between the past, current, and anticipated requirements of employers and employees. Thus, the persistence of lifetime employment depends upon both the willingness of employers to offer it to current and prospective employees, and the extent to which current and prospective employees wish to accept that offer. However, we also assume that all meetings of employers' and employees' needs are to some degree context dependent, and it is therefore necessary to frame our analysis within an understanding of the environment within which lifetime employment rests.

After reviewing the key literature, we will pull together statistical data since the late 1980s to analyse job tenure in the post-Bubble era, as well as provide a summary of qualitative research from the same period, to argue that the institution of lifetime employment shows little sign of weakening; that from the employer's perspective the rationale for maintaining it continues, and that it still provides the best means available within Japan for the satisfaction of employees' needs over the course of their working lives. We base much of our discussions around analysis of labour throughput mechanisms, including legal constraints on organizational flexibility, and we end with the conclusion that lifetime employment remains stable, despite the pressures that Japanese organizations have encountered in recent dec-

ades. In this way, the Japanese management system demonstrates its fundamental strength and resilience throughout the long period of Japan's postwar expansion, and its subsequent globalization and post-industrial transformations.

But first we need to define lifetime employment and provide an estimate of its prevalence. In his research Ono (2010: 4-5) presented ten previously published definitions which differed according to factors such as gender, organization size, and whether the workplace is unionized. To some extent changes in social attitudes and behaviours as well as continuous organizational adaptation to the external environment are at the root of these definitional differences, which makes providing a lasting unambiguous definition difficult, and some definitions include mathematical constraints that do not always reflect the real circumstances of some groups of employees. For example, Ono (2010) notes that there is no theoretical or methodological justification for segmentation at 500 employees. Moreover, it shows researcher bias in the 21<sup>st</sup> century to be excluding all female university graduates employed on the regular career track. However, the real reason for such difficulty in providing a definition of lifetime employment is that the practise has no formal basis in Japanese employment law, being as it is an implicit mutual commitment.

Nevertheless, and drawing from Araki (2002), since non-regular workers by definition cannot be lifetime employees, as an initial foundation we include all employees considered by their employing organization as regular workers under the terms of both the Labour Standards Law and the body of case law on abusive dismissal. This is the broadest possible *de jure* interpretation of the meaning of 'lifetime employment', including within it 65.6 per cent of non-executive employees (Statistics Bureau, 2011b); meaning that these workers can remain employed in their organizations until mandatory retirement unless they either voluntarily resign, are deemed unable to work, commit acts worthy of dismissal, or their employer can reasonably claim that, without dismissal, the organization would cease operating.

However, we recognize that not all *de jure* regular workers are *de facto* lifetime employees. Some lack effective recourse to legal challenge and, for various reasons, may feel compelled to resign by employers that are not facing bankruptcy. Others on joining may have the future intention, with the understanding of their employer, to resign midway through their employment for reasons such as marriage and childbirth – though some of these may later change their minds. Also, some regular workers who were recruited mid- or late-career and did not experience the organization's training system cannot reasonably be considered lifetime employees; though we might consider 'lifetime' to include permanent transfers between keiretsu affiliates (*tenseki*) (Sako, 2006) or transfers of senior managers between

the public sector and affiliated semi-governmental or private sector organizations (*amaku-dari*) (Blumenthal, 1985). In addition, we consider it arbitrary to exclude all regular employees of small companies, as the collapse of Yamaichi Securities in 1998, among other spectacular corporate bankruptcies, showed that there is also no cast-iron guarantee of permanent employment in large organizations. Accordingly, and considering all of the above, we estimate that roughly 30-40 per cent of current employees (15-20 million workers) in Japan can reasonably be considered as being both *de jure* regular workers and *de facto* lifetime employees.

## 2. Fifty Years of Research on Lifetime Employment

The concept of an implicit and reciprocal lifetime commitment between an employee and his company in Japan was first introduced to the English speaking world in 1958 by James Abegglen in *The Japanese Factory: Aspects of its Social Organization*. He described a system in which:

... the worker commits himself on entrance to the company for the remainder of his working career. The company will not discharge him even temporarily except in the most extreme circumstances. He will not quit the company for industrial employment elsewhere. He is a member of the company in ways resembling that in which persons are members of families, fraternal organizations, and other intimate and personal groups in the United States (1958: 11).

At that time, Abegglen assumed that the culture of welfare paternalism that had developed within the Japanese firm had to a large extent evolved organically out of Japan's pre-industrial values. Although he also recognized the rational appeal to management of maintaining it, Abegglen concluded that economic justifications for the existence of lifetime employment 'might be seen more accurately as a rationalization of a system rather than as an explanation of a real cause of a system of job relations' (1958: 16). Moreover, Abegglen envisaged that, though the corporate system itself was consistent with the structure of the emerging postwar economy, there was potential for incompatibility between it and changes that might derive from further macro-economic expansion and technological development, and that risked steering the Japanese firm towards a convergence with the American model.

Later, Abegglen updated his thesis to argue that the pattern of long-term employment at a single organization produced and reinforced an emotional identification between employer and employee that leads to personal, family, and corporate success being 'inextricably en-

meshed' in what he called a 'partnership of fate' (Abegglen, 1973; Abegglen and Stalk, 1985). Abegglen argued that though the suggestion that Japan's employment situation is changing is a recurring one and that 'some change has occurred at the margins of the system .. it is not changing in any basic or extensive way' (1973: 47-8). Nevertheless, again he suggested that in the future patterns of employment could be transformed as basic social relations and value preferences changed with the growing internationalization and affluence that Japanese people were experiencing (Abegglen, 1973: 49).

Coming at the peak of Japan's industrial ascendancy, Abegglen produced his insider's guide to competing against the Japanese challenge, *Kaisha: The Japanese Corporation* (Abegglen and Stalk, 1985). He repeated the argument that comparative advantages lay in the Japanese firm's high levels of social integration around lifetime employment. Indeed, in its resolution of the needs and values of both employer and employee the system was proving to be more durable than perhaps even Abegglen had anticipated. He described lifetime employment as a trade-off between opportunities for high reward and long-term security, and in this case Japanese salarymen appeared to prefer the latter. Though he speculated about younger people's greater propensity to take risks, Abegglen forecast that, 'dramatic changes in the internal structure of the kaisha appear unlikely' (Abegglen and Stalk, 1985: 286). He explained that any change in consciousness might, instead, lead to a gradual abandonment of seniority-based pay and promotion but the core principle of lifetime employment would remain in place. Later still, and almost fifty years after publishing his first book, in *21<sup>st</sup> Century Japanese Management: New Systems, Lasting Values* (2006) Abegglen again stressed the importance to management and employees of a shared commitment to the firm as a corporate community, despite the increase in management's use of peripheral workers as a method for securing long-term stability.

Abegglen identified lifetime employment as the defining institutional characteristic of the Japanese corporation as a distinctive bureaucratic capitalist organizational type. It is worth reviewing his work here because within it are encapsulated the key discussions concerning the structure and nature of the Japanese firm that have taken place through the years of Japan's economic expansion and globalization. It was Abegglen who set down the initial framework and direction of those discussions and who moved these along at strategically important moments. Indeed, it was he who had, inadvertently, initially coined the expression 'lifetime employment' when his 1958 description of a 'lifetime commitment' was incorrectly translated back from Japanese into English.

Alongside Abegglen's research, other scholars have offered their perspectives on lifetime employment amid the ongoing globalization of the Japanese economy and internationaliza-

tion of society, the achievement of mass affluence and mass consumption and, more recently, the ascendancy of the United States in a unipolar global political economy. Early works by Robert E. Cole (1971), Rodney Clark (1979), and Ronald Dore (1973) made their contributions, with the latter initiating the global Japanization literature (See: Elger and Smith, 1994; Oliver and Wilkinson, 1988) by suggesting that Japan's late development had enabled it to leap ahead of the Anglo-American system, which would henceforth converge on the Japanese organizational model.

Since then, a consistent theme in the literature has been the suggestion that lifetime employment is changing such that in the future it would no longer resemble in its forms and functions the system which became entrenched in the post-war years. The reasons put forward for the system's reform were various, but may be classified into two broad streams. The first viewed change being forced on the system from without, with the pressures associated with globalization being the major cause and differing degrees of socio-economic convergence the predicted result (Lincoln, 1993; Lincoln and Nakata, 1997; Nara, 1997; Rowley and Benson, 2002). The second saw change as coming from within as a consequence of Japan's endogenous development, citing a variety of causes and anticipated consequences (Ahmadjian and Robinson, 2001; Berggren, 1995; Beck and Beck, 1994; Benson, 1998; Inoue, 1997; Sato, 2001; and Takahashi, 1997).

Mirroring these trends, through the 1990s and early 2000s a large number of press reports, television programmes and popular books appeared which argued that lifetime employment was disappearing under the weight of the long stagnation, or Lost Decade, that accompanied the collapse of the 1980s Bubble Economy. Populist books came with eye-catching titles such as *Sarariiman hōkai* ('Fall of the Salaryman'; Utsumi, 2000) and *Denai kui wa suterareru* ('Nails that do not stick out are thrown away'; Terao, 1998), while others cautioned salarymen to develop marketable generic skills since, so they claimed, a new relationship of mutual independence between employer and employee was developing whereby the Japanese employment system would resolve to a global standard of employment mobility and corporate downsizing (Ishige, 1998; Shibata, 1999; Udagawa, 1997).

More recently, in the light of evidence that very long-term employment of regular workers persists in large Japanese organizations even as companies expand their recruitment of peripheral workers, a third stream of literature is emerging that emphasizes the continued resilience of lifetime employment (Baba, 2004; Inagami, 2004; Kato, 2001; Matanle, 2003; 2006a; 2006b; Ono, 2010; Saito and Vuszkun, 2010; Shimizutani and Yokoyama, 2009). Scholars of organizational change describe adaptive modifications to a basically stable Japanese management system, such as the intensification of workplace pressures, emphasis

on results-based performance evaluations, ageing-related reforms to the pay and pensions systems, and increasing reliance on peripheral workers to bolster regular employment (Conrad, 2008; Keizer, 2010; Hassard, McCann and Morris, 2009; Meyer-Ohle, 2009), while others see the Japanese system as being embedded within its socio-economic context (Pudelko, 2006), adjusting incrementally to externally evolving factors such as the ageing of society (Conrad and Heindorf, 2008), or even intensifying as its regime of accumulation encounters pressures for reform (Wolff, 2008).

Lastly, among studies that analyse the persistence of lifetime employment, Ono (2010) has produced the most comprehensive recent numerical measurement of its prevalence. Using government data up to 2005, he adopts a narrow interpretation of the meaning of lifetime employment, either segmenting at 500 employees and excluding women and executives (*ex-ante* method), or adopting a survival analysis of the proportion of so-called 'inbred' (*haenuki*) workers who have worked for 30 years or more at the same organization since completing education (*ex-post*). Although Ono notes some of the weaknesses associated with these interpretations, for reasons of precise calculation he estimates that just 19.2 per cent (*ex-ante*) or 20 per cent (*ex-post*) of Japanese workers are lifetime employees.

Since lifetime employment has no formal basis in Japanese employment law, and because we know that lifetime employees are a sub-classification of regular workers, the most suitable methods for discovering whether and how it is changing are, first, to examine data on job tenure and job classification and, second, to find out if there have been any changes to legal requirements regarding the employment of regular workers. Beyond these, it is also useful to investigate industrial and organizational arrangements, as well as employers' and employees' attitudes to regular and lifetime employment.

In the next section, therefore, we present numerical data on employment tenure across the Japanese labour force in the post-Bubble era, demonstrating the persistence of very long-term regular employment in Japan alongside an increase in the number and proportion of non-regular workers. We also look at the legal requirements governing regular employment and find that although these remain in place, organizations are being required to raise their retirement ages for regular workers in order to keep pace with the ageing of the labour force, thereby presenting management with difficult labour throughput pressures. We then present research on industrial and organizational arrangements, as well as employee perceptions of lifetime employment, and lay out reasons why the system appears stable and resilient amid so much apparent pressure for change.



Statistical data is taken from government sources and we also make use of case study and interview data collected from fifteen years of qualitative investigations into the phenomenon of Japan's lifetime employment system. This includes research among salarymen and management within large Japanese companies (1996-2003) and among university students and graduates (2004-present).

### 3. Job Tenure in Post-Bubble Japan

*Table 1: Average job tenure by gender in selected countries (1991, 1998 and 2008).*

	Male Job Tenure 1991	Male Job Tenure 1998	Male Job Tenure 2008	Male Tenure Gap with Japan 1991	Male Tenure Gap with Japan 1998	Male Tenure Gap with Japan 2008	Female Job Tenure 1991	Female Job Tenure 1998	Female Job Tenure 2008	Female Tenure Gap with Japan 1991	Female Tenure Gap with Japan 1998	Female Tenure Gap with Japan 2008	Gender Tenure Gap 1991	Gender Tenure Gap 1998	Gender Tenure Gap 2008	% Change in Gender Gap (1998-2008)	% Change in Gender Gap (1991-2008)
Japan	12.5	13.1	13.1	100	100	100	7.3	8.2	8.6	100	100	100	58	63	66	4.8	13.8
France	10.6	11.7	11.6	85	89	89	9.6	10.8	11.5	132	132	134	91	92	99	7.6	8.8
Germany	12.1	11.3	11.5	97	86	88	8.0	9.2	10.1	110	121	117	66	81	88	8.6	33.3
S. Korea	ND	ND	6.7	ND	ND	51	ND	ND	4.0	ND	ND	47	ND	ND	60	ND	ND
Sweden	ND	12.0	9.9	ND	92	76	ND	11.8	10.7	ND	144	124	ND	98	108	10.2	ND
UK	9.2	9.2	8.7	74	70	66	6.3	7.1	7.9	86	87	92	68	77	90	16.9	32.3
USA	7.5	7.1	4.2	60	54	32	5.9	6.1	3.9	81	74	45	79	86	93	8.1	17.7

Sources: Auer and Cazes (2000); JILPT (2010); NRKK (2000).

Note: Tenure gaps with Japan and percentage change in gender gaps are authors' calculations. Tenure Gap with Japan: Japan=100. Gender Tenure Gap: Males=100. \*=1990. ND=No Data.

Table 1 presents a comparison of job tenure by gender in seven countries for 1999, 1998 and 2008, showing that male average job tenure in Japan increased in the 1990s and remained steady in the 2000s, that Japan has consistently had the highest average tenure for men among the countries presented, and that the male tenure gap between Japan and other countries is widening in the post-Bubble era. Japan, France and Germany showed an increased average tenure among men, while tenure fell in the UK, Sweden and the USA. Male average job tenure differs by around 10-20 per cent between Japan, and Germany and

France; however by 2008 differences in male tenure between Japan and Sweden, the UK and USA had widened, to 312 per cent in the case of the USA. Although male tenure in Japan is the longest among the seven countries, female tenure in Japan is exceeded by Germany, France, and Sweden.

Where data is available, in all the countries stated the gender tenure gap has narrowed. However, given that France had already achieved a 91 per cent female to male tenure gap by 1990, Japan shows the least progress in closing its gap, with only a 4.8 per cent improvement between 1998 and 2008 and 13.8 per cent over the 1990-2008 period; while Germany, Sweden, the UK and USA all show more substantial progress in narrowing their gender gaps. Japan currently exhibits the second widest gender-based tenure gap among the countries listed after South Korea, while Sweden is the only country where women have a longer average job tenure than men. France shows both high levels of job tenure and the greatest degree of gender equality among the seven countries, while the USA shows very high levels of job mobility among both men and women. Presenting data from 16 countries in 1998, Auer and Cazes (2000: 390-1) found that only Greece (13.8 years) had a longer employment tenure among males than Japan, while the USA (7.1 years) showed the shortest tenure; and 10 countries showed longer tenures than Japan among women.

Covering the period from just before the collapse of the 'Bubble Economy', through the 'Lost Decade' and on into the 2000s, Table 2 presents amalgamated data from the Ministry of Health, Labour and Welfare's annual *Basic Survey on Wage Structure* (MHLW, Various Years) to show employment tenure across the Japanese labour force by age, gender and organization size (10 employees and above) over the 18 year period between 1989 and 2007. Overall, the table shows that job tenure remains almost identical for both men and women and across all company sizes until about age 30, from where male tenure increases more rapidly than for females, and where tenure has a tendency to increase with firm size. The former phenomenon reflects the continued propensity among some women to leave regular employment on marriage or childbirth and to re-enter the labour force as part-time and temporary workers once the early years of child-rearing are complete (See Table 4). This is reflected in the persistent M-shaped employment curve for women (Macnaughtan, 2006: 33), which is steadily smoothing out, and moving upwards and to the right, as women increasingly either delay or forego marriage and childbirth, have fewer children, or continue in employment while raising children (JILPT, 2007: 17). The latter phenomenon of job tenure rising with organization size reflects a number of factors, not all of which are inconsistent with the principle of lifetime employment in smaller organizations. These include, a lower than average company survivability ratio among smaller enterprises, a greater propensity for small business employees to voluntarily leave employment to start

new ventures or return to managing family (*ie*) holdings, and a lower than average rate of public sector employment, a higher rate of female employment, and a lower union density in smaller organizations.

Table 2 also shows that both the male and female workforces have aged throughout the period, with men ageing by 2.7 years, and women ageing overall by 3.5 years and by 5.3 years in large organizations. The more rapid ageing of females can be partially explained by rising rates of female labour force participation since the 1970s, as well as the impacts of an increase in the number of women in regular employment, which rose from 11.09 to 18.17 million persons between 1980 and 2009 (Statistics Bureau, 2011a). Alongside the ageing of the labour force, average job tenure increased for both men and women and across all firm sizes through to 2002, after which tenure fell among most age groups. However, within these overall trends, job tenure has increased among older age groups, with the greatest increases coming between 1989 and 2002. In addition to being a consequence of the ageing of the workforce, the increase in tenure among older workers can be attributed to organizations recouping their long-term investments in human capital formation (Conrad, 2008), and managerial compliance with government pressure after 1990 to gradually raise organizational mandatory retirement ages from age 55/60 to 60/65 under successive amendments to the Older Workers Law (Ota, 2008).

Table 3 shows that between 1989 and 1997 a large proportion of organizations raised their retirement age to 60, while the 2002-09 period saw further rises to 65. Correspondingly, Table 2 shows that the biggest gains in male employment tenure were achieved in the 1989-97 period among employees aged 50-59, and among employees aged 60-64 between 1997 and 2007. Related to this, employment tenure among younger and middle-aged employees saw some declines in the 1997-2002 period and broader decreases after 2002. From an organizational perspective, increases in tenure among older workers and decreases among younger and middle-aged workers are inter-dependent in terms of managing the stability of labour throughput. Under an unstable and slower growth macro-economic environment, being constrained by the 'doctrine of abusive dismissal' from shedding regular workers mid-career (Kambayashi, 2010), and simultaneously under pressure from the government to increase the age of retirement of the existing workforce, in order to retain investments in human capital, control costs, and maintain stable labour throughput, the rational managerial response would be to reduce the inflow of new graduates into the organization while waiting for current employees to reach the new retirement age and begin to exit in larger numbers.

Table 2: Job tenure in Japan in years by age, gender, and organization size (2007) (Selected years: 1989-2007).

Gender and Age	All Organizations										1,000+ Employees										100-999 Employees										10-99 Employees									
	1989	1992	1997	2002	2007	1989	1992	1997	2002	2007	1989	1992	1997	2002	2007	1989	1992	1997	2002	2007	1989	1992	1997	2002	2007															
Ave. Age	39.2	39.7	40.5	41.1	41.9	38.7	38.5	39.8	40.5	41.1	38.6	38.9	39.9	40.6	41.4	40.6	41.8	41.8	42.1	43.2	40.6	41.8	41.8	42.1	43.2															
Ave. Tenure	12.4	12.5	13.3	13.5	13.3	15.9	15.5	16.8	16.7	16.2	11.8	11.8	12.9	13.1	12.7	9.7	10.4	10.6	10.9	10.9	9.7	10.4	10.6	10.9	10.9															
18-19	1.0	1.0	1.0	1.0	0.9	0.9	1.0	1.0	1.0	0.9	1.0	1.0	1.0	1.0	0.9	1.1	1.1	1.1	1.1	0.9	1.1	1.1	1.1	1.1	0.9															
20-24	2.7	2.5	2.7	2.6	2.2	2.8	2.4	3.2	2.7	2.1	2.7	2.5	2.7	2.5	2.1	2.5	2.6	2.4	2.6	2.3	2.5	2.6	2.4	2.6	2.3															
25-29	5.2	5.0	5.2	5.2	4.4	5.8	5.4	5.7	5.7	4.5	5.2	5.0	5.3	5.3	4.5	4.6	4.6	4.5	4.7	4.3	4.6	4.6	4.5	4.7	4.3															
30-34	8.8	8.4	8.6	8.6	7.9	10.7	9.7	10.1	9.9	8.8	8.7	8.2	8.6	8.7	7.9	7.1	7.2	7.0	7.0	6.8	7.1	7.2	7.0	7.0	6.8															
35-39	12.8	12.3	12.0	12.1	11.3	16.1	15.2	14.3	14.3	13.4	12.6	12.0	12.0	11.9	11.4	9.5	9.5	9.6	9.4	8.8	9.5	9.5	9.6	9.4	8.8															
40-44	16.0	16.2	15.8	15.4	14.9	20.2	20.2	19.9	18.6	18.0	15.9	16.0	15.6	15.3	14.7	11.7	12.1	12.0	12.0	11.1	11.7	12.1	12.0	12.0	11.1															
45-49	19.2	19.5	19.5	19.0	18.3	24.3	24.9	24.7	23.9	22.4	19.0	19.1	19.4	18.9	17.8	13.8	14.1	14.3	14.2	13.7	13.8	14.1	14.3	14.2	13.7															
50-54	20.5	21.5	22.5	21.9	21.4	26.8	27.9	29.3	28.1	27.5	20.2	21.1	22.3	21.9	20.6	15.3	16.0	16.1	16.0	15.8	15.3	16.0	16.1	16.0	15.8															
55-59	18.4	20.0	22.6	22.8	22.8	27.1	27.6	30.5	30.2	30.3	17.8	19.7	22.4	22.4	22.0	14.1	16.0	17.0	17.4	17.1	14.1	16.0	17.0	17.4	17.1															
60-64	11.2	12.1	13.5	14.9	15.5	12.3	14.2	14.1	15.5	16.0	10.5	11.1	12.9	13.8	15.0	11.4	12.3	13.8	15.5	15.6	11.4	12.3	13.8	15.5	15.6															
Ave. Age	35.7	36.0	37.3	37.9	39.2	32.3	32.2	34.8	35.6	37.6	34.6	35.1	36.3	37.2	38.8	38.8	39.6	39.9	40.2	41.0	38.8	39.6	39.9	40.2	41.0															
Ave. Tenure	7.2	7.4	8.4	8.8	8.7	7.8	7.5	9.5	10.0	9.7	6.9	7.1	7.9	8.4	8.2	7.2	7.6	8.0	8.5	8.3	7.2	7.6	8.0	8.5	8.3															
18-19	1.0	1.0	0.9	0.9	0.9	1.0	1.0	1.0	1.0	0.9	1.0	1.0	0.9	0.9	0.9	1.0	0.9	0.9	0.9	0.9	1.0	0.9	0.9	0.9	0.9															
20-24	2.7	2.5	2.7	2.4	2.0	2.9	2.5	3.0	2.4	1.8	2.7	2.6	2.7	2.4	2.0	2.4	2.4	2.3	2.3	2.1	2.4	2.4	2.3	2.3	2.1															
25-29	5.4	5.2	5.4	5.0	4.3	6.4	6.0	6.0	5.5	4.3	5.3	5.1	5.5	5.0	4.3	4.4	4.3	4.7	4.5	4.1	4.4	4.3	4.7	4.5	4.1															
30-34	7.7	7.5	7.9	8.0	6.9	9.7	9.0	9.5	9.3	7.7	7.8	7.5	7.9	8.0	6.9	6.1	6.1	6.5	6.5	6.2	6.1	6.1	6.5	6.5	6.2															
35-39	8.8	9.1	9.4	9.7	9.1	11.5	11.8	12.0	12.3	10.7	8.7	9.3	9.4	9.6	9.0	7.2	7.2	7.5	7.6	7.4	7.2	7.2	7.5	7.6	7.4															
40-44	9.3	10.0	10.8	10.9	10.3	12.0	13.1	15.0	14.9	12.8	9.4	10.1	10.7	10.6	10.2	8.0	8.3	8.5	8.7	8.3	8.0	8.3	8.5	8.7	8.3															
45-49	10.7	11.0	11.9	12.5	11.4	14.0	14.3	15.8	17.3	14.8	10.7	11.0	12.0	12.3	10.8	9.5	9.6	10.1	10.4	9.7	9.5	9.6	10.1	10.4	9.7															
50-54	12.3	12.5	13.3	14.1	13.2	16.0	15.7	17.4	18.3	16.8	12.3	12.5	13.0	13.7	12.2	11.1	11.5	11.9	12.7	12.1	11.1	11.5	11.9	12.7	12.1															
55-59	13.2	13.7	15.0	15.8	15.5	17.6	16.9	19.0	20.4	19.4	13.0	13.7	14.6	14.9	15.0	12.1	12.9	13.9	14.9	14.1	12.1	12.9	13.9	14.9	14.1															
60-64	12.9	12.9	13.9	14.1	13.9	16.2	15.3	14.8	15.5	15.7	11.2	11.3	12.8	12.2	13.4	12.8	13.2	14.3	15.0	13.7	12.8	13.2	14.3	15.0	13.7															

Source: MHLW (Various Years).

Table 3: Mandatory Retirement Age by Age and Size of Organization  
(Selected Years – 1989-2009).

Year	Size of Organization (No. of Employees)	% of Organizations	Up to Age >55	Age 55	Age 56-59	Age 60	Age 61-64	Age 65	Age 66<
1989	All		0.5	20.7	17.0	57.6	1.1	2.9	0.3
	30-99		0.7	21.8	16.3	56.4	1.1	3.4	0.3
	100-299		0.2	20.0	18.5	57.9	1.0	2.2	0.2
	300-999		-	15.6	19.0	62.8	1.8	0.8	-
	1,000-4,999		-	10.4	14.5	74.0	0.7	0.4	-
	5,000+		-	4.9	8.7	86.4	-	-	-
1992	All		0.2	11.5	11.7	71.4	1.7	3.4	0.1
1997	All		-	4.6	5.2	82.0	1.5	6.6	0.1
	30-99		-	5.7	6.6	78.4	0.9	8.3	0.1
	100-299		-	2.7	2.5	88.1	2.9	3.8	0.1
	300-999		-	1.9	2.3	91.9	2.0	1.9	-
	1,000-4,999		-	0.1	0.4	96.8	1.7	1.0	-
	5,000+		-	-	-	98.0	0.7	1.3	-
2002	All		-	-	0.6	90.3	2.3	6.6	0.2
	30-99		-	-	0.8	89.1	2.0	7.8	0.3
	100-299		-	-	0.2	92.3	3.0	4.5	-
	300-999		-	-	0.3	93.3	2.8	3.6	0.1
	1,000-4,999		-	-	0.2	96.7	1.9	1.0	0.2
	5,000+		-	-	-	98.2	1.2	0.6	-
2004	All		-	-	0.7	90.5	2.4	6.1	0.4
2009	All	98.5	-	-	-	82.4	4.1	12.7	0.7
	30-99	98.2	-	-	-	79.3	4.4	15.5	0.8
	100-299	99.4	-	-	-	88.0	3.8	7.5	0.6
	300-999	98.8	-	-	-	91.9	3.5	4.6	0.1
	1,000+	97.7	-	-	-	94.3	3.3	2.3	-

Sources: Statistics Bureau (2011a). Statistics Bureau (Various Years).

In addition, the current group of older workers is particularly numerous, being the so-called ‘baby boomer’ generation, and the combination of their larger numbers and rising retirement ages has presented organizations with an unusual confluence of labour throughput management challenges which are at present working their way through the system. This analysis is consistent with research that describes the employment ‘ice-age’ among younger people from the 1990s and on into the 2000s (Ohta, Genda and Kondo, 2008). In this respect, Ono (2010: 23) uses the analogy of maintaining the level of water in a bath-tub by regulating the inflow according to the rate of outflow. Significantly, Ono’s summary data on separations indicates that companies have been steadily managing downward their la-

bour throughput of regular workers by a factor of around 0.8-1.5 per cent per year through the 1990s and early 2000s, which would be consistent with his ‘bathtub hypothesis’.

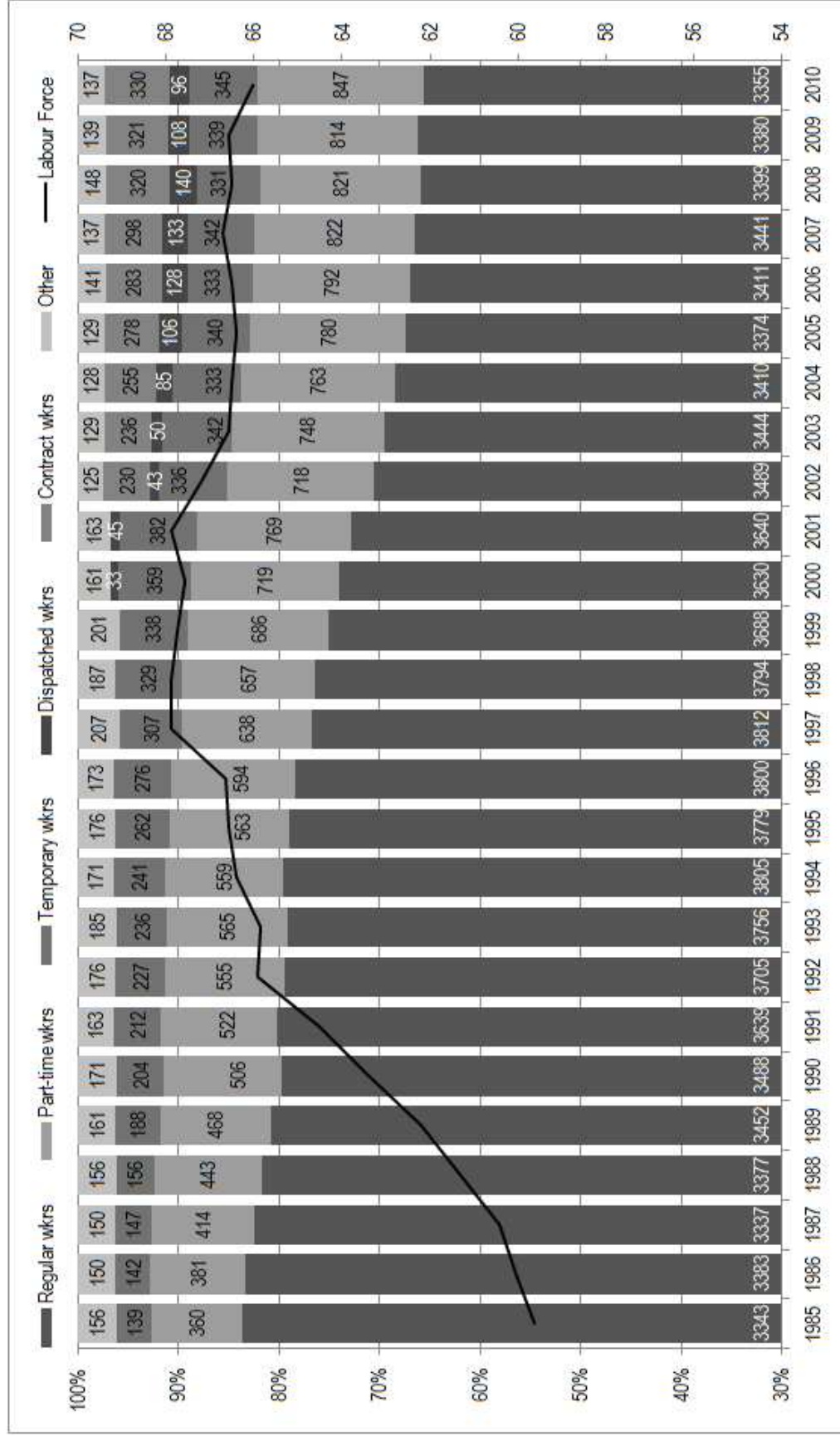
Table 2 also shows that average job tenure among males aged 50 to 59 in large organizations is currently between 27 and 30+ years of continuous service, meaning that the average age of accession for employees is around age 25. It needs to be born in mind that many employees will have been in full time education till at least age 21, that voluntary separations by employees, while not the norm, are not uncommon, and that some job-changing activity can be observed among regular employees within the first three years after graduation, as younger people search out their most suitable employer (Ministry of Labour, 2000). Ono (2010), for example, shows that approximately three quarters of all separations are voluntary and that Japan has the lowest rate of involuntary separations in the OECD. In addition, Ariga *et al* (2000) found that firms actively hire mid-career employees with full-time work experience in order to fill important skills gaps, thus raising the average age of entry, but that this does not invalidate the principle of permanent employment. With this in mind, it appears that the principle of lifetime employment continues to hold among nearly all male regular workers at large organizations; with some male regular workers at smaller and medium sized organizations, and some female regular workers at organizations of all sizes not being *de facto* lifetime employees.

*Table 4: Proportion of Employees who are Non-Regular Workers by Age and Gender (Selected years, 1985-2008).*

		1985	1995	2005	2008
Men	15-24	4.7	9.2	17.5	28.6
	25-34	3.2	2.9	5.7	14.2
	35-44	3.1	2.3	1.8	8.2
	45-54	5	2.9	2.5	8
	55-64	19.2	17.4	9.8	27.6
	65+	34.7	48.3	33.3	67.9
Women	15-24	8.3	16.3	26.2	35.4
	25-34	24.3	26.6	25.5	41.2
	35-44	44.4	48.9	43.5	55
	45-54	37.4	46.8	47.8	57.5
	55-64	38.1	43.6	50.8	64
	65+	45.8	48.6	51.7	70.1

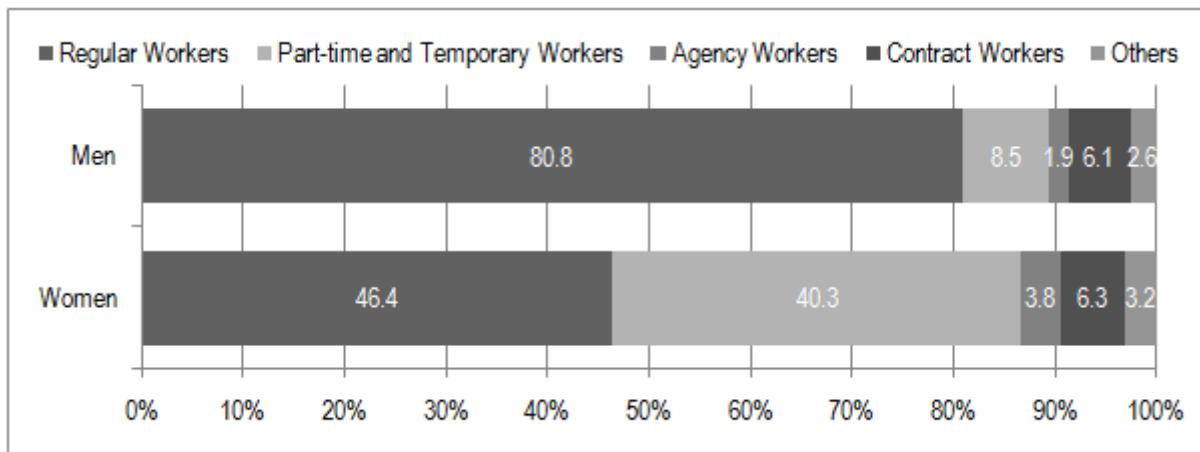
Source: JILPT (2010b: 37).

Figure 1: Employees by type of employment, in per cent and actual figures (10,000 persons), plotted against the total size of the Japanese labour force (right hand scale, in millions) (1985-2010).



Source: Statistics Bureau (2011b).  
 Note: Time series changed in 2000 (see Labour Force Survey for details). Left hand axis begins at 30%. Right hand axis begins at 54 million.

Figure 2: Proportion of Employees by Type of Employment and Gender (2008).



Source: JILPT (2010b: 48).

Alongside the data on employment tenure, other data shows that there has been a steady increase in the proportion of women being employed on part-time and temporary employment contracts, with this being to a great extent due to the reduced availability of regular employment to both new graduates and post-child-rearing labour force re-entrants. However, some scholars argue that long term structural changes to society and the economy are also responsible for this trend, with the steady increase in female labour force participation, and the long-term shift to a post-industrial service based economy being significant factors (Baba, 2004; Inagami, 2004; Keizer, 2008). While the mandatory retirement age for regular employees has risen, as has job tenure among older male workers, part-time, temporary, agency, and contract employment as a proportion of total employment have all expanded steadily over the past 25 years, as has the number and proportion of women in these jobs (Table 4; Figures 1 and 2). The fact that this was occurring prior to the 1990s suggests that changes in the size and structure of the labour force are at least partly responsible for the expansion of non-regular employment. Nevertheless, while the labour force expanded by 8.27 million persons (13.9%) in the period 1985-2001, and then slowly declined by 1.89 million persons (2.8%) to 2010, the number of regular workers has remained comparatively stable at 33-38 million, and the number of non-regular workers has dramatically expanded, from 6.55 to 17.55 million workers; leading to a fall in the proportion in regular employment from 83.6 to 65.6 per cent of non-executive employees, and a rise in non-regular employment to 34.3 per cent (Figure 1). Of the total increase in non-regular employment of 11 million persons between 1985 and 2010, we calculate that roughly 5.8 million is due to organizations responding to external pressures, with 5.2 million being due simply to labour force expansion.

Accordingly, the phenomenon of a dual labour market that has been a striking feature of postwar Japanese society, between mostly male regular employees on the one hand, and mostly female non-regular workers on the other, not only continues to persist, but it appears to be widening and becoming more deeply entrenched in the 21<sup>st</sup> century. This tendency is par-



ticularly notable because it has come during a period in which the government has introduced measures aimed specifically at closing gender-based employment gaps, such as the Equal Employment Opportunities Law (1985) and its revisions (1999 and 2006), and the Child Care [and Family Care] Leave Law (1991) and its revisions (1995, 2001, 2004, and 2009). Indeed, it appears that the Japanese management system requires the existence of a dual labour structure in order to be able to maintain lifetime employment – that regular workers enjoy their status in society as a consequence of the existence of a sharply demarcated non-regular workforce (Keizer, 2010).

## **4. Organizational and Employee Perspectives**

### **4.1 Organizational Perspectives**

Table 5 presents an index of job tenure by age, gender, and industry of employment in 2007 using data from the MHLW's *Basic Survey on Wage Structure*. Displaying wide variations between industries as well as by age and gender, the table reflects the impacts on employment tenure of established patterns of human capital formation such as managerial requirements for fixing high value human capital to the organization, structural constraints on managerial flexibility, and the availability of opportunities among employees to change employer at different stages in their working lives.

Sectors with a high average index of job tenure for employees are, in general, where large organizations feature, such as in utility supply, finance and insurance, and compound services (e.g. government services), and/or are where functional constraints on the willingness to shed labour operate, such as the requirement for recouping high value organization-specific human capital formation in manufacturing. In large organizations in these sectors human resource development takes place after graduation from school or university via long-term in-company vocational, or On-the-Job (OJT), experience-based training (Koike, 1996). Training of this type often requires complex coordination by personnel management departments and may last up to 15 years, by the end of which em

Table 5: Index of job tenure in Japan by age, gender, and industry of employment (Japan all industries=100).

Age	All Inds. (Years)	All Inds. (Index)	Mining	Construction	Manufacturing	Utility Supply	Information and Comms.	Transport	Wholesale and Retail	Finance and Insurance	Real Estate	Hospitality	Medical and Welfare	Education and Training	Compound Services	Other Services
<b>All Ages</b>	13.3	100	109	104	114	145	94	92	98	123	70	65	62	105	130	74
18-19	0.9	100	111	111	100	122	100	100	111	111	111	111	100	78	100	100
20-24	2.2	100	109	114	118	118	68	105	86	55	64	105	77	77	95	86
25-29	4.4	100	127	123	111	161	91	100	100	89	77	95	86	70	107	82
30-34	7.9	100	105	110	111	158	91	89	101	111	77	86	68	70	124	82
<b>Men</b>																
35-39	11.3	100	93	103	112	150	106	81	101	119	80	81	65	78	128	85
40-44	14.9	100	87	94	112	149	109	80	102	117	85	77	68	85	126	83
45-49	18.3	100	85	93	110	148	111	83	103	123	82	70	70	88	127	84
50-54	21.4	100	84	96	114	146	117	77	101	126	74	64	74	95	128	78
55-59	22.8	100	90	93	120	135	127	81	105	113	67	60	72	104	119	69
60-64	15.5	100	116	109	119	72	124	86	124	80	48	73	82	134	62	65
<b>All Ages</b>	8.7	100	146	122	125	163	89	102	94	122	77	75	87	106	139	74
18-19	0.9	100	167	100	100	100	100	89	100	100	111	111	100	89	100	89
20-24	2.0	100	120	105	125	120	85	95	100	80	70	105	95	95	130	90
25-29	4.3	100	142	105	119	158	88	112	98	112	81	93	95	93	128	79
30-34	6.9	100	110	112	123	171	96	104	103	117	87	88	91	93	139	72
<b>Women</b>																
35-39	9.1	100	103	107	120	168	104	97	101	119	95	76	86	102	144	74
40-44	10.3	100	91	105	112	190	123	96	105	123	95	73	87	117	135	72
45-49	11.4	100	129	122	109	213	104	103	94	134	85	74	88	125	143	79
50-54	13.2	100	113	128	110	189	145	104	91	130	94	64	89	134	148	79
55-59	15.5	100	110	115	109	154	142	110	94	123	81	63	88	143	139	83
60-64	13.9	100	144	119	112	48	117	99	91	143	64	77	90	145	108	76

Source: MHLW (Various Years).

employees are expected to have experienced a broad range of operations. During this time employees must absorb and refine the organization's stock of formal and tacit knowledge, develop specific skills and abilities, and form bonds of camaraderie within their entry cohorts as well as with their seniors and juniors, or *senpai* and *kōhai* (See: Koike, 1996; Nonaka and Takeuchi, 1995). Being organizationally specific, knowledge and human relations of this kind mean that, the longer that an employee remains within the organization, the more difficult it becomes to transfer his or her attributes to another employer.

Furthermore, under a long-term OJT system, apart from helping to raise overall productivity (Kato and Morishima, 2002), high value human capital formation takes place with the intention, on both the employer's and employee's sides, of reducing free-riding on knowledge and skill acquisition by fixing the employee to the company. Ownership of human capital becomes shared and the employer can be confident that employees will not easily free-ride on the organization's long-term investment by switching employer. It is also usually the case that, the larger the organization, the greater the investment in human capital formation through more complex and longer OJT systems; meaning that the higher the value of human capital accumulated, the more that the employer will try to retain its investment. The consequence is a long-term system of steadily increasing financial and status rewards which culminates in a large lump-sum retirement pension, and within which voluntary mid-career resignations incur unbearably high transaction costs for workers.

By the same token, the law discourages employers from free-riding on employees' efforts to acquire high value human capital by preventing the shedding of labour except in circumstances of imminent bankruptcy (Kambayashi, 2010), since employees with organization-specific capital are vulnerable if forced to trade themselves in the external labour market. Japanese courts have developed a body of case law called the 'Doctrine of Abusive Dismissal' (*kaikoken ranyō hōri*), which has been tested in the Supreme Court and written into the 2004 revisions to the Labour Standards Law, whereby organizations should demonstrate that dismissals are objectively and socially reasonable (Kambayashi, 2010). Kambayashi quotes a key 1979 Tokyo High Court judgment which specifies four criteria for reasonable dismissal, where the second states that 'the dismissal must be the last resort to adjust labor input', with 'last resort' subsequently being clarified to mean 'whether or not the firm would go bankrupt' and when other methods of labour adjustment are not available (2010: 11-2).

Conversely, industries with a lower than average index of employment tenure exhibit characteristics which either do not inhibit labour mobility or may facilitate it. Real estate, hospitality, and other service industries have a high proportion of smaller enterprises where average company survivability is lower, or where there is less of a requirement to fix firm-specific human capital because some job tasks do not require the development of high-value employee

attributes, such as in eating and drinking establishments, hotels, or various clerical tasks. Training in education and medical and welfare services is largely generic, taking place via government supervised advanced education programmes in colleges and universities. Here, job mobility is comparatively high, for example among teachers in cram schools and vocational colleges, among professors and researchers in higher education, or among doctors and nurses who begin their employment in large public hospitals, moving later to private clinics after building sufficient experience and financial independence. Recently, there has been substantial growth in employment in nursing care for the elderly in Japan's ageing society, particularly in regional areas. Here again, job mobility is high due to workers attending programmes in vocational training colleges, and the high proportion of low wage part-time employment of predominantly female care workers.

In addition, where training for work tasks need not be extensive, or where re-employing organizations wish to develop and maintain ties with affiliated or government organizations, employment take-up of workers who for various reasons have become unemployed mid-career is common, with companies sometimes receiving public subsidies for doing so (Ota, 2008). This is common in cases of older government workers, who may be re-employed in regional companies and semi-governmental organizations involved in transportation, communications, or construction via *amakudari*, or descent from heaven, or between keiretsu affiliates (Ota, 2008). In these cases, although employment transfers between organizations will act to bring down the employment index expressed in Table 5, the intention of both the sending and receiving organization is to protect the principle of continuous regular employment until retirement.

Lastly, industries in Japan with high levels of job tenure may display structural factors which inhibit job changing but which also favour the accumulation of organization specific human capital. For example, utility supply (e.g. electricity generation and distribution), compound services organizations (e.g. prefectural and municipal governments), and financial services companies (e.g. retail banking) are either fully or partially territorially arranged and knowledge in these sectors may be geographically specific, with job effectiveness depending upon tacit knowledge of local contexts, as well as the development over the long term of a deep familiarity and close rapport with suppliers and customers. Indeed, it is in sectors where organization-specific human capital formation takes place via long-term OJT within territorially arranged organizational contexts that we should expect to see the longest average job tenure rates; and the figures in Table 5 bear out this analysis, with utility supply and compound services having the highest rates of job tenure among men and women.

## 4.2 Employee Perspectives

Among the younger people that we interviewed, few are ready or willing to predict where they will be and what they will be doing when they reach middle age or are approaching their retirement. Few therefore express a specific wish to be employed at a single organization for the duration of their working lives. Some have not even heard of the term ‘lifetime employment’ (*shūshin koyō*), and some have only vague notions as to what it entails, while others express qualified opinions; voicing an unwillingness to be tied down while young and single, but expressing positive appreciation towards employment security and income stability when they decide to marry and raise a family.

Indeed, although they acknowledge and even may support its *de facto* existence, neither the government nor employers are able to officially endorse lifetime employment as a formal structure, because it has no basis in law beyond that of regular employment. Nevertheless, many younger people come to know through conversations with their parents and friends, their teachers and professors, and their careers officers, and through their job hunting research and experience, that regular employment at a reputable employer carries an implicit guarantee of security and stability through to retirement, and steadily rising levels of challenge, responsibility, and status; and that the alternative of non-regular employment potentially bears a lifetime of instability, low earnings, and, for men especially, low status in the marriage market (See: Cook, 2010). Thus, while some students may express antipathy for a system that appears rigid and confining, they are simultaneously working assiduously throughout their third and fourth years to secure regular employment and avoid freeterdom.

Ultimately, however, most younger people come to understand the full implications of regular employment only after they have joined their organizations; that, first, if the organization continues to exist and they do not encounter a situation where they might wish/have to change jobs, then there is a good chance that they will remain with their employer until the mandatory retirement age; second, that the employment system sets up a lifetime of competitive cooperation with the other members of one’s entry cohort for promotion, status, and higher earnings; and, third, that security and stability involve a compromise on the part of the employee that hands to management unilateral responsibility for worker redeployment and work intensification (Mouer and Kawanishi, 2005). One senior executive explained how he came to understand lifetime employment.

I have never seen a contract or a promise from the company saying that they will employ someone for the next 30 or 35 years. But at that time when I was in my twenties, those salarymen who were in their fifties had for the most part spent 30 or so years in the company and there were quite a lot of them around. So, I thought that if I worked diligently then that would probably happen to me. But I didn’t expect it.

Starting with this basic understanding, through the course of their working lives regular workers work intensively and for long hours, establish competitive friendships with their colleagues, and experience levels of frustration and satisfaction that encourage the development of a steadily deepening affective relationship with the organization, as their changing needs are, generally speaking, matched by rising rewards. This reality in the majority of employees' lived experience forms the basis of the concepts of a living wage and loyalty to a corporate community (Inagami and Whittaker, 2005); though the term 'loyalty' here is many-faceted and needs to be understood also in the context of mechanisms to discourage free-riding. Moreover, career structures in regular employment need to be understood differently from terms such as a 'job for life' as expressed elsewhere. In Japan, career formation entails employees experiencing a variety of job tasks and environments over the course of their working lives within a single organization, what Storey *et al* (1997) refer to as single-company career chimneys, and many experience satisfaction from the steadily rising levels of challenge and responsibility that they encounter. Similar processes of upward progression can be experienced in Anglo-American work contexts, except here it is more often achieved via a multi-organization career chimney. It is notable in this respect that job changing patterns for elite workers in Japan and western countries appear strikingly different. It is usually the case for male university graduates in Japan that, the higher the level of earnings and employment status gained, the fewer the number of job changes experienced, with most corporate executives and senior public sector managers only having worked for a single organization; whereas in most western economies corporate executives normally change employer more frequently than the labour force average for their country (NKSSK, 1995).

It also needs to be appreciated that approximately half of total employment in Japan is outside of the Tokyo, Osaka and Nagoya regions, where economic activity is often regionally based and more deeply enmeshed with enduring cultural practices. In this respect, territorially arranged organizational contexts are attractive for those employees who do not wish to periodically uproot their households or be posted on extended sojourns in distant or overseas locations because, in the case of eldest (or only) sons or daughters, they may expect to take care of elderly parents(-in-law) and inherit, live in, and farm the familial land and home. For those that remain in the family property there also comes the duty to uphold wider community responsibilities and values, such as contributing to school, home-help, and cooperative groups in the case of women, and local agricultural, political, and religious functions in the case of men. These duties have a tendency to fix workers and their families to specific locales, and maintaining stable employment in a visible and respected institution, such as the prefectural or city government or with the regional electricity supplier, becomes more attractive to employees as they marry, have children, and move into middle-age.

It is noteworthy that the rate of divergence in job tenure from the national norm for utility supply and compound services in Table 5 increases for men and, especially, women as they move into middle age, when they would be expected to be most involved in community maintenance tasks. From the perspective of many employees in regional areas, very long term regular employment at a single organization can be as much about fulfilling semi-ascribed familial and social roles as a '*shakaijin*', or a responsible mature adult, as it is related to realizing individual occupational preferences and abilities.

Finally, among factors that help to explain the persistence of the dual labour structure, many jobs that are comparatively unattractive or tedious for workers to maintain as career options may attract some workers for reasons other than long-term career building, such as married women working part-time to supplement family incomes, aspiring artists and musicians needing time and space for personal development, or keeping oneself in education (JILPT, 2007). There are also a small number who engage in non-regular employment because they reject the social system and living arrangements that come with regular employment in a standard organization (Honda, 2005). Nevertheless, while it is true that some non-regular workers do so out of personal choice and preference, the majority unwillingly take up non-regular employment for want of entry opportunities into regular employment; and this is especially the case with younger people engaged in temporary, agency, and contract/entrusted employment (Honda, 2005; Ishiguro, 2008; Kosugi, 2003). Once engaged in such employment, the likelihood of being recruited into regular employment decreases dramatically, particularly for women.

## 5. Summary and Conclusions

In this chapter we have described the phenomenon of lifetime employment in Japan by combining numerical analysis of job tenure and type of employment since the 1980s with discussions of legal restrictions on employment flexibility and qualitative examinations of attitudes to lifetime employment in Japanese companies and among Japanese executives, employees, and university students.

Despite the pressures bearing on Japanese organizations from a long period of economic instability and slower growth, the number of regular workers employed at Japanese organizations has remained stable throughout the economic dislocations of the post-Bubble years, with the tenure gap between Japan and other countries widening. While the number of regular workers in 1985 was 33.43 million persons, after rising to 38 million in 1996/7, by 2010 that figure had returned to almost exactly its 1985 level, standing at 33.55 million workers. Moreover, overall job tenure rates have barely changed, with increases among older workers since the late-1980s, and decreases among younger and middle-aged workers. Underlying this there

have been other related developments. The labour force continued its steady expansion through to 1998, with this being due in some measure to an increase in female labour force participation, and since 2001 it has been gradually shrinking. In 2009-10 the labour force shrank by 570,000 workers, with larger annual decreases expected in future, as the baby boomer cohorts reach retirement and Japan's population continues to age and shrink.

Coterminous with this, the Japanese government requested employers to gradually raise their mandatory retirement ages by approximately 10 years, from age 55/60 to 60/65, in the space of about 20 years (1990-2010), thereby keeping the baby boomer generation in employment; while throughout this time the external economic environment has not been conducive to a continuous expansion in regular employment that would compensate for the resulting slowdown in labour throughput. In addition, the doctrine of abusive dismissal has remained in place, preventing employers from shedding labour except in cases where the only alternative is bankruptcy. In our analysis, it is this confluence of demographic, socioeconomic, and regulatory factors that has been a major cause of the large increase in the number of non-regular workers since the early 1990s. There are also various functional, structural and socio-cultural factors which persist and which favour the continuation of lifetime employment, especially at large organizations. Lastly, for those unlucky enough to have been born in the 1970s and 1980s, and to be at the receiving end of the slowdown in recruitment into regular employment over the last 20 years, the consequence of Japan's sharply demarcated dual labour force has seen serious and lasting negative impacts on personal well-being and life chances; with downward pressure on lifetime earnings, especially for those who are in non-regular employment, as well as restricted opportunities for personal development, forging relationships, and building families.

From the perspective of Japan having experienced two decades of slower growth, as well as encountered continuing instability in the international economy, it would be tempting to conclude that secure and stable lifetime employment is indeed disappearing and giving way to more precarious forms of employment, as those that are already in regular employment experience its benefits for as long as possible, leaving those that, for various reasons, are not already regular employees to face steadily greater barriers to entry. To a great extent this is the correct interpretation of the situation that Japanese working people face in 2011. However, in view of the recent slowdown in labour throughput in organizations and the coming reductions in the size of the labour force, it is our view that the current very tight labour throughput conditions may unwind somewhat in the future, resulting in comparatively less restricted entry into regular employment; though this will probably not help those younger people and women who are presently non-regular workers. In addition, there is a possibility that the government will raise the retirement age still further, or the retirement age may be abolished altogether to encourage older people to remain in work as long as they are able and willing. The



government may also decide to change the law on abusive dismissal in favour of organizations being able to shed regular employees more easily. However, as yet there are no immediate signs of these things occurring.

Although Figure 1 above shows that the proportion of regular employees in the Japanese labour force has steadily declined since 1985, the actual number has remained stable. Moreover, the rate of decline has slowed since 2005, and the rate of increase in non-regular employment has also slowed since 2007. It is possible that this is the first evidence of the unwinding of the slowdown in labour throughput as organizations complete the required raising of their retirement ages, and the baby boomer generation commences its exit from the labour force. Undoubtedly, the current direction of change will not be smooth, but if the Japanese economy continues to expand then we may see a trend towards greater stability in employment appearing, as the rate of labour force shrinkage increases in the coming years. In view of this, therefore, we believe that the prospects are good for the future stability and resilience of lifetime employment in 21<sup>st</sup> century Japan.

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