

Millennials And Hataraki-Kata Kaikaku

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ABSTRACT

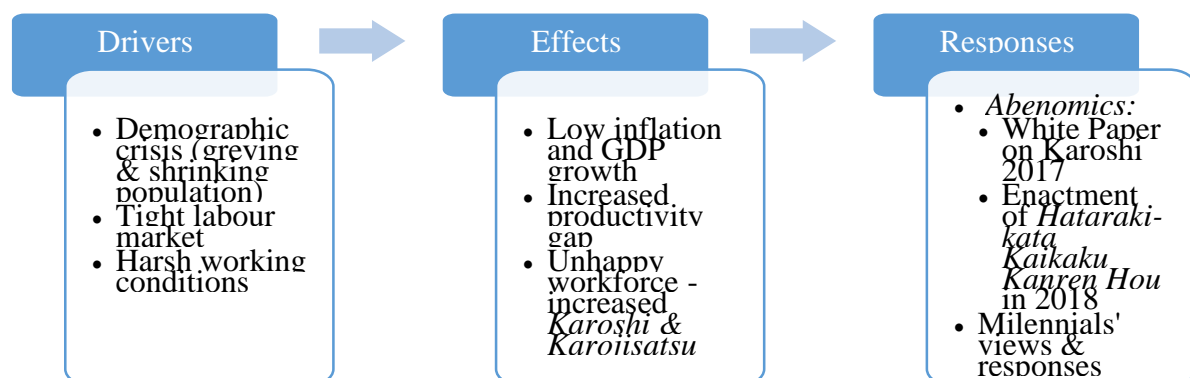
Work-life balance has been the buzzword sweeping the world in recent years. Unhealthy working cultures and practices have been attributed as the culprit for low productivity, thus leading to low economic growth. In Japan, Shinzo Abe's cabinet introduced Hataraki-kata Kaikaku Kanren Hou to address the deteriorating working environment which have caused high number of Karoshi and Karojisatsu, showing that Japan's workforce due to overworking and high level of dissatisfaction among the employees. This paper highlights that the current workforce, mainly the Japanese millennials are in favour of the workstyle reforms due to flexibility to choose working style that fit their needs and lifestyle.

Keywords: Hataraki-kata Kaikaku Kanren Hou, Japanese Millennials, Flexibility, Karoshi, Overworking

INTRODUCTION

Japan's economy presents a puzzling case study for scholars and students of international political economy elsewhere. With respect to education, access to financial capital, highly-skilled workforce and advanced technology, Japan is indeed a leading nation and the economy should have flourished. However, the government is struggling to bridge the productivity gap that is causing the slow growth of economy. Every Japanese prime minister has

been trying to revive the economy but none of them is bolder than Shinzo Abe with his highly debated Abenomics. In order to analyze the paradox presented by the ailing labour market, this paper intends to discuss the rationale behind the adoption of Hataraki-kata Kaikaku Kanren Hou (The Act to Overhaul Laws to Promote Workplace Reform) with regard to how Japanese millennials will reform the labour market. The arguments in this paper will be presented based on the following framework:



Source: Author's (2020)

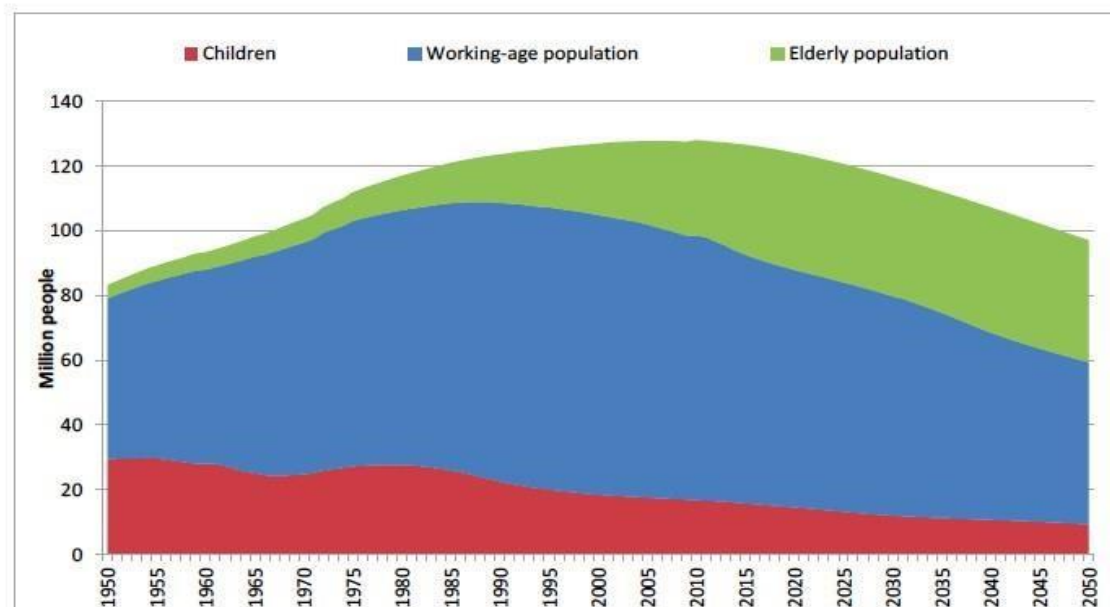
HATARAKI-KATA KAIKAKU KANREN HOU: WHAT IS THIS BUZZ ALL ABOUT?

Drivers and Effects of Productivity Gap

In comparison to other countries, Japan has all the resources to boost its economic growth. As argued by Waldenberger (nd) in his response on Japan's productivity gap, these resources such as highly educated workforce, advanced research and development culture and abundant financial capital have not been utilized properly and led to the productivity gap which is not tenable to address the demographic crisis that

requires high level of welfare. According to Organization for Economic Cooperation and Development (OECD 2016), nearly 40% of Japanese population is projected to be elderly by 2050 caused by its declining birth rate each year. The report added that productivity growth of two percent or more will deliver very low aggregate or per capita growth and thus, will not be able to sustain high living standards and quality of public standards given caused by the working age population which is falling by about 1 percent per year, and the rate of shrinkage will eventually approach 1.7 percent per year.

Figure 1.1. Japanese population and age structure, 1950-2050

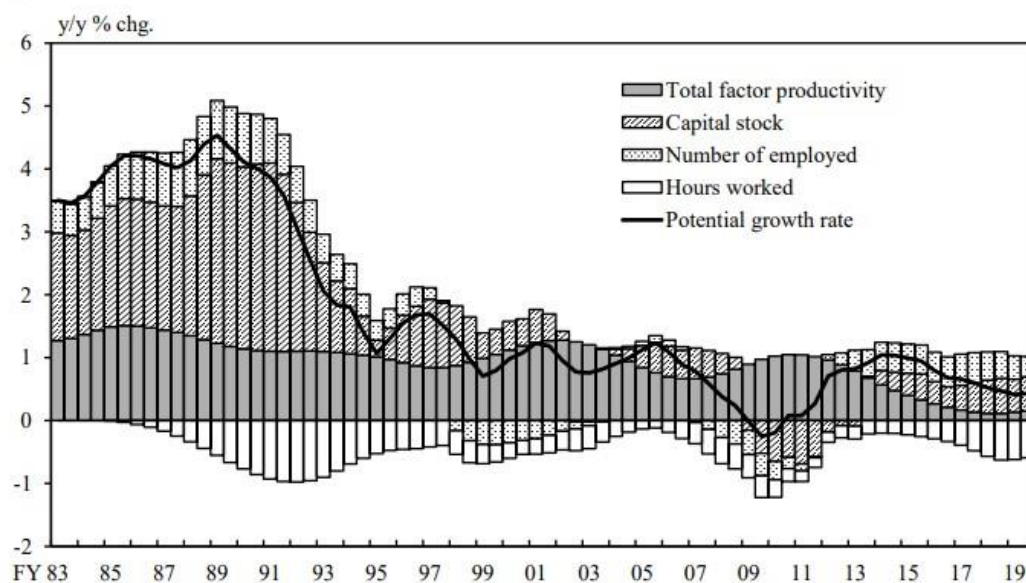


Source: OECD Historical Population Data and Projections (1950-2050).

Owing to this demographic time bomb which is inching closer, Japan is in a dire need to increase productivity as its GDP per working hour only amounts to 60% of the level in US and this can only be done through 'productivity reform', with a strong emphasis on corporate reform, flexible labour market and changes in working styles (Japan Government 2012). Japan's old remedies to raise productivity:

capital investment, labor increment, skills training, and technological and business innovation were not suitable to accommodate today's environment driven by globalization. Even with these measure, the productivity gains have decreased under Abenomics according to the statistics produced by Bank of Japan (2019).

(2) Potential Growth Rate



Notes: 1. The output gap and the potential growth rate are estimated by the Research and Statistics Department, Bank of Japan.

2. The Tankan factor utilization index is calculated as the weighted average of the production capacity DI and the employment conditions DI for all enterprises. The capital and labor shares in the "National Accounts" are used as weights. There is a discontinuity in the data in December 2003 due to a change in the survey framework.

3. Figures for the second half of fiscal 2019 are those of 2019/Q4.

Sources: Cabinet Office; Bank of Japan; Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare; Ministry of Economy, Trade and Industry.

Employees' happiness is imperative when talking about increasing productivity gains. This is where Japanese government has been failing to address in its ambition to boost the economy. Japanese people are among the unhappy people in comparison to other high income countries as reported in World Happiness Report commissioned by United Nations, the level of happiness continue to fall from 43 in 2013 (happiness index of 6.064) to 58 in 2019 (happiness index of 5.886). This is supported by survey conducted by Universum on Global Workforce Happiness Index (2016) that ranked Japan below many highly industrialized countries. According to the study, unhappy employees were 10% less productive compared to happy employees that were 12% more productive.

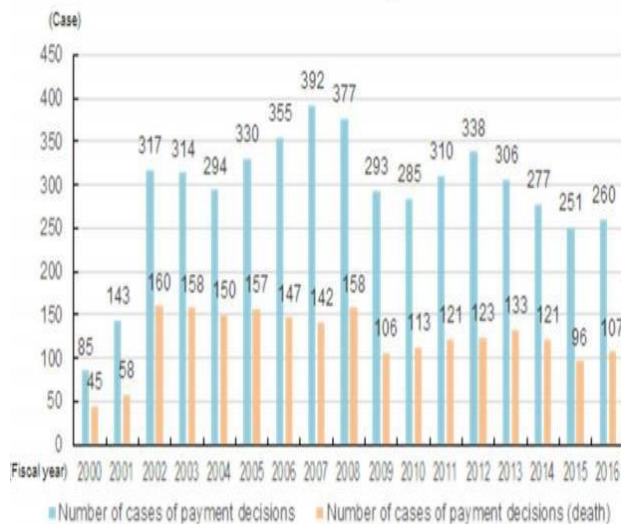
Japanese employees fall under the 'stranded' category, meaning that they are unmotivated or unwilling to make a change even though they are dissatisfied in their current jobs due to macro-economic influences such as high unemployment and low opportunity to advance in a chosen field. In the context of Japan, unemployment rate has fallen to 2.4% in 2018, demonstrating strong resilient to economic crisis (OECD 2018) but this does not reflect employees' level of happiness as

they are still worry of unemployment and career advancement (Baudrand et al 2018) as the labour market is still rigid in term of career advancement owing to the culture of seniority as opposed to meritocracy (Kinoshita 2018). Low level of happiness contributes to low productivity – this can explain Japan's persistent productivity gap that calls for immediate policies correction.

Unhappiness do not only decrease productivity, but it also leads to other mental and health illnesses in Japan. Death from overwork (karoshi) and suicide from mental illnesses caused by overwork and stressful working condition (karojisatsu) are two alarming social issue in Japan since 1970s due to Yen depreciation caused by oil shock in 1973 (Braundant et al 2018). As pointed out earlier, Japanese economy has strong resilience against economy crisis as the unemployment rate does not increase. However, Japanese firms have the tendency to increase labor intensity by increasing the working hours rather than retrenching employees to cut labour cost. This culture of long working hours remain until today and is the primary culprit for both karoshi and karojisatsu. Based on the statistics released by Ministry of Health, Labour and Welfare in 2017, the number of karoshi averaged at 250-

300 cases since 2002 and karojisatsu at 400 cases annually as shown in Figure 2.1 and 2.2.

Figure 2-1 Development in number of cases of payment decisions for work accidents relating to brain/heart diseases

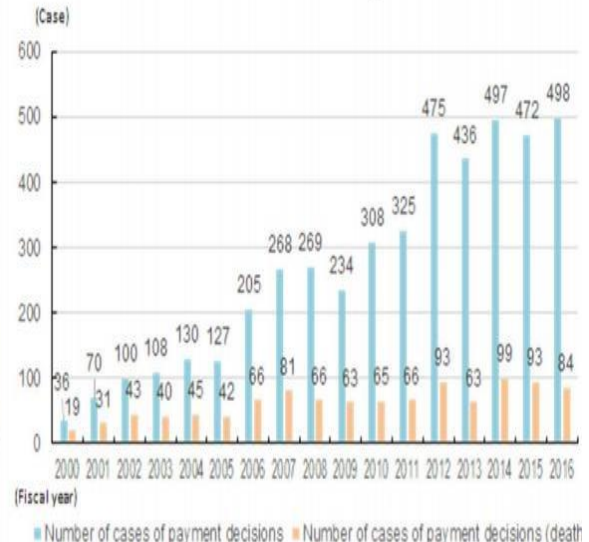


(Source) Ministry of Health, Labour and Welfare "State of compensation for work accidents including karoshi, etc."

(Note) 1 Number of cases of payment decisions refers to the number of such cases approved as "employment-related" for the fiscal year concerned, including those claimed before that fiscal year.

2 Number of cases of payment decisions (death) is the number included in the total cases of payment decisions.

Figure 2-2 Development in the number of cases of payment decisions of work accidents relating to mental disorders



(Source) Ministry of Health, Labour and Welfare "State of compensation for work accidents including karoshi, etc."

(Note) 1 Number of cases of payment decisions refers to the number of such cases approved as "employment-related" for the fiscal year concerned, including those claimed before that fiscal year.

2 Number of cases of payment decisions (suicide (including attempted)) is a number included in the total number of cases of payment decision.

According to Kawahito (2014), the anti-karoshi movement mainly consists of labor lawyers and activities that have been lobbying since 1990s to push the government to recognize karoshi and karojisatsu as workplace injury caused by employers' negligence to care for their subordinates' wellbeing, following societal norms (Hirata and Warschauer 2014). The long unpaid overtime is ingrained in their social construct as the tight labour market caused uncertainties over their career path (North and Morioka 2016) and consequently, they will be pressured to do unpaid overtime in order to please their superiors, to support their co-worker, or to aim for promotion as argued by Imai (2011). Japanese society is a collective society and this devotion to work can be explained by a popular saying in Japanese, 'deru kui wa utareru' which literally means 'the nails that sticks up get hammered down' that reflects the rigidity in following the societal norms.

RESPONSES TO PRODUCTIVITY GAP

Yoshida Doctrine to Abenomics

Post-war Japan witnessed its nominal gross domestic product (GDP) increased more than fifty-fold between 1955 and 1990 (Hirata and Warschauer 2014) which was attributed to the Yoshida doctrine that prioritized recovery and growth, limited national defense funding and reliance on America's nuclear umbrella as an initiative to ensure that Tokyo would not join the Communist bloc and to implement Japan's economic recovery to assure its orientation toward the United States (Sugita 2016). The phoenix has risen from ashes as the Yoshida doctrine steered Japan out of poverty and became the second largest economy, only second to its former colonizer, the United States.

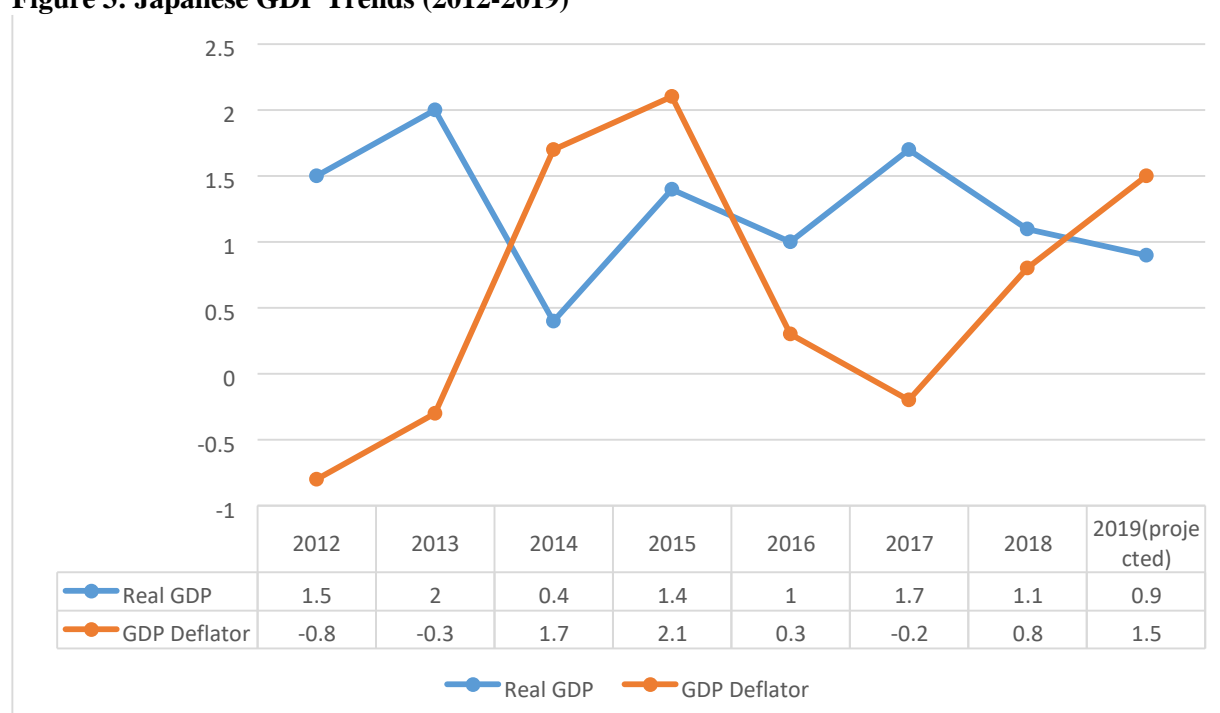
Lifetime employment, promotion based on seniority and merits created a generation of corporate warriors that bolstered Japanese economy by working and overworking as an act of devotion to the country as argued by Tomoko (2006). In 1990s, Japan's real estate and stock market bubble

burst pushed Japan to undergo an economic recession for almost 25 years famously termed as ‘Japan’s lost decades’ by the economists. According to Yoshino (2015), the annualized growth rate of Japan’s real gross domestic product (GDP) averaged only 1.2% which was lower than the Eurozone average of 2.7%, and was less than the other Group of 7 countries: Canada (3.4%), France (2.3%), Germany (1.4%), Italy (1.8%), the United Kingdom (2.7%), and the United States (US) (3.2%).

Figure 3 shows the trends of Japan’s real GDP and GDP deflator since Shinzo Abe’s returned to office in 2012. Japan’s economy

growth is constantly challenged by its shrinking and fast greying population which are commonly shared among advanced economies like France, German and United Kingdom. To address this demographic change, Shinzo Abe and his administration unveiled Abenomics, a comprehensive policy package aiming to revive the economy while maintaining fiscal discipline. Shinzo Abe’s ambitious economic revival plan is widely described as three arrows of revivals: 1) easing monetary policy, massive fiscal stimulus, and sweeping structural reforms (Government of Japan 2020).

Figure 3: Japanese GDP Trends (2012-2019)



Note: Japan’s GDP deflator was used to calculate Japan’s real GDP

Source: IMF Staff Report (2018)

During his speech at New York Stock Exchange in 2013, Shinzo Abe clearly declared that, “I will break down any and all walls looming ahead of the Japanese economy and map out a new trajectory for growth. This is precisely the mission of Abenomics.” and he emphasized that the government will implement “Industry Revitalization Plan” to remove stagnation of human talents, goods, and funds, developed during the lost two decades. This plan consists of six basic pillars as follow:

- 1) accelerating structural reforms and then build economic competitiveness

- 2) reforming the employment system and reinforcing human resource capabilities
- 3) strengthening science, technology and innovation
- 4) establishing the world’s leading IT society
- 5) strengthening the international competitiveness of Japanese megacities as business hubs
- 6) revitalising small and medium-sized enterprises (SMEs) through innovation

Source: Japan Revitalization Strategy (2014)

Six years after the introduction, Abenomics has yielded some important results in which the economic growth is above potential at 1.1% but the inflation remains low at 0.9% from the Bank of Japan's targeted 2.0% despite Japan's tight labour market conditions (IMF 2018). This failure is associated with slow structural reforms which caused productivity gap. In order to boost growth, the government realized that they need to address the productivity gap which is holding Japanese economy back for years even after the Abenomics monetary policy and fiscal stimulus are in force. The following section will focus on the adoption of Hataraki-kata Kaikaku Kanren Hou to revitalize Japan's working style.

Enactment of Hataraki-kata Kaikaku Kanren Hou

April 1, 2019 marked a historical date in modern Japanese calendar as Shinzo Abe's much debated policy the Hataraki-kata Kaikaku Kanren Hou (The Act to Overhaul Laws to Promote Workplace Reform) came into effect after the law was passed by the Upper House of Councilors in June 2018. Hataraki-kata Kaikaku Kanren Hou falls under the third arrow that intends to reform the tight labour market which have caused the stagnation of economy. The following table summarizes the major elements in The Action Plan for the Realization of Work Style Reform (2017) and the overview of the amendments made to labour and employment-related laws:

Major Item in Work Style Reform Action Plan	Amendments enforced since 1 April 2019
<ol style="list-style-type: none"> 1. Correct long work hours by limiting overtime hours and other measures. 2. Improve education (including re-training and re-employment schemes) to aid the movement of workers into growth industries. 3. To promote the use of telework and other flexible work arrangements. 	<ol style="list-style-type: none"> 1. Maximum Time Limit of Overtime Work. 2. Obligation to Ensure Use of Annual Paid Leave

Sources: Office of Prime Minister of Japan (2016) and Kitahama Partners (2019)

With regard to correcting long working hours by limiting overtime hours and other relevant measures, the working hour under the current law is capped at 8 hours per day, 40 hours weekly, and overtime is not allowed. However, Article 36 in Labour Standards Acts allows unlimited overtime if an agreement is reached between employee and employer and is filed at Labor Standards Office (Kojima, Scott and Weather 2017). The highly scandalous

Dentsu employee's death in 2015 marked the turning point for Japanese government to implement a stricter policy for work-related deaths which led to the adoption of White Paper on Measures to Prevent Karoshi 2017. Japanese government set the standards of overtime working hours for the judgment of recognizing karoshi line at 100 hours for the past one month or 80 overtime hours or more per month for the past 2 to 6 months before the

onset of the diseases (Ministry of Health, Labour and Welfare 2017).

However, the cases continue to increase steadily every year showing that Japanese companies (especially Black companies) have been violating the article as the data revealed by Ministry of Health, Labour and Welfare reported that the overtime agreements often exceed the limit permitted by the ministry, amounts to 100 to 200 overtime hours per month (Sato 2017 and Kojima, Scott and Weather 2017). Black practices adopted by Japanese firms such as creating hostile environments, treating employees as disposable and forcing them to work for long hours as well as unpaid overtime, and power harassment have exacerbated karoshi (North and Morioka 2016).

Due to persistent violations of overtime, the government has included criminal penalties element which was absent

from previous reforms. According to Shitanishi and Kawata (2019), there was no legally binding guidelines with respect to Article 36 prior to April 1 2019. Therefore, the amendments made to Article 36 stipulated that the overtime working hours must not exceed 45 hours monthly and 360 hours annually with exception to special arrangements (shocks due to significant increase of demands volume).

The inclusion of criminal penalties is now holding employers accountable for the employees' welfare by reviewing the provisions to time limits for overtime work stipulated under Article 36. Employers must take immediate action to ensure that the working time and overtime work do not exceed the time limits by monitoring and recording the hours during which employees are capable of undertaking their intended work via timecard or computer login records (Hosokawa 2019). In the case that the employee has exceeded the time limit permitted, the employer has to notify the employee and arranged for medical treatment at the employee's request. Starting 1 April 2020, this amendment on working hour limit will apply to managers and supervisors in all large, small and medium-sized companies.

One point of contestation in the Working Style Reform is the Highly Professional System. Under this system, employees will be exempted from working hour regulations that will not tie them to a set number of working hours if they are engaged in professional work. According to Japan Labour Issue (2018), the opposition criticized this policy as it will promote *karoshi* among the high-income professions rather than correcting the issue of long working hours. This policy specify that these groups of workers will be excluded from the Maximum Time Limit of Overtime Work on the premise that they are engaged in specialized skills and a definite annual income above a certain level (currently expected to be 10.75 million yen or more a year) and consented to the system. As pointed out by several researchers on *Karoshi*, those that committed the act are mostly full-time employee, not the irregular workers (Tsukada 2019, Kawahito 2018).

In fact, a recent survey done by a medical equipment company known as Cell Power reported that 58.6% of the middle managers said they have actually been doing more work as a result of the reforms (40.6%

reporting an increased workload, and 18% a severely increased one) after the time limit was enforced due to the excess of work left over by their subordinates (Baseel 2020). On the bright side, 68.4% of the managers also believed that the workstyle reform will have a positive effect on the workplace, hence will soon bear fruit in increasing workplace productivity as employees are now encouraged to take paid annual leaves and reduced working hours. This shows the weakness of the policy that does not specifically address how the employers should designate distribution of workload after capping the working hours for their employees. Simply saying "let's work less" won't help solving the issue because the burden now is shifted to the 'professionals' who are not covered by the working time limit policy.

Millennials' Responses towards the Work Style Reforms

Based on the OECD report pointed out earlier, the working age population in 2050 will be between 10-60% of Japan's overall population while 40% will be elderly. Given that the working population are shrinking at a steady rate annually, the enactment of the reforms is believed to be timely in order to cater to the existing working population's need. The current working population in Japan is made up of the millennials generation which are born between 1980-1995 (Akio 2019). In Japan, this generation is widely known as the Yutori generation or Relaxed Education Generation with the common characteristic of emphasizing work-life balanced more than climbing the corporate ladder. They are a complete opposite of the bubble generation which places work on top of family and personal interests as they worked long hours in the office. Since the term was coined in United States, Millennials become the most researched generation as they shape the workplace and financial market (Nippon 2019).

Among the reasons millennials are found to be more supportive of the workstyle reforms is because the reforms in labour market aims to create labour fluidity. The notion that lifetime employment does not apply to this generation and this reform allows employees to choose work that suits their working styles as Abe's cabinet wishes to pursue a society that where everyone can choose various and flexible work style that responds to one's

individual will, capacity and circumstances as outlined in the provisional Action Plan for the Realization of Work Styles Reforms 2017. The government also wish to establish flexible labor markets and corporate practices, which are fair to those who seek to change their careers. A research done by Lancers in 2017 found out that 17% of the workforce are freelancers, more than 3 times increase than in United States (Shiho 2019). More and more Japanese millennials are opting for unfixed employment, hence, freelancing is the ideal work as it grants them more time for family and social life as platform like Crowdwork makes it possible for them. This generation no longer wait for companies to implement these reforms and take it into their own hand to decide what type of workstyle that fits them.

Millennials are also known as the digital native generation which is drawn to technological devices. This explains their support for the reforms as it encourages tele-working as opposed to working long hours at a traditional workplace. In order to create a flexible working style, the government will revise guidelines for necessary security measures concerning recent development such as access to ICT: WiFi, cloud services, smartphones, tablets, and taking into consideration the possibility of working at satellite office other than home offices. In addition, the revision will also include restriction or restraint on late night work as well as introducing flex-time, de-facto or normal working hours in order to avoid long working hours which defeat the purpose of tele-work and the reforms at large. A recent nationwide survey done by Jiji Press on 20 May 2020 found out that 70% of Japanese want tele-work to continue even after the Covid-19 pandemic is successfully contained (Japan Times 2020). They are in favour of promoting more tele-work in Japanese companies as it allows them to work even while caring for family members (47.7 %), followed by less time spent on unproductive overtime (42.4 %), and better working environments for people with physical disabilities (41.6 %).

According to Hiroshi Kurosaki (2018) from Nomura Research Institute, creating a digital workspace will booster the potentials of workstyle reforms by increasing employee experience. Improving employee experience will lead to happy workforce which is among

the reasons why productivity gap is widening in Japan. Hence, Kurosaki believed that the workstyle reforms should place more emphasis in creating a workplace environment with a focus on enhancing the experiences of employees at their companies and through their jobs, further supporting the notion of work-life balance. This is where tele-work, co-working space and adoption of high-tech technology can improve productivity as opposed to the traditional way of replacing employees with machines and robots. In contrary to Japanese, Danes workers topped the ranking of Universum Global Happiness Workforce Index in 2019 which reported that they have a relaxed workplace culture and people highly value their spare time, which allows them to spend more time at home and with family (Universum 2019).

CONCLUSION

Japan's demographic transition presents the government with a new set of challenges to address the needs of the workforce in order to bridge the productivity gap which are dragging down their economy. Taking into account the societal problems which are the by-products of harsh working culture, it is imperative for the Abe's government to come out with more creative reforms which does not only address the long working hours but to revolutionize the overall working cultures as well. The traditional solutions no longer work for the modern times as has been proven by Japan's inability to increase productivity although they have the best human resources, technology and financial capital at their disposal because these disregard the core problem, the worker's happiness and satisfaction at work. Although the structural reforms and workstyle reforms are progressing at a rather slow pace, there is still hope to save the future workforce of Japan if the following reforms are done correctly and place employees, not employers at the center of these reforms.

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16. BIOGRAPHICAL NOTE

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