

December 12, 2019

How Japanese and German Labor are Different

Toru Kumagai, Journalist

The first step toward “work style reform”

On March 13th, 2017, Keidanren (Japan Business Federation) and Rengo (Japanese Trade Union Confederation) set a significant step toward what Japanese call “work style reform”. According to this agreement between Japan’s largest management and labor representatives, overtime work of employees exceeding 45 hours a month will be capped at 6 months a year. Also, overtime work that was de facto tolerated under the “Article 36 Agreement” with special clauses, so frequently signed between the company and its labor union, is also limited for the first time at 720 hours a year. Overtime work during a company’s peak season cannot exceed 100 hours a month or an average of 80 hours monthly over a period of 2 to 6 months. The Japanese government will further legally bind companies that violate the Labor Standards Act by enforcing penalties.

The highest suicide frequency among G7 countries

In Japan, a tragic self-killing of a 24-year-old exhausted woman who was compelled to overwork in a well-known company triggered national interest in “work style reform” in both public and private sectors.

The 2016 version of the “White Paper on Measures to Prevent Karoshi etc.” by the Japanese Ministry of Health, Labour and Welfare (MHLW) tells that for 14 consecutive years since 1998, more than 30,000 people committed suicide in Japan. Although the figure has been decreasing after 2010, still some 24,000 people took their lives in 2015. This is 5.8 times larger than the number of deaths resulting from traffic accidents in 2015 (4,117 people).

Of these 24,000 suicide cases, 2,159 were clearly attributed to labor related problems from decedent's last notes or other evidences. On top of this, around 700 to 900 claims for worker's compensation are made each year since 2005, reporting brain or heart diseases caused by overwork.

Mental disorders are more serious. The annual figure for such compensation claims rose by 131% to 1,515 in 2015 from 656 in 2005.

Japan is unhappily one of the world's greatest suicide nations. OECD's statistics on suicides per every 100 thousand residents ranked Japan 4th among 32 countries after Lithuania, South Korea and Hungary. But among the developed G7 countries it runs the top.

Germany's suicide rate is 10.8 people in every 100,000, which is 42% lower than that of Japan. The German Federal Statistical Office says about 10,000 people ended their lives by themselves in 2015, meanwhile in Japan the number was more than 3 times larger.

Every year I fly to Japan and take subways or JR trains in Tokyo. So many alerts inform operational suspensions by railway suicides, which really shocks me. Those are already too daily for many Japanese people, but for me, this is crazy. Not many people jump into trains to finish their lives in Germany.

In Germany, suicide from overwork or Karoshi has not grown into such a big social problem. I couldn't even find data on suicide cases caused by such overburdens.

Working more than 10 hours a day is prohibited!

The reason why suicides and deaths from overwork are not a problem in Germany, is that working hours are set much shorter than other advanced countries.

Germany is one of the world's greatest time shortening countries. OECD pointed out that the annual working hours per capita in 2015 in Germany was 1,371 hours, 20% shorter than Japan's 1,719 and even 23% shorter than the US. Germans work 348 hours less than the Japanese, 395 hours less from OECD average, each year.

Why German working hours are way shorter than Japan- that's because German laws regulate working hours strictly. German Arbeitszeitgesetz or the German Act on Working Time bans workers from working more than 10 hours a day, without excuses like the Japanese concept of "peak season", or like sudden increase in orders from clients. It does not allow any loopholes like Japan's "Article 36 Agreements", either.

Working hours are monitored by a governmental office called Gewerbeaufsicht. From time to time, it inspects companies and working hours of their employees without notice. Once it finds that a company let their staff work more than 10 hours a day, it can levy fines up to 15,000 Euros (some 1.80 million Yen, with exchange rate of EUR1=JPY120). So many offices and hospitals are actually charged one after another.

The management has to pay

In an extremely malicious case, that Gewerbeaufsicht may accuse company heads to the prosecutor, and if the court finds the defendant guilty, the management can end up in imprisonment up to a year. Moreover the company requires the actual boss on site to take the blame and compensate, out of his or her own pocket. This process makes many managers to sputter around their teammates making sure they do not exceed any minute than 10 hours, no matter how busy they are. In some offices, when an employee works almost 10 hours a day, a warning that says “working more than 10 hours is against the law, leave immediately” appears on the PC screen. Or, a manager may warn that employee who has cumulated over 60 hours of overtime work, to cut it down at once.

Take all 30 days of annual leave

Another reason why Germany has less overburdened suicide is that workers are entitled to take a long leave to ensure their well being.

The German Federal Vacation Act enacted in 1963 rules company owners to give employees at least 24 days of paid leave each year. However, in practice, most companies grant 30 days and some even 33. In addition, some even let their staff value 10 hours of overwork as one paid day off, in result offering up to some 40 days in total.

The rate Germans take their annual leave is impressive. Ever since I started observing German society 27 years ago, almost all company workers except for some managements take their leave completely. It is common for a young worker to take several weeks off anytime, as long as his or her colleagues can cover. They have no envy because everyone takes turns, nor do they have any sense of guilt. They do not need to tell their boss their contacts nor check e-mails while they are away. All these are secured under a social consensus that workers have the right to enjoy some time off.

Meanwhile in Japan, the number of annual paid leave granted to workers and workers who actually benefit from them are much less. OECD summed each country's minimum annual

leave stipulated by their laws, the lengths of paid annual leave offered by the majority of companies although in practice not designated by law, and the number of their national holidays. Germany ranked the highest in the world, marking 30 days off and 12 holidays, totaling 42, while Japan was lagged far behind with only 10 paid days off plus 16 national holidays, in sum 26.

Japan's statutory annual leave is 10 days. This is obviously less than half of Germany where workers are entitled with 24 days, although the majority of generous companies offer 30 days in practice.

Just to add some explanation, in the Japanese labor system, the longer the employee dedicates him or herself in one company, the more paid days off are granted. A company can give a person with half a year career 10 days of off each year. Those who have been working for more than 3.5 years are entitled 14 days and people with 6.5 years can get as much as 20 days.

On the other hand, most German companies give 30 days of paid annual leave once the employee passes a half year trial term. This shows how circumstances surrounding Japanese workers are unfavorable.

Japanese workers enjoy only half of German paid annual leave

A "General Survey on Working Conditions" by the Japanese MHLW tells that in average Japanese workers enjoyed 47.6% of its their paid days off in 2014, a figure which is less than half of Germany. The survey points out that the ratio reached a high in 1993 at 56.1% and then continued to fall. I can say that Japan is the 3rd richest country in the world in terms of GDP, but in terms of free time, it ranks very low.

I once asked a German person why he or she takes such a long 2 weeks vacation. The person said that it was difficult to forget about work in the first week, meaning, it is difficult to be completely refreshed physically and mentally unless you spend 2 weeks off or more. The fact that German workers can secure 30 days of annual paid leave each year gives them a big relief.

Nowadays many large firms also provide workers "sabbatical leave" for several months without pay. A worker I know accepted a 25% wage cut to earn 90 additional days of paid leave. Another took a 7 month sabbatical. Both of them are assured to return to their current positions.

Japan should differentiate paid and sick leave

Another difference between Japan and Germany is that German law draws a clear line between paid leave and sick leave. In Japan, paid leave is taken first from his or her account even if the absence was caused by sickness or for injuries. Sick leave will be consumed only after the person uses all his or her paid leave, but sick leave is the one without pay.

But in Germany, absences from sickness is differentiated from annual paid leave from the beginning. Paid annual leave is not an option to fill such absences. A law named Entgeltfortzahlungsgesetz even enforces the employer to pay 100% of the employee's wage during his or her sick leave, for up to 6 weeks (30 days). Following that 6 weeks, employees are entitled to statutory benefits paid by the German public health insurance system, up to 78 weeks. That benefit amounts to 70% of the worker's usual wage. The German federal government said some 1.8 million citizens enjoyed this benefit in 2014.

I believe Japan should grant paid sickness leave when a worker is down, without having them use their annual paid leave, as most of them want to save their paid leave in case they really get sick or get heavily injured. This is one of the crucial reasons why the Japanese rate of taking paid leave is so low.

German labor production is 55% higher than Japan

After reading the above, readers may doubt if German businesses and the economy can really run efficiently with such short working hours. But Germany is indeed the 4th largest economy in the world with the largest current-account balance among OECD member nations. Corporate incomes and shareholder dividends are increasing every year. The government has achieved fiscal surplus every year since 2014 without issuing any new national bonds. Unemployment rate for December 2016 was only 3.9% to mark the second lowest among EU nations. Southern German regions have reached full employment and rather scarcity of labor is becoming more serious.

OECD mentioned that Germany's labor productivity or the hourly output of a country's GDP exceeded Japan by 55%, even the GDP per capita was 25% higher. One of the reasons is of course Germany's short working hours. And since 2009, disposable income per capita has been rising year by year. So, Germans exert the highest economic performance working only 10 hours a day and fully taking 30 days off a year.

Of course, Japan cannot totally copy the German way because of the large differences in business customs, corporate cultures and the sensitiveness that customers have. A Japanese

client may get so upset if his or her sales representative was away on vacation for 2 weeks, but in Germany, they think that a job belongs to the company, not to the employee. A German client does not expect quality personal service like Japanese do. They are simply satisfied if anybody else in the office properly meets their needs. This is one of the cultural differences between Germany and Japan.

Despite such cultural differences, it is also true that there are some other countries on this planet that yield more output from less input than the Japanese do. I would like to emphasize that Japan does not necessarily have to copy them, but there are absolutely things to learn from the leading Germans in reducing working hours.

Toru Kumagai is a journalist based in Germany. Born in Tokyo in 1959. Graduated from the School of Political Science and Politics, Waseda University and joined NHK. Then resigned and moved to Munich, Germany in 1990. Since then, his articles on European and German politics, economies and societies can be read on various media including Japanese Nikkei Business.

Keizai Koho Center (Japan Institute for Social and Economic Affairs, KKC) has served as a bridge for the Japanese business community to interact with its key stakeholders inside and outside Japan. With a wide range of its domestic and international programs, KKC has developed a worldwide network encompassing businesses leaders, lawmakers, government officials, journalists, university scholars, and school teachers.

The **KKC INTERNATIONAL PLATFORM** is a forum to discuss new developments, changes, and challenges of Japan and the international society.

The views expressed in the essays on the **KKC INTERNATIONAL PLATFORM** are solely those of the authors.

Keizai Koho Center

<http://en.kkc.or.jp>

Keidanren Kaikan, 1-3-2 Otemachi, Chiyoda-ku, Tokyo 100-0004 JAPAN

e-mail: platform@kkc.or.jp
