

# Japan Moves toward Five-Day Week

By Shinji Watanabe

**L**ast year marked a milestone in Japan's attempt to introduce a full-scale five-day workweek. Legislation concerning the system of working hours was revised for the first time in 37 years to set the stage for a shorter workweek.

The revisions call for reducing the number of hours worked per week from 48 to 40 and increasing the number of annual paid holidays from 6-20 to 10-20. The amendments also provide for the introduction of a system of flexible working hours (flextime) and the granting of annual paid leave to part-time workers.

The five-day workweek is to be introduced in stages in small and medium-sized businesses because it is difficult for them to shift immediately to the new system. The main objectives of the legislative changes are to introduce it and to allow workers to take longer vacations at the earliest possible time in the 1990s.

The reduction of working hours is also cited as a priority policy in the five-year economic management plan (1988-1992), which was formulated at about the same time that the above legislative revisions were made. According to this plan, the average number of working hours per year is to be reduced from 2,100 at present to the 1,800 level "as far as possible" during the five-year period.

The central government has set an example by closing its offices on Saturdays twice a month, instead of once a month, effective from January this year. Banks followed suit, starting from February, by shifting to a full five-day workweek from taking two Saturdays off every month.

The trend toward a shorter workweek is also evident in labor-management negotiations, in which a reduction of working hours has been regarded as important an item on the agenda as wage increases since 1988. During annual pay negotiations this spring, labor and management in large corporations agreed to increase annual paid leave by one to three days.

Plans to introduce a five-day week are

also being studied in education circles. Under the present system, which dates back to the Meiji era, the normal school week includes a half-day on Saturdays, giving students one-and-a-half days off, including Sundays.

As Japan moves toward reducing working hours and increasing the number of holidays and days off, it faces various problems, which must be resolved if these goals are to be fully attained. These problems and some possible solutions suggested by practices in major Western nations are examined below.

## Workaholic profile

The average annual working hours in manufacturing industry are a little over 1,900 in the United States and Britain, and a little over 1,600 in France and West Germany. By contrast, those in Japan are about 2,100 hours, or 200-500 hours more than their counterparts in other major countries. This has led to international criticism that Japanese are "workaholics."

At the root of this criticism, of course, is Japan's large trade surplus. Today's Japan finds itself in a situation similar to that in which West Germany found itself around 1960, when West German workers were criticized by France and other countries for working excessively long hours. Now, however, the workers in West Germany take more holidays and days off than those in other industrially developed countries. Japan today faces a critical choice in the conduct of its labor policy. Like West Germany 30 years ago, Japan is at a historic stage where it must shed its image as a nation of workaholics.

Workers in South Korea, Taiwan and Singapore—all of them in the forefront as "newly industrializing economies"—put in more than 2,500 hours a year. These countries are not, however, coming under much pressure as yet from the industrialized countries to cut back on their working hours.

Three reasons may be cited as to why Japanese workers put in longer hours than American and European workers. The first is the large amount of overtime. The second is a long workweek, which reflects the fact that the five-day week is not widely practiced. Finally, workers do not take their full holiday entitlements. The last two factors are the prime reasons for the long working hours. In other words, Japanese workers take a relatively small number of holidays and days off, as compared with their counterparts in other industrialized nations. All three reasons, especially the long overtime, reflect a combination of historic and cultural factors that are deeply rooted in Japanese society. It will be extremely difficult, therefore, to correct the situation in a short period of time.

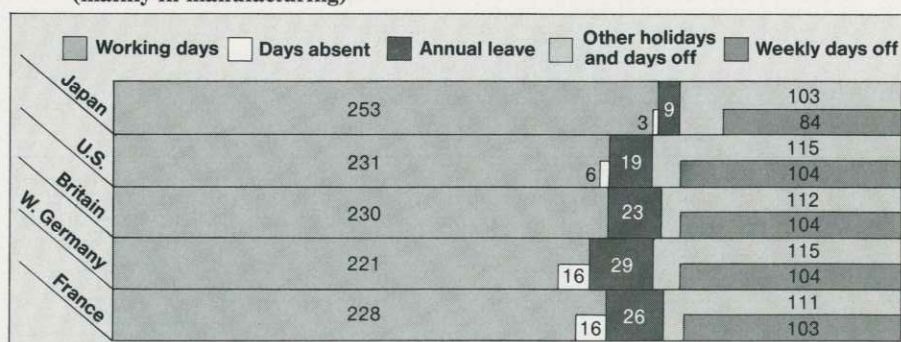
## Avoiding layoffs

There are various reasons for the large amount of overtime in Japan. For one thing, it is a long-standing practice to do as much as possible to avoid layoffs during an economic slump. During a period of expansion Japanese employers normally meet the growing demand for labor by having existing employees work overtime, instead of hiring new people. This practice offers the advantage to employers of minimizing labor costs on a long-term basis.

The advantage to the employees is, of course, that they can continue to work without fear of being laid off. This is a major reason why the official unemployment rate in Japan is at an exceptionally low level of 1-2%, by far the lowest among the industrialized countries.

There is, however, a downside to the practice of avoiding layoffs: Overtime tends to come to be regarded as more or less permanent, and workers come to consider overtime pay as an integral part of their regular incomes. In recent years, however, Japanese work ethics have changed significantly, with a growing

Fig. 1 Numbers of Holidays and Days Off in Major Countries  
(mainly in manufacturing)



Notes: 1. Annual leave in countries other than Japan indicates number of paid holidays granted.  
2. Full five-day workweek practiced in the U.S., Britain and West Germany.  
3. Number of days absent in Britain unknown.

Source: Labor Ministry

number of workers putting greater emphasis on shorter hours than on wage increases. But in order to reduce overtime work on a long-term basis it is necessary to raise overtime premiums—wages paid in addition to regular wage rates.

In other major Western countries, such premiums are 200% of the regular wage for work on Sundays and national holidays and 150% for work on Saturdays and overtime on weekdays. In Japan, overtime premiums are 125% across the board. This rate was kept intact at the time of last year's legislative revisions.

In order to cut back on overtime it would be necessary to raise the figure to a level close to the rates in other major countries. The fact remains that this is easier said than done, because small and medium-sized enterprises would not be able to absorb the higher labor costs that would result from increased overtime premiums.

## Historical lag

The five-day workweek now applies in one form or another to about 80% of the Japanese work force. In most cases, an additional one to three days off can be taken every month, and only about 30% of the work force are enjoying the full benefits of the five-day week. These statistics from the Labor Ministry, however, cover only enterprises employing 30 or more people, and do not include small enterprises such as retail stores. The actual percentage of workers on a full five-day week, therefore, will be considerably smaller than 30% if these small businesses are included.

The five-day week was introduced in France and the United States as early as the 1930s. Most other Western nations adopted it from the 1950s to the 1960s. Thus Japan is far behind these countries in this area. According to a Labor Ministry estimate, the number of days off in Japan is on the average 20 days per year less than in other industrialized countries (Fig. 1). The reason for this, of course, is that the five-day week is not being practiced fully in Japan.

In Western nations the tradition of taking a rest day on Sundays, a practice based on Christian beliefs, took root in around

the 5th–6th centuries. Although the number of holidays fell sharply after the Industrial Revolution, this custom of taking Sundays off remained intact. In Japan, where there was no such custom, many of the 100 or so annual holidays (about 50 holidays and about 40 “rest days”) were lost as rural workers started migrating to urban areas to work in factories with the advent of industrialization.

The Meiji government introduced, in the 1870s, a new holiday system in line with customs in Western nations—the so-called 1.5-day system which set aside Sundays and Saturday afternoons for rest. This system was adopted only by government offices, schools and some large business corporations, however. Most workers were entitled to only about 10 days paid holiday a year and at most two days of unpaid rest each month. This situation continued until the end of World War II.

Only in the second half of the 1940s did Japanese workers gain the right to take at least one day off a week with pay. This historical lag in the introduction of the five-day workweek has continued to date, and making up for this lag is one of the major objectives of the five-year economic plan described above.

## Attitude to leave

In the United States and other major Western nations, workers are entitled to about 20–30 days paid leave annually. Since the five-day week is widely practiced, this leave works out to four-to-six weeks a year.

The way leave is taken varies from

country to country. In France and West Germany, workers normally take a long vacation of about four weeks in the summer. In Britain and the United States, shorter summer vacations lasting about two weeks are common; the remainder of leave is taken in installments in other seasons of the year. In all countries, however, workers take almost all of the leave to which they are entitled, which is guaranteed by law or by labor contract.

In Japan, where the seniority system is practiced as in the United States, the actual number of days of leave increases with the number of years of service. A minimum of 10 days is guaranteed, and to this basic amount is generally added another 10 days at the rate of one day a year (up to a maximum total of 20 days). In the United States, leave entitlements generally increase by 3–5 days with each additional year of service. In Japan a worker must put in 10 years of continuous service in order to be entitled to 20 days of leave. In France, every worker is entitled to the full number of days of annual leave after he or she has completed one month of service, and in the case of West Germany after six months service, regardless of seniority.

There is a more important reason why the actual level of annual leave is much lower in Japan than in other countries—the low rate at which workers take holidays to which they are entitled. According to a Labor Ministry survey, on the average about 50% of these paid holidays are not taken, and this phenomenon has remained unchanged for at least 10 years.

Two factors are contributing to this.

Table 1 Effects of Shorter Hours on Domestic Demand and Job Creation

	Case I	Case II	Case III
Holidays and days off increased by:	Full five-day week	Full five-day week and full acquisition of 15.1 days of annual leave	Full five-day week and full acquisition of 20 days of annual leave
Increases in holidays and days off	27.3 days	34.8 days	39.7 days
Yearly working hours	approx. 1,900 hours	approx. 1,850 hours	approx. 1,800 hours
Incremental consumption	¥3.14 trillion	¥4 trillion	¥4.56 trillion
Incremental demand	¥5.72 trillion	¥7.3 trillion	¥8.32 trillion
New jobs created	approx. 540,000	approx. 690,000	approx. 790,000

Source: Labor Ministry

One is hesitation on the part of individual workers to take leave, out of consideration for the additional work and inconvenience caused to their colleagues and superiors. The other is the practical necessity of saving holidays in case of emergencies such as illness. It is stipulated by law, however, that these entitlements can be saved for not more than two years, and that unused entitlements cannot be made up for in wages. Thus many workers simply give up about half their leave entitlement.

Since the latter half of 1988, the need for workers to take more holidays or longer vacations has been recognized increasingly under the government plan to reduce working hours, not only between labor and management but also among the general public. It is expected, therefore, that the rate at which leave is taken will increase in the future. Basically, however, it will be necessary to make it mandatory, as in France and West Germany, to take all the holiday entitlement guaranteed by law or labor contract, or to institute a sick-leave system entitling workers to a certain number of days off sick without a pay cut, as in the U.S., Canada and other Western nations.

Japan's immediate goal is to reduce the yearly number of working hours to 1,800, or 300 less than the current number. This means that the number of paid holidays and days off will have to be increased by about 40.

According to studies by the Labor Ministry and the Economic Planning Agency, the goal can be achieved if the

five-day workweek is fully implemented and if the maximum 20 days of annual leave are all taken (Table 1). The predominant view among informed people, however, including corporate executives and union leaders, is that it will be difficult to attain this objective within the period of the five-year plan.

## Comparing systems

Some Western countries introduced a system of shorter working hours earlier than other countries, but they all followed a number of more or less similar steps in the 20th century. Specifically, the daily working hours first were reduced to eight hours in the period up to World War I. Second, the weekly working hours were reduced through the adoption of the five-day workweek in the period up to the 1940s. Third, in the years up to the 1960s the yearly working hours were reduced through the establishment of an annual leave system. Finally, in the 1980s moves were initiated to cut the total number of hours worked in one's lifetime. In other words, an early retirement system was introduced, and workers were encouraged to take longer vacations.

In Japan's case, the first and third steps were adopted in the form of new systems after the end of World War II. Now the second and fourth steps must be completed in a relatively short period of time. Whether this can be achieved during the period of the five-year plan is open to question, although one must take into account the fact that Japan's annual leave

system is underdeveloped by the standards of industrialized countries.

Japan's industrial revolution began in the 1890s—130 years later than in Britain, 50 years later than in France and the United States and 40 years later than in Germany. Naturally, the reduction of working hours in Japan reflected this time lag. For example, a statute limiting daily working hours to eight hours was established in 1947—some 60 years after a similar law was promulgated in Britain, 25 years after France and the United States, and 10 years after Germany.

Germany began industrializing later than some other advanced nations, but West Germany became the second-largest economy in the free world after the United States in the early 1960s. It was around that time that the country struck out on the path to a "workers' paradise," setting the pace for moves in the industrial world to give workers more vacation time. Today West Germany ranks first, ahead of the United States and France, in the yearly number of holidays and days off.

Now it is Japan's turn, given its status as the world's leading economic power, to emulate the example set by the West Germans. It needs to be remembered, however, that the annual leave systems in West Germany and other Western countries have been established after decades of extensive economic and social reforms in such areas as employment, welfare, leisure, education and housing. Considering that Japan's public policy is lagging in these areas, it will not be easy for Japan to join the ranks of "vacation-advanced" countries in the near future, for many difficult problems have yet to be resolved.

Two problems stand out, and both call for immediate solutions. One is related to the well-known fact that Japan's corporate groups consist of large companies and numerous subcontractors. Because of this dual structure, there exist wide disparities in wages, corporate welfare benefits and various other areas between these large and small companies. Subcontractors—small and medium-sized businesses—are reluctant or even unable to absorb increased labor costs that would result from reduced working hours.

There is the danger, therefore, that a push to make an increase in the numbers of holidays and days off mandatory might widen these disparities, putting subcontractors at a greater disadvantage in their efforts to recruit new employees and making them still less competitive in the process.

In other Western nations, a variety of labor policies have been implemented since the 1920s under the leadership of the International Labor Organization (ILO) to avoid creating disparities in employment conditions between different companies and industries. As a result, workers in these countries are entitled to about the same numbers of holidays and days off, regardless of the size of company or the type of industry.

Company-to-company disparities in the amount of vacation time hardly appear in statistics, but it is believed that there exist wide disparities in this area in Japan. The plan to reduce the working hours includes some measures in favor of subcontractors, but such measures will not be legally binding on employers. Nor

does the plan call for tax breaks or subsidies to ease the extra burden stemming from increased labor costs. Thus the plan as a whole puts subcontractors in a rather difficult situation.

## Time and money

The other problem concerns the way in which the fruits of improved productivity—gains from rationalization and technological innovations—are distributed. In Japan, labor and management have agreed thus far to distribute the fruits of higher productivity among workers by increasing wages, not by reducing working hours. Since 1965 such fruits have been distributed at a ratio of about nine-to-one in the form of real wage increases as opposed to a cut in hours. The corresponding ratios for the same period were around eight-to-two or seven-to-three in West Germany and France. The comparison shows clearly that Japan's approach has been wage-oriented.

As noted earlier, the emphasis on wages reflects the peculiar situation in

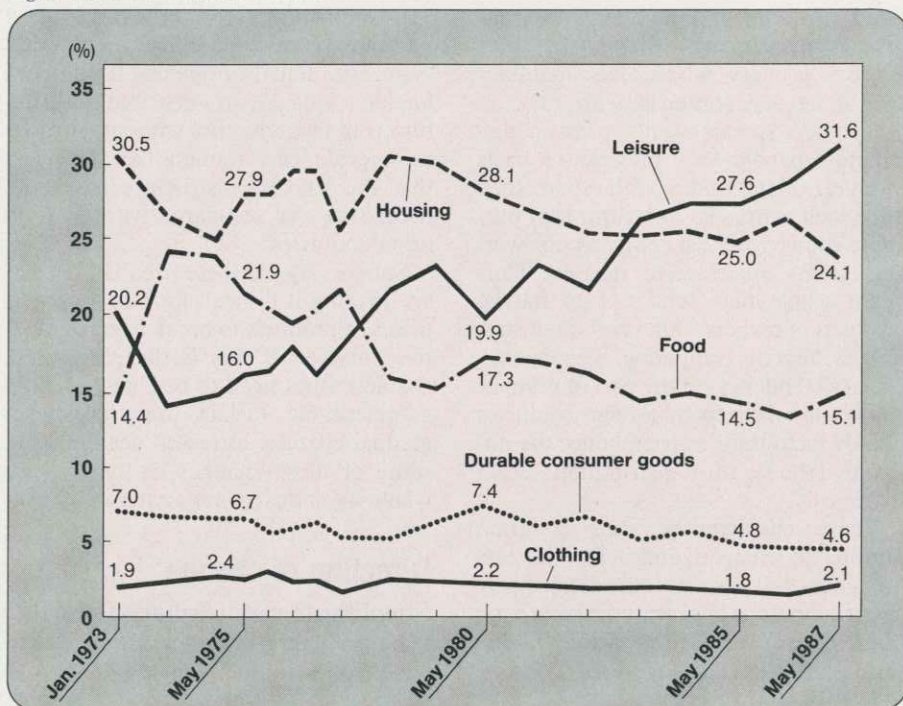
which both employers and employees have found themselves. For the employers, the cost of wage increases or overtime payments has been lower than the cost of hiring new workers that would have been required if working hours had been reduced. For the employees, who set great store by income gains, wage hikes were definitely preferable to increases in holidays and days off.

In the past several years, however, these attitudes on the part of employers and employees alike have changed significantly. Foreign criticism of Japanese "workaholicism," stemming as it has from the nation's growing trade surpluses and resultant trade tensions, has helped create a consensus among employers that a reduction of working hours is an urgent priority. At the same time, there has been a growing tendency among workers, especially the young, to attach greater importance to recreation and leisure time (Fig. 2).

In the 1920s and in the 1960s and 1970s, periods when the Japanese economy enjoyed relatively stable growth, there were tentative moves to reduce working hours. As it turned out, those historic opportunities were lost during the financial panic of the earlier period and the oil crises of the 1970s. In other industrialized countries, in contrast, working hours were reduced in these difficult times in order to hold down the unemployment rate through work-sharing.

Now Japan has before it a third chance of historic importance to reduce working hours. As already pointed out, Japan has to overcome various obstacles in order to join the ranks of "vacation-advanced" nations. Yet it also stands in the advantageous position of being able to learn from the experiences and vacation systems of other industrialized nations. In fact, moves in Japan to adopt a shorter work-week on a more practical basis have been gaining momentum rapidly since last year. The question is how soon the goal can be achieved.

Fig. 2 Future Priorities in Life



Source: Opinion poll on national life by the Prime Minister's Office

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