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Whither Japan's Lifetime Employment System?

Hiroshi ONO

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By Hiroshi ONO

[Hiroshi Ono assesses the repeated claims that Japan's long-term, or "lifetime," employment system is dead. Examining recent surveys of the different ways in which lifetime employment has been defined and measured, he shows, not surprisingly, that whether you see lifetime employment as shrinking or not depends on how you measure it.

Ono points out that some people define lifetime employees as those who work at large firms with more than 500 employees and for the government. By this measure, the share of the workforce covered declined from 23.4 percent in 1985 to 19.2 percent in 2003.



But of course many workers in medium sized firms are covered by employment protections of various kinds. In fact, all firms that employ workers for over a year (on "standard" terms) face some restrictions on their ability to lay off workers. These protections do not apply, however, to the growing numbers of workers in temporary or part-time positions. Moreover, there has been some decline in "standard" employment arrangements, which covered 80.2 percent of workers in 1991 but now cover just 69.6 percent. Note in particular that the proportion of men covered by standard contracts continues to stand at 84.5 percent, so the decline has been largely due to the large number of women on non-standard contracts.

Rather than firm size, Ono favors using the government's wage census to measure how many workers near the end of their work career (age 50-54) have actually stayed with the same employers since the beginning of their working life. By this measure, the proportion covered by lifetime employment has actually increased.

The proportion of male and female workers aged 50-54 who are still working where they began their careers went up from 7.4 percent in 1985 to 17.9 percent in 2000. The increase is particularly striking among male university grads, up from 28.7 percent to 41.3 percent, but it is also up among male high school grads from 11.4 to 19.1. These figures nevertheless graphically display the fact that while most regular workers enjoyed certain employment protections, "lifetime employment" applied to very few workers with high school or less educations.

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Even the above numbers understate the proportion of workers who are effectively covered by long-term employment commitments, since some workers naturally explore several jobs in their youth before they settle on one. Chuma Hiroyuki, found that relaxing the "start a job at university graduation age" requirement by one year, to account for the fact that some students take an extra year to get into or out of college, boosted the share of 50-54 year old male university grads still in the same job they started at that age for both the 1980s and the 1990s. But he found the direction of the trend to be the same. The proportion was up from 38 percent in 1980 to 53 percent in 1994. The proportion of high school grads went from 17 to 33. ["Keizai kankyo no henka to chukonenso no choukinsokuka," in Chuma Hiroyuki and Suruga Terukazu, eds., *Koyo kanko no henka to josei rodo* (Tokyo: University of Tokyo Press, 1997), pp. 47-82.]

How does one square this evidence of expanding lifetime employment with popular reporting of its demise? One factor appears to be that all of these numbers are well short of 100 percent. Many workers are not covered and do get laid off. Second, there is abundant evidence that younger cohorts are not finding a toe-hold on the lifetime employment ladders their fathers climbed. Many of them are either unemployed or in irregular and short-term jobs which provide no security, no benefits, and low wages. When these workers get to 50-54, the wage census data may show evidence that there has been a decline in the proportion of workers covered by lifetime employment. But for today's core male middle-aged workers, lifetime employment remains as real (and probably more real) than it was before the recession. Leonard Schoppa. See his Race to the Bottom? Japanese Multinational Firms and the Future of the Lifetime Employment System. Posted at Japan Focus April 26, 2006]

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