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Japanese Labor Crisis and Possibility of Societal Transformation

Comparing Japanese and Finnish labor situation and exploring the feasibility of institutional change in Japan

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Abstract:

Japan today faces a series of issues ranging from unsatisfactory working conditions to labor shortages across all sectors, culminating in a labor crisis. To overcome this crisis, the Japanese government led by the Liberal Democratic Party has begun to implement reforms bundled under the "Work Style Related Reform Laws". In addition, businesses have introduced wage increases after 30 years of stagnation. Several extensive research has been conducted over the years on specific issues such as low unemployment rate or low birth rate. However, none have examined the overall labor issue in terms of crisis. Applying the institutionalist and comparative political economy approaches, this thesis aims to evaluate the potentiality of Japan in overcoming the labor crisis. Using previous research, government data and reports, the thesis examines various aspects related to working life and then compares Japan to Finland, another country where the trend is following a similar path to Japan, exploring the overall labor situation in both countries. Central objective of the thesis is to answer if it is possible for Japan to overcome the labor crisis and what needs to be done to achieve societal transformation. The labor crisis is at a critical point in Japan today, but the foundation for societal transformation exists as all stakeholders; the government, businesses, and the people are in agreement for the need for change. What is more, small actions are starting to be taken and once transformative reforms are enacted, Japan may be able to overcome the labor crisis.

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1. Introduction

Japan, thanks to its pop culture, is famous and well-recognized around the world today. On the one hand Japanese anime and foods are increasingly garnering positive attention, Japanese working culture is still seen in a negative light with stereotypes of long working hours and after work services such as late night drinking. From a statistical standpoint, substandard Japanese working conditions have been improving as its working hours are on a decline down to 1,607 hours annually (OECD, 2022). However, the reality is much more complicated as death from overwork called *karōshi* still occurs with many being purposefully misreported as work accidents by the government (Sato, n.d.). Coupled with its stagnant economy and wages for the past 30 years, it is difficult to wholeheartedly conclude that the Japanese work-life is at a global-leading standard.

Coupled with the working conditions, is the Japanese demographic issue. Japan is one of the leading countries in terms of an aging population with 28.6% of the population being 65 years or older (Statistics Bureau of Japan, 2023, p.13) and alongside the low birthrate, is already facing a labor shortage. At the current trend, labor shortage will continue to intensify in severity and more businesses as well as sections of the society will have difficulty functioning. Poor working conditions are accelerating this collapse of the nation and without any action, Japan will no longer be able to support itself and will collapse internally.

Plenty of research both internationally and in Japan has been done on certain issues and topics. There are plenty of researches and books written about the Japanese working culture such as the “*Working for the Japanese*” by Joseph Fucini and a research paper by Hiroshi Ono “*Why Do the Japanese Work Long Hours?*”. “*The Chrysanthemum and the Sword*” by Ruth Benedict, despite being an old piece, written in 1946 is still famous for her anthropological approach to understanding and explaining the Japanese mentality. Meanwhile, numerous reports done by both the government and research institutes exist and these cover different statistics that affect labor, be it the unemployment rate or working hours. These offer a great insight into different parts and details that affect the labor situation in Japan, but so far holistic research that has connected these points into one under labor crisis has

been missing. The thesis aims to connect these individual points and research to offer a more comprehensive view of the labor crisis in Japan.

Japan will be the primary focus of the thesis and therefore the paper will look more extensively into various aspects that compose the Japanese labor crisis. The thesis will also look into Finland as a case study and comparison point due to the fact that Finland is a country where if the national trend such as an aging population and low immigration continues, the country will soon be facing a labor crisis similar to what Japan is facing at the moment. Moreover, despite some similarities with Japan, Finland also has unique differences, such as the separation between working and private times and these might be an aspect to which Japan can look up. Comparing Finland and Japan will offer both nations a benefit as Finland can look at certain Japanese actions or lack thereof as a lesson to avoid a similar fate while Japan can look at Finland to find potential ways to help navigate through the labor crisis.

The thesis will be using institutionalists and comparative political economy approach as its theoretical framework. Comparative political economy is used as it enables comparison and analysis of two different states and corresponding markets (Bernard, 2022, p.1). While this paper does not have a direct connection with the economy, comparative political economy was still chosen as Mark Blyth and his five hypotheses to institutional transformation during the crisis are used as a basis for arguing the possibility of societal transformation in Japan under the labor crisis. Furthermore, the labor crisis is affecting the economic performance of Japan and will become an even bigger factor in the future. Political actions affecting economic performance are something that comparative political economy also argues extensively (Boettke et al., 2005, p.282). As societal transformation is central to the essay, institutionalism is also covered in the thesis as no comprehensive transformation is possible without institutional change. Institutional change across Japanese society is very much a prerequisite in any solution to the labor crisis.

With these points, the thesis asks and answers several questions. First, it asks what reasons are causing the labor crisis in Japan and what is being done? Second, the thesis asks what is the Finnish labor situation and what are the differences and similarities to Japan? Finally, the main research question asks, is there a possibility

for Japan to overcome the labor crisis and if so what needs to happen? These one main research question and two supporting questions will be explored and answered within the paper.

The thesis aims to offer an overview of the labor situation and crisis by exploring various aspects that are causing such a circumstance and delving into the feasibility of overcoming the labor crisis and achieving societal transformation. The thesis does not aim to offer a single solution or path to solving this labor situation but rather it is focused on arguing the possibility of Japan solving the crisis and achieving societal transformation. With that being stated, the thesis will be separated into several parts with the first part being the theoretical framework. Here comparative political economy, Blyth's hypothesis, and institutionalism will be explored and analyzed alongside brief coverage of Polanyi's double movement which forms a central concept of comparative political economy. The next section will be material and methods and under this section covers the justification for certain source usage and also offers an explanation as to why document research was chosen as a method. The third section will cover each country and each country's cases are divided into subsections for each aspect of labor that is significant to explain the labor situation. This is then followed with analysis and here actual countries are compared and research questions are answered. Finally, the conclusion will summarize the thesis and explain the limitations of the research and potential future avenues that research can explore.

2. Theoretical Framework

2.1. Comparative Political Economy

Comparative political economy as the name suggests looks at and compares different political and economic systems and policies. At a very fundamental level, comparative political economy like the classical political economy focuses on the relationship between state and the market and the “dynamics of capitalism” (Clift, 2014, p.32). It acknowledges that the market and state are intertwined with each other and also understands that market and the state are in a mutual relationship just as the classical political economy points (Clift, 2014, p.33-34). Goal of comparative political economy therefore is to analyze the economic and political outcomes across countries and time (Bernard, 2022, p.1). Focus of the comparative political economy is in comparing different countries from each other and understanding that no two countries are the same from each other.

The strength of comparative political economy lies in the fact that it recognizes and argues that different factors affect political and economic action and performance. Therefore, those who argue in favor of comparative political economy tend to decry any blanket conclusion and consequent solution to economic, social, and political issues that a nation faces. Questions such as “Why are some countries more prosperous than others?” or “Why do unemployment and inflation rates vary across political economies?” are central to comparative political economy theorists (Bernard, 2022, p.1). Hay reinforces such an understanding of political economy by criticizing how some economists still argue that political regime change is the result of economic performance (Hay, 2004, p.206) when in reality multiple factors affect the change. Generally speaking it is argued that complex and intertwining factors make each situation and problem unique and no countries and scenarios are the same from each other. As such, it is argued that economic outcomes are the result of institutions which themselves are created by imperfect individual interactions (Boettke et al., 2005, p.287). Therefore, the application of certain policies and economic actions that have worked in one part of the world to another does not equate to the same result as each nation is different from each other.

Outlook that a blanket solution to economic and political issues is not a solution or even something that needs to be taken realistically remains a strong point for the comparative political economy. Jones argues that despite the globalization and similar problems that advanced industrial societies face, nations are not growing alike, but rather only having certain parallels in reaction and actions (Jones, 2003, p.140). As a matter of fact, this leads to the idea that globalization and increasingly similar economic and political policies might create nations with similar traits, but there are other factors that affect the economic and political success of the nation (Jones, 2003, p.141).

Continuing along with this idea of nations with similar political and economic systems still remaining different from each other, comparative political economy points out that there are two types of production regimes in the world today. Campbell and Pedersen distinguish between types of market economies and these are liberal market economies, headed by countries like the United States and the United Kingdom and coordinated market economies such as Germany and France (Campbell and Pedersen, 2007, p.3). A liberal market economy is when private firms coordinate activities through hierarchies and competitive market arrangement and decisions and actions within it tend to be more unilateral (Hall and Soskice, 2001, p.8);(Campbell and Pedersen, 2007, p.4). This also usually results in lighter involvement of the government in regulating both the market and private business activities and massive corporations being dominant within the market. On the other hand, is the coordinated market economies, in which the firms focus more on non-market related relationships where network and collaborative works are taken into great importance (Hall and Soskice, 2001, p.8). Germany is a great example of this type of system as its economic activities are directed by the corporations, which builds consensus among actors that include, firms, suppliers, and banks (Campbell and Pedersen, 2007, p.10).

Another example of a coordinated market economy is Japan with its keiretsu system. The keiretsu is a system where dominant companies form horizontal connections with each other, usually through banks and mutual assistance while smaller firms have a vertical relationship with large firms in return for stable work allocation and long-term coordination (McGuire and Dow, 2009, p.335 & p.338). The keiretsu system ensures that whole group of allied companies have an intertwined long-term

relationship with one another, which will form a unified front of sorts across the Japanese economy against both domestic and foreign who are not part of the keiretsu system (Lincoln, Gerlach, and Ahmadjian, 1996, p.68). The liberal market economy and coordinated market economy are two distinctly different production regimes and as a result, this difference creates different types of institutions which then results in different policies and application of policies. Furthermore, this difference helps to point out that the economy itself is not the direct cause of change in political decisions and actions, but rather simply one factor that influences it.

It is important to point out here that comparative political economy has economy within its name, issues explored using comparative political economy do not need to have economy in front and center. For example, Boettke et al. argued that “political, legal, and cultural arrangements” are the factors that affect economic performance rather than simple economic policies affecting economic performance (Boettke et al., 2005, p.282). Meanwhile, in the book “*Comparative Political Economy States, Markets and Global Capitalism*”, Clift has an entire chapter dedicated to corporate governance and its role within the comparative political economy. Here, Clift argues that it is important to study about the firms not only because they play a principal role within the market, but also because they greatly affect the state and policy making through their operations and sometimes scandals (2014, p.230). Finally, Bernard, within the book, also points out that comparative political economy should look deeper into populism as it is on the rise with scores of advanced political economies (2022, p.187-p.188). Populism is on the rise due to either economic or cultural and in some cases both and populism is having a huge influence on policy making as well (Bernard, 2022, p.189-192). As much as the economy affects politics and society, it is crucial to recognize that politics and society also affects the economy as well.

Arguing that the labor shortage in Japan is a crisis from the comparative political economy’s point of view is not far-fetched but in fact, makes logical sense as well. Labor shortage due to many varying factors is now becoming a crisis and the issue will continue to grow larger. Lack of workers is going to negatively affect the Japanese economic performance which has already been suffering for the past 30 years. Furthermore, while the firms are starting to take some actions to address the labor

situation, a holistic and even potential solution to the issue is going to require political intervention. Change both within the economic sphere and political spheres is both necessary and Japan is currently standing at a line before the issue truly goes out of control.

2.1.1. Role of Idea Within Comparative Political Economy

Following the institution, the concept of idea also plays an important role in comparative political economy. The idea is important in comparative political economy as the idea is a driving force that influences how people think and act. Arguments can be made that without ideas there are no institutions, which then means that there is no force that institutes economic and political changes. This argument is supported by Campbell and Pedersen, where they assert that ideas disseminated through organizations and institutions affect the policy-making and production regime (Campbell and Pedersen, 2007, p.1). While the institution is responsible for bringing about changes to a nation, through new or alternate economic and political policies, ideas are the ones that drive the institutions to bring about the change in the first place (Hay, 2004, p.208). At the same time without the institution sponsoring the idea, the idea will never become a reality in the first place. The combination of both ideas and institutions according to the comparative political economy is what brings about the change and therefore it is crucial and necessary to consider both when arguing about any changes that are brought into economics and politics. Furthermore, the order in which the institutions or the idea comes first is important in understanding how political and economic changes actually happen in real life.

However, before going into details about the crisis, idea, and institution being discussed in the book, it is critical to look at Karl Polanyi and his famous concept of double movement. It is important to look into the double movement as the concept is heavily discussed by Blyth, but also by many other comparative political economy theorists. The double movement offers a basis for understanding the argument why economic systems are not stable and are prone to change. Furthermore, it offers a basis to explain why economic ideas spread both within a particular nation and across the globe. Over eight decades have passed since Karl Polanyi introduced the concept of double movement in his book *"The Great Transformation"*, it still offers

great influence to comparative political economic thinking, and covering the basic concept of double movement is important in understanding Mark Blyth and his book, *“Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century”*.

2.2. Karl Polanyi and Double Movement

Karl Polanyi has written *“The Great Transformations”* in 1944 and within this book, Polanyi mentioned and argued the economic concept of double movement, which still to this day has been a great influence on various thinking, even outside of economics. At the basis of the double movement is Polanyi’s argument that the market is not “neutral in their distributionary effects nor natural in their origins.” (Blyth, 2002, p.3). He believed that the market in a natural state was more or less embedded. More specifically within the market, labor was embedded in a series of natural social relationships. This naturally embedded situation was then, according to him, broken when capitalism commodified labor and created a disembedded system (Blyth, 2002, p.3). In essence, Polanyi was critical of the non-regulated free market economy of the 1920’s and believed that disasters that followed this free market economy were inevitable and by 1940’s people would have learned their lesson about free and expanding markets (Silver and Arrighi, 2003, p.325-226).

Basing off from this basic idea behind Polanyi’s thinking, as the name suggests, the double movement can be made from two different parts, or movements, which operate in a different direction. At the very basic level of understanding, within the double movement there is an expansion of the market, which is often called the movement. On the other side is what is called the countermovement, which is represented by different actions and policies that will try to limit the market expansion and its influence (Goodwin, 2018, p.1268). These two movements are always turning in the opposite direction and when the movement is winning, society sees an expansion in the market, resulting in an expansion of free-market-like systems. Inversely, when the counter movement has the upper hand in the rotation, the market will experience regulations and oversights, while the society as a whole enjoys more social protections and subsidies. A common example of this state is the embedded liberalism seen in countries like the United States in the 1950’s to 1970’s.

Through the double movement, Karl Polanyi believed that he was able to address the movement and trends within the market that were faced during his time. Polanyi through his book "*The Great Transformations*" and through his double movement pointed out that the struggle has lasted for a century within the liberal market, until it was brought down with new political economic ideas and policies (Goodwin, 2018, p.1268). Polanyi was critical of the liberal economy and double movement was the tool to explain why the liberal economy fell apart. He argued that disembedding the market and social control will create social dislocation which is then going to work to embed the market back in (Levien and Paret, 2012, p.725). Since then Polanyi's double movement has been discussed and then applied in various different fields and scenarios, including when talking about political economy after the Great Depression. While repeated debate, expansions, and usage of double movement prove the importance and greatness of the double movement, at the same time shows how Polanyi was wrong about his assumptions about his concept of double movement.

Double movement and to some extent, "*The Great Transformations*" was supposed to be a reflection piece, reviewing what happened in the free market economy and how this caused the Great Depression. Human experimentation with the self-regulating market ended in a disaster and Polanyi's work was there to explain why it failed. In fact, one can argue that Polanyi at the time of writing was hopeful of the future with him even stating that in the 1940's "economic liberalism suffered an even worse defeat" (Silver and Arrighi, p.326, 2003). A harsh lesson against a free market economy was taught through the Great Depression and Polanyi thought that the Great Depression and World War II were impactful enough for people to abandon any free market economy.

Unfortunately for Polanyi, the 1920's was not the final time that the free market economy was able to roam in the open freely. The free market economy has made a strong comeback in the form of neoliberalism. With the economy showing some downturn in the 1970's and early 1980's has made people question the embedded liberalism and criticism against regulated economy increased (Blyth, 2002 p. 5). This gave an opportunity for previously marginalized ideas of neoliberalism to gain power and influence and become institutionalized in the 1980's thanks to Reagan and Thatcher and by the 1990's was a hegemon among political economies (Levien and

Paret, 2012, p.725). With the rise and dominance of neoliberalism, Polanyi's idea and hope of a free market economy being a thing of the past, a harsh but important lesson for humanity fell apart. Nonetheless, Polanyi's double movement became a useful tool to explain why the comeback of the free market economy even happened and for some useful tool to rally and counter neoliberalism.

While the original double movement had a rather simplistic idea of the relationship between the market and the state in the form of movement and countermovement, the rise and institutionalization of neoliberalism have brought in the counter-counter movement. However, from a logical standpoint, this also means that counter-to-counter-counter movement is not only possible but should exist. Under this premise, some in opposition to globalization and pro-market policies are using the double movement to argue that an alternative to this reality exists as a society will eventually protect itself from the market (Patomäki, 2014, p.733-734). This can be seen in the works of Levien and Paret in which the two concluded that since the 1990's there has been a steady increase in support of embedding the market again amongst the people, but lack of political organization is hindering the idea from becoming the counter movement (Levien and Paret, 2012, p.741). Perhaps, Polanyi's double movement has failed in anticipating the re-emergence of a pro-market system in the form of neoliberalism. Despite this shortfall, the double movement has proven to be useful and effective in addressing the never ending struggle between the market and the society and it is used to argue that neoliberalism is not here to last till the end of time.

2.3. Institutionalism

It is crucial to cover institutionalism when discussing comparative political economy as it forms one of core concepts of comparative political economy, but also because institution is something that cannot be ignored when discussing reform at a national level. Institutionalism as explained by Schmidt (2014, p.1836) covers a wide variety of methodological approaches, but focuses on institutions and its "rules, regularities, structures, and... influence political outcomes and shape political conduct". At the fundamental level, institutionalism argues that institutions are the foundation of social life and creates formal and informal rules that people follow (Campbell, 2004, p.1). Institutionalism is also unique in a way that theory is constantly evolving and is

never a complete theory as in being able to provide truth (Lowndes and Roberts, 2013, p.18). Today, institutionalism is once again a heavily discussed theory within social science.

Modern institutionalism, often dubbed as the new institutionalism, was not the first set of theories that were introduced. Up until the 1950's institutionalism was the dominant approach in political science and in many ways political science was institutionalism (Lowndes and Roberts, 2013, p.1);(Lowndes, Marsh, and Stoker, 2018, p.54). This is now labeled as traditional institutionalism and it was understood as something of a common sense to an extent that political science moved on and started to focus on power and influence of individuals (Lowndes, Marsh, and Stoker, 2018, p.54).

Response to this focus on individuals was the rise of new institutionalism in the 1980's and it focused upon how organization's political life made difference (Lowndes and Roberts, 2013, p.2);(Lowndes, Marsh, and Stoker, 2018, p.54). For new institutionalists, such as Marsh and Olsen, political institutions played an autonomous role in shaping political outcomes and believed that it was necessary to acknowledge the power and influence of institutions (Lowndes, Marsh, and Stoker, 2018, p.57). Furthermore neoliberalism and globalization has once again made social scientists question what institution is and more over what it does (Campbell, 2007, p.1). Since then under three distinct phases, three different new institutionalisms were developed, which would be briefly explained now.

Three traditionally recognized new institutionalisms are rational choice institutionalism, socio-logical institutionalism, and historical institutionalism (Schmidt, 2010, p.1). Rational choice institutionalism came into being around the 1970's and it is mainly focused on economic and analysis of institutions in an economy (Campbell, 2007, p.2) and it concludes that institutions are purpose built human construct that is there to help solve collective actions problems (Lowndes, Marsh, and Stoker, 2018, p.58). Meanwhile socio-logical institutionalism or normative institutionalism argues that the institutions affect the individuals through "socially constituted and culturally framed rules and norms" (Schmidt, 2010, p.2);(Lowndes, Marsh, and Stoker, 2018, p.58). Finally historical institutionalism

relates most closely with the comparative political economy with its macro point of view and path dependent ideas.

Historical institutionalism traces its origin to classic political economy, to the likes of Marx and Weber. Many historical institutionalists are political economists and their interests are in finding out how political and economic decisions are affected by the institutional arrangement of state and/or economies (Campbell, 2007, p.5). In general, historical institutionalism looks at issues from a macro point of view and also considers the development and then subsequent decisions of institutions in a path, rather than an independent point that are isolated from each other (Campbell, 2007, p.5-6);(Schmidt, 2010, p.2). Therefore for historical institutionalism, focus is on how choices made by the institution on government actions affect future decision making done by the individuals (Lowndes and Roberts, 2013, p.31).

One way in historical institutionalism is similar to comparative political economy is that it acknowledges that there are sudden imbalances to equilibrium. Historical institutionalists call this punctuated equilibrium and this rapid change to the status quo that breaks apart the existing normality and previously existing path of decision making done by the institutions (Campbell, 2007, p.6). Another commonality between the historical institutional and comparative political economy is the focus on idea and belief. For a long time historical institutionalism argued that self-interests was the main motive for actions, but there has been a steady shift in arguing that belief and ideas can influence decision making (Campbell, 2007, p.7).

For comparative political economy, the presence of institutions is not only important but plays a central role in creating change in politics and economy. Institutions alongside actors and organizations affect the creation, framing, and spread of an idea, which then affects that state's political and economic decisions (Campbell and Pedersen, 2007, p.2). Without any change in the institution, changes will not happen in the political or economic sphere. Blyth (2002, p.274) continues on with this and argues that the political economic sphere is not a vacuum and changes that happen in this sphere are caused by the modifications made by the institutions. In fact, comparative political economies in advanced liberal democracies have increasingly started to debate about when, where, and how institutional change occurs (Hay,

2004, p.204). Nevertheless, comparative political economy focuses on the role of institutions and just like the historical institutionalists argues that institutions are the driving factor that brings change to political economy, whether it be good or bad.

Going back to the idea that nations still remain quite different from each other, notwithstanding the fact globalization and increasingly similar economic policies can again be explained through the effects of institutions. Even at the broadest categorization, countries are divided into liberal market economies and coordinated market economies. However, even within these two categorizations, for example under coordinated economies, how the market economy functions are vastly different as seen with the case of Germany and Japan. This difference, even under a similar system, is the result of institutions within these nations and comparative political economy therefore argues that institutions matter and are important (Jones, 2003, p.143). If the institutions were not the reason behind the differences between the nations, then the common challenges should be met with a common response (Jones, 2003, p.143), but in reality, applying economic policies from one nation to another has a mixed result especially when cultural aspects and differences are ignored (Boettke et al., 2005, p.298). The institution is the reason why particular economic policies are implemented and when the stasis that is brought by the institution is breached is when change may occur (Hay, 2004, p.205). Thanks to the institutions, within each nation, different economic and political systems exist and also through institutions, different nations see varying degrees of success of the said policies.

2.4. Mark Blyth and Comparative Political Economy

Mark Blyth mainly focuses his studies on political economy and has been a loud critic of many established political and economic ideas. This can be seen with his profile on Brown University's Watson Institute which states that his research interest is on "why people continue to believe stupid economic ideas despite buckets of evidence to the contrary" (Watson Institute, n.d.). Running with this view, Blyth has criticized that academics view the world in a stable and predictable manner and a general belief that reduction of uncertainty leads to predictable results is missing the mark (2006, p.494). Due to the fact that the dominant thinking is already off the mark, according to Blyth, this results in modern-day political and economic theories being replaced almost every decade as they only explain what is happening now and fail to explain

the future (2006, p.496). In this sense, Blyth is different from major political economy theorists, but he still shares many common views in regards to comparative political economy.

Blyth within his book, "*Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century*" used comparative political economy and its focus idea to explain how embedded liberalism became the norm post World War II and then how embedded liberalism was replaced by neoliberalism in the 1980's. Blyth argues within the book that idea plays a central part in bringing about political economic norms and even change as if it is "believed by a large enough group of people... it becomes true" (Blyth, 2002, p.vii). This idea then forms the institutions, rather than institutions creating ideas, and hence, ideas should be the front and center in explaining political and economic change (Blyth, 2002, p.ix). Such an argument where an idea plays a central role in bringing in new changes also addresses the issue of needing to force a claim that one single institution or stakeholder is responsible for bringing in the change. Instead, arguments can be made that a coalition of institutions and stakeholders through a single idea brought about the change, which is argued by Blyth through examples of the United States and Sweden.

From the title of the book being virtually the same as the Polanyi's, the book takes a huge part of its inspiration from "*The Great Transformations*". Blyth focuses upon Polanyi's double movement and uses the concept to not only explain how embedded liberalism came to be but also how neoliberalism was able to come back and replace the market regulated system that became the norm after World War 2. He comments that while double movement does explain the process of institutional change, it does not explain how the change occurred and more importantly the role of uncertainty and eventually crisis in bringing about the opportunity for change in the first place (Blyth, 2002, p.8-9). These unique events that create large uncertainty that later creates a crisis that brings in a new political and economic change is called a "Knightian uncertainty" by Blyth and within the book, these are specifically economic uncertainty brought in by existing political economy during the 1920's and 1970's (Blyth, 2002, p.9). According to Blyth, these uncertainty and crises bring in new ideas

and these new ideas thus bring in new institutions and he explains this through four hypotheses.

Blyth in a confusing manner initially proposes five hypotheses within his book, but then at the end connects hypotheses three and four. However, his original five hypotheses still offer an excellent understanding of how crisis and uncertainty are overcome through the use of ideas. Blyth's first hypothesis is that during a period of economic crisis, ideas not institutions reduce uncertainty (Blyth, 2002, p.35). Here, the hypothesis is partly based on historical institutionalism and its idea that institutions change in an increment. Therefore, a crisis is when due to a sudden situation or other factors, the institution and its small incremental change cannot keep up with the surrounding situation. When the existing institution creates a crisis, there is such a level of uncertainty that existing ideas and institutions cannot provide answers to reduce the general confusion (Blyth, 2002, p.36). Under such a crisis, the only way to reduce uncertainty and hopefully create a situation where the crisis can be tackled is to essentially have a new idea. By doing so it helps stakeholders to see where they are standing at the moment and which direction to move forward. In a more casual way of understanding, the crisis is like when one's house burning down and throwing buckets of water is no longer helping with the fire. Perhaps, under this situation, the best solution is to run outside and see how bad the fire is and determine what actions need to be taken.

The second hypothesis is the next step with idea and crisis and here, Blyth hypothesizes that once the uncertainty is reduced, the idea is then used to make collective actions and coalition building (Blyth, 2002, p.37). While a new idea may enable people to find a potential way to navigate through a crisis, it does not mean that idea can suddenly replace the old one and everything goes back to working again. Whether or not it is replacing the existing dominant institution or reforming the existing institution to fit the new idea, change needs to happen. For an institutional change of this caliber to happen is through collective actions of different stakeholders, such as business, labor, and the state (Blyth, 2002, p. 37). The only way to bring in a transformative change is through a coalition of different actors and new ideas help these actors to rally under the same banner and form a united front to

tackle the crisis. Blyth excellently summarizes this by claiming that “agents have interests, ideas make them collectively ‘actionable’” (Blyth, 2002, p.39).

Once the coalition building is done by rallying under an idea, then the next stage is conflict. Once again the third hypothesis, idea plays a central role as it is used as a weapon to fight off other institutions. The onset of a crisis makes the existing institution and idea vulnerable to attack, this does not mean that the pre-dominant institution will just slump over and cease to exist on its own. Furthermore, a crisis is also an opportunity for other ideas and coalitions built under it and this creates a very competitive environment where ideas are abundant. Under this condition, not only is it important for the coalition to be able to point out exactly why the previous institution created the crisis in the first place, but it is also important to be able to delegitimize the previously dominant idea as well (Blyth, 2002, p.39). Challenging the previously accepted view through ideas enables the idea to stand out and attract even more actors as well (Blyth, 2002, p.40). For Blyth, an idea is not simply something that can be used to create an institution, it is also something that can be used by the said institution to attack other institutions and their ideas.

When the new idea is able to delegitimize other ideas, including the previously accepted idea, the new idea is then officially now used as a tool to create a new blueprint for the institution. Again under the argument that an idea comes before and above the institution, the creation of a new institution is also based on an idea. The idea helps form a blueprint for a new institution by essentially creating the game plan to tackle the existing issue and finally overcome it (Blyth, 2002, p.40). This game plan also forms the basis for the new institution as it enables the coalition of stakeholders and actors to become institutionalized.

Finally at hypothesis five is where the crisis is overcome with an idea. Here Blyth hypothesizes that once the new institution is created, the idea helps ensure the institution is stable (Blyth, 2002, p.41). With the crisis overcome with the help of new institutions, its importance and dominance are very much a given. However, the institution’s longevity again relies on the idea it is based upon. In order for the institution to essentially become institutionalized in the politico-economic sphere, it must also be able to point out what to be expected in the future and the best courses

of action to take and offer stabilization (Blyth, 2002, p.41). Ideas can be reactionary at the start of the crisis, but once the crisis is over, its failure to offer stability can lead to another crisis and will create the cycle all over again. When institutions can offer stability through idea and idea can offer institutions what actions and even changes it needs to take in order to avert a crisis, then the new institution will remain dominant. Historically speaking this concept of idea and institution creating the new status quo can be seen with embedded liberalism in the 1940's to 1970's and neoliberalism from 1980's to the current.

3. Material and Methods

Japan and its labor situation is the focus of the thesis, Finland was chosen as a country to compare to. Japan is the prime focus of the paper as it is one of the most advanced countries in terms of labor issues with a shrinking workforce and poor working conditions being in the forefront. Situation is critical to a point that actions are finally starting to be taken. Finland was an excellent country to compare as while the situation is not as dire as Japan, Finland is a country on its path to face similar difficulty with Japan in the future. Furthermore, Finland also offered differences from Japan as well as the nation boasts strong work-life balance and social system and offered a good comparison point.

For this thesis, two different types of sources were mainly chosen and used. First and mostly used as a main source are government publication and documents. Wide variety of government sources were used and these sources ranged from official white papers regarding labor from Japanese Ministry of Health, Labour, and Welfare to government websites designed to help explain to the public and smaller businesses what “Work Style Related Reform Laws”. Furthermore, local government and municipality’s documents also offered excellent sources explaining the labor situation and changes in laws regarding labor. Similar to Japanese sources, the Finnish government also offered documents regarding labor laws and rights and some supplementary sources from both the national and local government also offered some explanations on Finnish working culture. Anything actions, decisions, and regulations that were organized and headed by the government were exclusively covered using government documents.

Second types of sources that were used, especially to look into private business, non-governmental organizations, and general culture were research reports. For issues such as unemployment rate and labor shortage for Japan, there has been much research conducted and these were used to explore labor situations in Japan in detail. Research papers and reports were used as well in Finnish sections when exploring Finnish labor culture, trade unions, and immigration again as there were research papers that explored these specific topics, while governmental papers on these sections were virtually non-existent. Finally for some supplementary numbers and

figures, especially for those that are recent, newspaper articles were used. However, these were limited to being a supplement and were never the focus of the analysis.

As the thesis will be using government and research reports, the method for this thesis will be document research. The thesis will be looking into different documents and sources and will be analyzing different aspects that compose the overarching labor situation of Japan and Finland. Country cases' subsection will be looking into different points that affect the labor situation of one of the two countries using correlating sources. These sources are then augmented with additional sources to help explore the sections and offer an understanding of how the issue is affecting the labor situation.

Document research is the best fit method for this paper as first and foremost, because there is no paper that has ever looked at the labor situation from multiple aspects while there are plenty of papers that focus on a single issue. By researching each document for corresponding issues, this allows one to see the bigger picture of the labor situation in Japan and Finland. With this overview, comparison can be made between the two countries in the analysis. Finally with the comparison and overview, the paper can go back to institutionalism and Blyth's hypothesis and explore where Japan is in this labor crisis and what the nation can potentially do to achieve societal transformation.

4. Japan

4.1. Working Hours and Wage

The struggle between businesses achieving profit and growth while workers demanding better wages and working conditions has been ongoing ever since the dawn of civilization and the introduction of organized labor. Compared to slave laborers at the cotton plantations in the 19th century southern United States or to the factory workers during the midst of the Industrial Revolution in London, many workers today in developed countries enjoy far better working conditions and rights, but still, the struggle for better conditions continues on. Such struggle is true for Japan as well and in many ways, Japan is famous for its extremely demanding working conditions and long hours dedicated to work. Despite the world-renowned reputation, in recent years, Japanese society as a whole has been seeing small but incremental improvement in working hours and conditions for its workforce.

Average working hours in Japan have been on a decline for sometime. From the data collected by OECD, average annual working hours in Japan in 1985 was around 2,093 hours. Since then, annual working hours have been on a steady decline and as of 2022 average in Japan was down to 1,607 hours annually. Recent annual working hours in Japan is marginally lower than the Italian average of 1,694 hours and is significantly lower compared to the United States, which boasts 1,811 hours of annual working hours. Japanese working hours compared to the Nordic counterparts are still higher with Finland having its 2022 average being 1,498 hours and Sweden having 1,440 hours (OECD, 2022). Nevertheless, Japan has been seeing a continuous improvement in working hours and Japanese workers today, compared to 40 years ago are able to dedicate far more time on out of work activities and maintaining a work-life balance at least in terms of working hours is increasingly becoming a possibility.

Nevertheless, workers in Japan still require and yearn for more change as there are still multiple aspects that hinder workers from achieving satisfactory working conditions and maintaining a proper work-life balance. One of the main issues that is constantly being discussed and demanded by the people is wage increase. Japan has been experiencing a long-term stagnation of wages that has been continuing for over

three decades. Again returning to the data provided by OECD, the average wage in Japan in 1991 was around 4,381,625 yen or \$40,379 and in 2022, after three decades average wage was still around 4,522,614 yen or around \$41,509 (OECD, 2022). To add insult to injury, recent inflation which was 4% in Japan has negatively affected people's disposable income and has been negatively affecting the quality of life in the country (Toh and Jozuka, 2023). Japan has been seeing a statistical decrease in working hours and people on average are able to spend much more time outside of work, but decreasing the amount of disposable income is inhibiting people from enjoying such freedom.

4.2. Aging Population and Low Birth Rate

Stagnant wage and increasing cost of living is not alleviating the second issue Japan faces, but rather helping accelerate the issue. The Japanese birth rate has been on a constant decline and simultaneously, the average age of the population has been increasing. Average age in Japan has been increasing ever since the end of World War II and in recent years Japan is known for being a country with one of longest average lifespan. As of 2019, according to the Japanese Ministry of Health, Labour, and Welfare (2019, p.1), the life expectancy of Japanese today is around 81.41 years for males and 87.45 years for females. While Japan citizens being able to live longer and healthier than most other global counterparts can be attested to by the excellent government welfare system, this also shows a demographic crisis as there are more and more older people than younger people. Data given by the Statistics Bureau of Japan shows that in Japan 28.6% of the population are 65 years old or older and this is higher than Italy, which is around 23.3% (Statistics Bureau of Japan, 2023, p.13). Japan's aging population is further supported by the data from IMF (2020), which mentions that Japan has the highest median age in the world at 48.4 years and more concerningly, by 2060 for every working-age populace, there will be one retired person.

The issue with the aging population is seeing no sign or improvement and the low birth rate in the country is accelerating the situation. According to Craig at the National Library of Medicine (1994, p.20), for a developed nation to maintain its population, a fertility rate of 2.1 children is needed per woman. However, as of 2021, Japan's fertility rate is at 1.3, far lower than the amount required to maintain its

population number (The World Bank, 2023). Although many of the developed countries fail to reach this magical fertility rate of 2.1, Japan alongside its neighboring countries like China and South Korea remains one of the lowest in the world. The reasons behind the low fertility rate in Japan are vast with many research and arguments are placed forward, ranging from low marriage rate and general want for fewer children (Iijima and Yokoyama, 2018, p.305-307) to Japanese political ideology creating policies that are only catered toward heterosexual couple and traditional household with two parents and neglecting single household in general (Akagawa, 2019, p.312-313). While social and political reasons definitely play a consequential role in Japan having a low birth rate, economical reasons also play an important part as to why young Japanese people are refusing to have children.

Reason behind low birth rate has been further explored by Iijima and Yokoyama using Leibenstein's economic theory of fertility. The economic theory presented by Leibenstein argues that when families are deciding whether to have *n*th child or not is based on a rational choice, weighing the benefit and consequences (Robinson, 1997, p.63). Three factors that affect this decision making are happiness and satisfaction the child brings, potential social and economic benefit a child may bring the family in the future, and economic and practical support and assistance the child can provide in the future (Iijima, Yokoyama, 2018, p.308). The first reason for bringing in happiness is the most common reason for young people in Japan to have children with 66.5% of male and 73.3% of female respondents choosing happiness as a primary reason (National Institute of Population and Social Security Research, 2015, p.39). Despite a large segment of the population agreeing that children bring happiness, continuing low birth rate shows that other factors offset the happiness to an extent that young people and economic reasons are a large factor in this.

Continuing on, for many young Japanese families today, raising a child is not only a time-consuming venture but an extremely expensive endeavor. Japan is ranked as one of the most expensive places to raise a child (Yeung and Maruyama, 2023). Reinforcing this claim, Iijima and Yokoyama (2018, p.308) mention that if a family wishes to send two children to preschool it will cost annually about 1,000,000 yen, which is close to 20% of post-tax earnings for the average Japanese in their late 30s and money required for a child's education will continue to increase year on year.

Such a level of economic burden makes young couples in Japan reconsider having a child as any economic downturn can absolutely damage their child's ability to gain top level education and skills. Furthermore parents will be less likely to have a second or third child if the economic burden of having a single child can significantly affect their economic well being.

To further discourage young Japanese women from having children is labor culture in Japan. Any Japanese woman who is in any form of full-time career is expected to have a career following a certain track (Boling, 2008, p.316). This means that continuous employment is extremely important in earning a promotion or wage increase and having children and leaving the workforce can be extremely damaging to having success in one's career. Therefore, Japanese women are forced to choose between career and family, and for those who chose family means giving up not only on career success but also on holding any full-time job in the future (Boling, 2008, p.316). Furthermore, younger women tend to have lower wages, one for being young in a seniority-based wage system and two for being assigned to back-end office jobs that are of lower pay often because of gender discrimination. Due to these factors, when young Japanese women are forced to choose between having a child or keeping their career, the negatives of having a child outweigh the positives of having one (Iijima and Yokoyama, 2018, p.308). Women with a successful career need to give up on their career path and the best case scenario for women who had to leave the work due to having a child is to return to their previous position and retain whatever responsibility that they had previously.

The aging population combined with low numbers of children within the populations alongside extremely limited numbers of immigrants have resulted in a population decline for Japan. According to the official data of the Statistics Bureau of Japan (2022), the Japanese population has decreased by 556,000 people in 2022. A declining population with more and more people retiring from work and less and less young people being able to replace these retiring people will create a situation where there will be shortage of workforce. In fact, labor shortage has already been happening and this can be seen through the Japanese unemployment rate, job openings and even bankruptcies.

4.3. Unemployment Rate and Labor Shortage

One achievement of Japan has been a low unemployment since post WWII and low unemployment continues to this day. Despite the fact that Japan has been facing a 30 year long economic stagnation, unemployment remains low. Part of this low unemployment can be attributed to the fact that Japan operates under a segmentalism system where employers offer a generous welfare package in return for a lower wage (Hay, 2004, p.213). Also Japanese unions have for a long time worked together with company management to prevent layoffs and offer stable employment in return for workers being loyal by continuously working for the same company (Boling, 2008, p.315). Adding on to this, Japan has strong labor laws that protect workers from being fired without a just cause resulting companies unable to fire its workers, unless all other options have been tried and due to this fact, companies are willing to train and invest in their workers as part of long term investment and capacity building (Busemeyer, 2009, p.390). The segmentalist system in Japan has made it rare for workers to be fired from their job or change the company and long-term stable employment in return for loyalty has created a low unemployment society.

How low the Japanese unemployment rate is can be seen from the data provided by the World Bank. Using the data from the World Bank (2023), global average unemployment was around 5.8% as of 2022. Looking at individual countries, both Germany and the United States had similar unemployment rates of 3.6% and 3.9% each while Finland had a higher than global average rate of unemployment, which was around 6.8%. Japan had lower unemployment than Finland or the global average, and even lower than Germany. The Japanese unemployment rate in 2022 was around 2.6% according to the World Bank (2023). Among the developed nations, Japan has one of the lowest unemployment rates, and the current unemployment rate in Japan is getting closer to the unemployment rate at the height of the Japanese economic bubble in 1991, which was 2.1% (The World Bank, 2023). Despite the fact that the Japanese economy has been stagnant with little to no growth, both nationally and personally in the form of a paycheck, Japanese unemployment has remained low. Infact, despite the 2008 economic crisis or covid pandemic, Japan was able to maintain an unemployment rate that is lower than the global average.

Continuing on, the relationship between low unemployment and labor shortage can be observed through job opening data. From the general Japanese job opening data, a shortage of labor can easily be seen as there are 1.35 job openings per 1 job seeker in Japan (Nishioka, 2023, p.3). The ratio differs to some extent depending on the region and what types of job, however this means that in a hypothetical scenario where every single job seeker finds employment, some sectors and companies will still be facing a shortage of workers. In fact, when one limits the data to entry-level positions designated specifically for fresh graduates, called *sinsotusaiyō* (新卒採用) numbers become much more drastic. When looking at fresh university graduates, the job opening to job seeker ratio is around 2.33 to 1, meaning that there are more than two job openings for positions and roles that are specifically for freshly graduated university students (Nishioka, 2023, p.3). Labor shortage is becoming severe to a point where even under the potential scenario of full employment, it is impossible for Japan to fill up all the open positions that are being offered by the companies. Furthermore, as the average age in Japan keeps on rising and fewer and fewer younger people are available as the workforce, more and more companies will have difficulties filling up entry-level positions which were traditionally covered by high school and university-level graduates.

The effects of the labor shortage in Japan are being felt very dearly by Japanese firms. From the most recent report conducted by The Japan Chamber of Commerce and Industry and The Tokyo Chamber of Commerce and Industry (2023, p.2), 68% of small to medium-sized firms in Japan answered that they are facing a labor shortage. Meanwhile, over 72.4% of firms answered that the labor shortage has negatively affected their business operation or conduct (Ministry of Health, Labour, and Welfare, 2019, p.114). These research reports show that Japanese firms are facing a labor shortage to the extent that most Japanese companies feel that normal business operations are increasingly hard to conduct either because they themselves do not have enough workers or because their business partners and customers are suffering from labor shortages.

The labor shortage situation for firms in Japan extends to almost every kind of industry alongside with every time of job contracts. A research report published by

the Teikoku Databank (2023, p.1), a business research firm shows that 52.1% of companies answered that they did not have enough full-time or permanent workers. Business sectors that were most desperate for full-time workers were in the following orders; hotels, information services, and constructions, showing that all types of workers and skills were lacking (Teikoku Bank, 2023, p.2). As for part-time or contract workers, 30.9% of companies answered they were lacking in numbers with the Restaurant and Hotel industries being the most common types of companies to respond that they did not have enough part-time workers (Teikoku Databank, 2023, p.2 and p.4). Alongside the low unemployment rate and massive job openings, these data show that all types of industries and all forms of work are lacking in people in Japan to the extent that businesses are having difficulty operating.

The most extreme and the ultimate result of a labor shortage is not only starting to become a reality in Japan but is also becoming common as well. Due to massive labor shortage and the subsequent inability for companies to find anyone available to hire is resulting in an increasing number of bankruptcies. For small to midsize firms in Japan labor shortage is severe enough that 64.1% of those who answered that they are facing a labor shortage (68%) answered that they are considering bankruptcy or shutting down business operations in the future (The Japan Chamber of Commerce and Industry and The Tokyo Chamber of Commerce and Industry, 2023, p.6). From the most recent report from the Ministry of Health, Labour and Welfare (2023, p.12), in 2022, 485 companies declared bankruptcy due to labor shortage issues such as lack of heirs and employee retirement. Moreover, in 2022, 140 companies declared bankruptcy due to the fact that the company simply did not have enough workers to operate the company anymore and in 2023 this number increased to 260 companies (Teikoku Databank, 2024, p.1). The labor shortage in Japan is becoming critical to the point that companies are having to declare bankruptcy not because of poor business performance but because there are not enough people to run the company. With the expected rise of labor shortage, the number of companies that are forced to be bankrupt due to lack of workers is expected to rise year on year.

4.4. Actions Taken by the Private Sector

Declining and aging population alongside massive labor shortage, especially around younger generations, has become such an issue to a point where Japanese firms are

taking matters into their own hands. In part as a response to the Covid related inflation and more importantly to ensure that companies can have enough workers, Japanese firms have started to raise wages. As stated within the previous section under working hours and wage, average wage in Japan has remained mostly the same for the past 30 years, very much reflecting the economic stagnation the nation faced. However in 2023's *shunto*, which is a spring time negotiation between labor unions and industries, there was an average increase of wage by 3%, breaking away from the 30 year trend (Ogino, 2024, p.39). Furthermore, bigger firms with over 1 billion yen in capital saw massive base wage increases averaging around 11,245 yen from the previous year (Ogino, 2024, p.39). Moreover, some specific industry based unions such as the Japan Council of Metalworkers's Union and UA Zensen, a union based around textile and retail based workers, have not only received full acceptance of their demand, but in some cases even better response in regards to wage growth promises (Ogino, 2024, p.42). According to the data collected by the Ministry of Health, Labour, and Welfare around the summer, monthly wages increased by 3.2% and nearly 90% of the companies offered or promised wage increases (Sugiyama, 2023). Other than Britain, Japan is the only country among the OECD nations that had a real wage increase in 2023 (Toda, 2023).

This trend of Japanese workers being able to achieve a real wage increase seems to continue on in 2024. The Japanese Trade Union Confederation or *Rengo*, the biggest Japanese labor union has announced that in 2024 *shunto*, it plans to demand a 5% increase and wishes for the trend of wage increase to continue year on year (Jiji Press, 2023). Considering the fact that many industries were willing to accept the 2023 demand and in some cases go beyond the demand proposed by the labor union, it is quite possible for the demand to be met and for Japanese workers to see another year of wage increase above the inflation. Toda (2023) argues that the growth rate of unit profit among OECD nations, including Japan, has been increasing and therefore it is possible for Japanese companies to absorb further increase in wage. Despite the economic situation, Japanese workers are finally seeing wage increases and ever decreasing numbers of the labor force might pressure companies to continue to increase wages in order to retain what workers companies currently employ.

Focusing more specifically onto fresh graduates and entry-level positions, young fresh workers have seen a sizable increase in starting wage as well. In order to attract the ever dwindling pool of talent, companies have been increasing the base wage for these first year workers and in some cases monthly wages have increased as much as 10,000yen (The Institute of Labour Administration, 2023, p.3). Game and entertainment giant SEGA have announced a substantial 35% pay increase for fresh graduates and machinery maker DMG Mori have stated a 110,000yen increase in base wage for new employees with master's degree or higher (Murayama, 2023). Large industry leading and international firms based in Japan have been taking even more momentous actions in order to stop young talents from leaving the country in search for better pay. Furthermore, because of the declining labor pool, companies are increasingly feeling the need to acquire talent from abroad and lower wage level in Japan hinders the Japanese company's ability to attract these international talents (Ogino, 2024, p.43). Due to the fact that there are more than twice the amount of open positions specifically for fresh graduates compared to the number of graduating students and talented individuals seeking to work abroad where wages are higher is forcing firms to offer higher wages in order to outcompete its competition. Perhaps, this massive increase in wage for younger workers might also play a role in further increasing the wage for the rest of the employees and even play a part in breaking down the age based wage system that is so prevalent in Japan.

4.5. Actions Taken by the Government

Perhaps due to Japanese companies and labor unions starting to tackle the labor situation in Japan, the Japanese government led by the ever dominant Liberal Democratic Party or the LDP is finally starting to take some actions to help with the labor issue. In 2015, Prime Minister Abe's administration proposed, *Ichiouku Sou Katsuyaku Shakai* (Takeda, 2018, p.105), which the direct translation is more or less "a society where 100 million are all engaged". This idea, which sounds awfully similar to the national mobilization law that was passed in 1938 in order to prepare the nation for total war with the allied powers, contained ambitious and even draconian ideas such as keeping the population of Japan above 100 million or having zero elderly care workers resign (Ministry of Health, Labour, and Welfare, 2015). However, the central objective was a creation of society where "Women, men, elderly, young, those who have failed once, those with disabilities and intractable disease can

flourish...” (Takeda, 2018, p.106). The Japanese government and the LDP believed that if every single Japanese other than the minors are working then the economic growth will be achieved and the birth rate will recover (Ministry of Health, Labour, and Welfare, 2016, p.230). This concept of 100 million participating in labor led to creation of *Ichioku Sou Katsuyaku Shou* or “Minister in Charge of Promoting Dynamic Engagement of All Citizens” (Nikkei, 2015) and creation of the ministry will lead to the creation of new sets of laws and regulations to improve the labor conditions in Japan.

Through the creation of the “Minister in Charge of Promoting Dynamic Engagement of All Citizens”, the concept of *Hataraki Kata Kaikaku* or “Work Style Reform” was born. The main point of *Hataraki Kata Kaikaku* is to create a society where the worker can work flexibly depending on one’s situation and has an ability to choose how one works (Hachioji City, 2023). More specifically, on the special webpage produced by the Ministry of Health, Labour and Welfare (n.d.) *Hataraki Kata Kaikaku* is explained as an ideological mentality shift from a more pro-business stance to a pro-worker stance. Within the webpage, it is explained that previously the focus was in creating more investment into business and innovation in order to tackle the issues regarding the aging population and a more flexible working environment. However, according to the Ministry of Health Labour and Welfare (n.d.), from now on, the focus is on creating a society where workers can choose how one wishes to work with the result being a creation of a good working environment and bright future to look up to. From this “Work Style Reform”, the Japanese government has now taken a more active action in the form of passing a series of laws and regulations under the umbrella of the *Hataraki Kata Kaikaku Kanren Houan* or the “Work Style Reform Related Laws”.

The *Hataraki Kata Kaikaku Kanren Houan* or the “Work Style Reform Related Laws” was first enacted in April of 2019 (Aichi Labour Bureau, n.d.) aims to improve upon current labor laws as well as create new laws and regulations to create a better working environment and labor conditions. As the word “reform” in its name and explanation of the “Work Style Reform” by the government’s special webpage shows, these laws aim to have a transforming change in Japanese society, especially in its working culture and conditions. However, at the moment, the government’s focus

and aim seems to be more on tackling the issues of part-time workers and encouraging women and elders to go back to working again rather than reforming the overall labor culture in Japan (Mitani, 2017, p.1&2). Indeed many married Japanese women are forced to give up their career and work part-time while the male counterpart part continue to work full-time in order to seek career success is an issue that needs to be tackled, new sets of laws does not address the societal and labor conditions that forces women to give up their work upon having a child. Instead, as it will be explained in the later paragraph, laws force women who were forced to give up their full-time career for a dead end part-time job to start working essentially as a full-time on their dead end part-time job. This is especially ironic considering the fact that the goal of “Work Style Reform” is to give people the ability to choose their work and career.

One of the first laws to pass as part of the reform was imposing new limits on the amount of overtime companies can impose on its workers. Starting from April 2019 for large companies and April 2020 for middle to smaller size companies, maximum overtime working hours are now limited to 45 hours a month and even on special cases, overtime hours should not exceed 720 hours annually (Ebisuno, 2019, p.66);(Aichi Labour Bureau, n.d.). Furthermore, companies now need to ensure that at least 6 month a year monthly overtime working hours to be under 45 hours (Aichi Labour Bureau, n.d.) and in special cases where companies are allowed to exceed the 45 hour limit, any over time above 60 hours needs to pay extra 50% to its overtime payment and 100 hours is the maximum overtime allowed even in the special cases (Ministry of Health, Labour and Welfare, n.d., p.3 & p.4).

At a glance, limiting monthly overtime working hours to 45 hours does not sound too dreadful. Considering that most full-time contracts that do not have any flexible working hours in Japan are from 9am to 6pm, excluding lunch break, and considering that monthly working days are around 20 days, this means that in a worst case scenario, maximum allowed overtime would be 2.25 hours or until about 8:15pm. Unfortunately, this can only last for 6 months as companies are by law allowed to impose 720 hours of overtime a year. Therefore, this means that for the rest of the year a worker will be forced to work for extra 3.75 hours a day considering the fact that the company will still have extra 450 hours of overtime divided into 6

months of 20 working days each. If the company decides to not give any overtime for 6 months, companies again by law are allowed to impose 100 hours of monthly overtime, which equates to 5 hours of overtime per workday. What is even more depressing is that none of the documents provided by the government does not indicate what is considered to be a special case where 60 hours or even 100 hours of overtime is allowed, meaning companies can easily argue that labor shortage or any other reason as something that necessitates being placed under a special case. Moreover, documents even provide addendum that give certain industries such as transportation, medical, and construction extra 5 years to enforce the law and even after enforcement of the law some industries such as transportation can allow up to 960 hours of annual overtime in order to prevent the collapse of shipping and trucking in Japan (Ministry of Health, Labour and Welfare, n.d., p.9).

Second law that was created under the “Work Style Reform Related Laws” addresses the issue with part-time and other non-full-time employees. With the new law, employers can no longer discriminate against employees that are not under full-time contract and need to provide equal wages for equal work. More specifically, if a part time worker or contract worker is working the same hour and is covering the job description, as the full-time worker, the company must offer the same base wage and bonuses (Ministry of Health, Labour and Welfare n.d.). For example, this means that a part time worker who works 40 hours a week at a supermarket as a cashier, now should be paid the same amount as the full-time worker who also works as a cashier. Second part of this law also now requires the company to offer explanations to non-full-time workers, for why one’s wage and benefits differs from the full-time counterparts (Ministry of Health, Labour and Welfare, n.d., p.18). Finally law now gives local and national labor bureau to offer free assistance in solving working contract issues and ability to enforce the duty of explaining difference in benefits and wages to its non-full-time workers (Ministry of Health, Labour and Welfare, n.d.).

More recently, for part-time workers, the issue regarding payment of social insurance commonly called *nenshuu no kabe* or “wall of annual income” became a matter as well. This “wall of annual income” refers to a certain annual income point where the benefit of earning income decreases and social burden increases. In Japan, if there is one family member that is working full-time, then the rest of the family members do

not need to pay certain taxes even if others are working part-time as long as the income is under a certain level. Therefore, this means that if there is a family of three, composed of two parents and a child, as long as one of the parents is working full-time, then the other parents and the child do not need to pay some taxes, but once the other parents who was not working starts to work part-time and that individual's income level reaches a certain point, both parents are now required to pay the taxes. One of the most common examples and easiest to understand case of "wall of annual income" is when a part-time worker earns more than 1,060,000 yen a year in a company that employs more than 101 employees and the individual is working more than 20 hours a week. Suddenly the individual now needs to pay social security tax, which is going to cost about 160,000yen a year, quite severely hurting one's income (Public Relations Office Government of Japan, 2023). Since many part-time workers are not going to receive a massive pay increase in the form of promotion, crossing this income threshold basically means a sudden decrease in income through taxation and the only solution to this is to reduce the working hours down to a level where they are not taxed.

In fact, many part-time workers have been conscious of one's income level and have been taking actions to prevent income from reaching certain thresholds. Research conducted by the Nomura Research Institute in 2022 has shown that out of 3000 part-time female workers, 61.9% have responded that they are indeed controlling the working hours to reign in the income level (NHK, 2023). For a long time this has not been an issue, but with the recent rise in cost of living alongside wage increase across the population, limiting income in order to not pay the social security tax has become an issue many families face. Furthermore, the rise in wage means even less working hours for those who do not wish to pay the social security taxes and this is accelerating the labor shortage (NHK, 2023). As such, this is creating a conscious under-employment for many part-time workers in Japan.

Government concerned about the labor shortage and current situation that is not encouraging people to work as long as possible, has announced in late September new "packages" to alleviate this situation. Two policies and one future plan were announced and the first policy offers companies a maximum of 500,000yen a year per person for 3 years, if the company is willing to offer a wage increase that is higher

than the social security cost (NHK, 2023). Next, part-time workers can now earn 1,300,000 yen a year for two years in a row without being worried about paying extra taxes (Public Relations Office Government of Japan, 2023). Finally, in order to encourage more stay-at-home partners to work part-time, the government is planning to enact some measures to discourage companies from giving benefits to non-working partners of employees (NHK, 2023).

Although this package now lessens the impact of working more hours or earning more hourly wage for part-time workers, there are still many issues that remain or are outright ignored. First of all, as it is pointed out within the article by the NHK (2023), the issue with the current package is unfair for certain groups of people. For example, families where both parents are working full-time or those who own and run their own business are still expected to pay the full social security costs. Essentially current government action is only aimed at a certain family type where there is a main breadwinner and partner that works part-time to financially support the breadwinner and “protect the house”. In fact, this is a continued reinforcement of traditional family structure and value by the government where the main functions as the breadwinner of the family and the woman supports the husband.

Many developed countries in the world, be it the United States or Finland, good or bad immigration and immigration policy is a major issue for both the public and the government. However, for the Japanese government word for immigrant, *imin*, is a taboo to an extent that the government will refuse to mention immigration policy as such, but rather as “acceptance of foreigners” (Roberts, 2017, p.89). This avoidance of immigrants extends to such an extent that the Japanese government does not count foreign born Japanese nationals into their population calculation (Kondo, 2009, p.7). Despite this allergic reaction to immigration from the government, due to the aging population and labor shortage, in 2018, then administration has admitted that Japan needs to start using immigrant labor and build capacity for it (Koido and Uebayashi, 2018, p.54). Since then Japanese immigration has seen changes in its policies regarding “acceptance of foreigners”.

One of the biggest changes that was brought in regarding immigration was the introduction of Specified Skilled Work visa or SSW. Introduced in 2019, SSW allows

for the foreigners with necessary skills and language level to work in 12 labor sectors (Kiuchi, 2024);(Ministry of Foreign Affairs of Japan, n.d.). By 2023, over 210,000 people have entered Japan and work in Japan through the SSW visa and the government has announced plans to expand the visa to 16 labor sectors and accept up to 820,000 people (Kiuchi, 2024). Alongside other visas, as of 2023 there are 2,048,675 foreign working in Japan, which is a 225,950 increase from 2022 (Ministry of Health, Labour, and Welfare, 2024, p.3). While the government does not want to mention immigration in its political debates, labor shortage has forced the government's hand and the number of immigrants in Japan is increasing.

This need for immigration might not be openly conveyed by the central government, but for the local government, policies to accept immigrants are already in motion. For example, in 2021, Gunma prefecture has enacted “Gunma Prefectural Ordinance for Promotion of Intercultural Co-creation” which aims to not only promote intercultural society, a society where foreigners are part of the local community and also publicly bound local government to promote integration of immigrants into the society (Gunma Prefecture, 2021, p.3). In Yamanashi prefecture “Yamanashi Conceptualization of Multicultural Symbiosis Society” was developed to help immigrants to be integrated into the society, but also help develop language skills and cultural understanding to avoid frictions (Yamanashi Prefecture, 2022, p.3). Many local governments are putting into motion actions to ensure that immigrants are not only allowed in, but also accepted and become part of the local society.

5. Finland

5.1. Labor Shortage, Aging Population, and Birth Rate

While Japan offers a most extreme case of labor shortage today and most likely will continue with this trend in the future as well, unless there is drastic change within the society, the potential issue of labor shortage due to various factors is something that is going to be faced by many developed countries. Finland is one such case and a country according to some is already starting to see some labor shortage albeit only in certain sectors. However, combined with other issues such as decreasing birth rate, aging population, stagnant economic performance, labor shortage in Finland can worsen in the future. Comparing Finland and Japan can offer an interesting insight to potential actions that can be done to prevent Japanese level labor shortage. But also comparing how labor is treated in the two countries might also offer Japan a potential guidance to improve its current labor situation.

Before looking deeply into Finland, it is important to mention that the Finnish labor shortage is still quite limited to certain sectors and claiming it to be a shortage is even questionable. Finland has still not approached a level of labor shortage where almost every sector is suffering from lack of people as no region within Finland shows any labor shortage (Työvoimabarometri, 2023). However, it is also true that certain occupations are experiencing shortage, such as nurses and health care assistants. Infact, the unemployment rate in Finland is quite high and according to The World Bank, Finland had a 7% unemployment rate in 2023 (The World Bank, 2024). This number is followed up by the EUROpean Employment Services or EURES which also points out that Finland in 2021 had over 210,000 people unemployed out of approximately 2.5million labor force (EURES, 2023). Finland's unemployment rate is slightly higher than the EURO area average of 6.5% and quite higher than the OECD average of 4.8% (The World Bank, 2024). As the unemployment rate shows, Finland is not suffering from a human resource shortage, but rather the issue lies elsewhere at the moment.

Question regarding why Finland is suffering from relatively high unemployment while having a labor shortage in certain sectors is relatively simple. While there are a large number of job seekers and employers in certain industries needing workers,

there is a large mismatch in skills (Ministry of Economic Affairs and Employment, 2023). In Finland, it is not that there are not enough workers, but rather the issue is that industries that suffer labor shortage require specific skills and unemployed people simply do not possess the needed skills or are untrained for works that require specialized skill (EURES, 2023). Therefore Finland is not suffering from labor shortage at the moment, but rather it is suffering from labor mismatch.

If the issue is that certain sectors, such as the care industries are lacking in qualified individuals, one might suggest that simply retraining people for the necessary skills will solve the issue. Taking aside the whole argument about skills training and whether or not time, money, and effort is worth the effort, Finland is heading to labor shortage either way. Finland, like any other developed countries within Europe and around the world, is suffering from both the aging population and low birth rate. Without a significant positive shift in birth rate or immigration, Finland will have a decreasing number of labor force.

At the moment, Finland has 2.5 million labor force according to EURES (2023) but whether or not Finland is able to keep this number of labor force is up in the air at the moment. In truth, the Finnish labor force and employment figure is already showing concerning signs of things to come. As of 2023, Finnish labor force is still on the rise but the rate is slowing down (Ministry of Economic Affairs and Employment, 2023). This rise in the number of the labor force is happening not because more youth and immigrants are being employed, but it is because older people 65-74 years old are re-entering the workforce or are not retiring (Ministry of Economic Affairs and Employment, 2022). People working, instead of retiring and becoming a pensioner might be good for both the labor force and Finnish public spending as argued by Vaitinen and Vanne (2020, p.9), but Japanese like the solution of making people work till they are physically unable to work anymore is not really a sustainable solution in the long run. At the moment, this is enabling Finland to keep its labor force numbers up and ensure that sectors with labor shortage from crashing down but people need to eventually retire. Furthermore, every year there will be more and more people who are going to be in the 65-74 years old bracket and not all will choose to continue to work.

Finland has been experiencing an aging population and the rate at which the population is aging has been increasing over the years. For example, in 1970 there were 427,488 people in Finland who were 65 years old or above, but as of 2022 this number has increased to 1,294,511 people. On the other hand, 15 to 64 years old in Finland in 1970 was 3,052,298 people and in 2022 it was 3,429,131 people (Statistics Finland, 2023). This means that in 52 years, there was about 300% increase in population for those who are 65 years old or above while only saw slight increase for the working age population within the same time period.

To make the matter worse for the population demographic, the youth population has been on a decline. Again taking numbers from 1970 and 2022, there were 1,118,550 people who were under 15 years old in 1970, but this decreased to 840,328 in 2022 (Statistics Finland, 2023). There are less youth in Finland today, by about 280,000 people and alongside the rapid increase of the population who are older than 65 years old, there is a demographic crisis in Finland.

Demographic crisis in Finland can also be seen through the fertility rate as well. The Finnish fertility rate in Finland was 1.32 in 2022 and this is fairly lower than the 1970 fertility rate of 1.83 (Statistics Finland, 2023). Again according to the National Library of Medicine, fertility must be around 2.1 children per woman in order for a country to have a sustainable level of population replacement (Craig, 1994). Finland in 1970's was not achieving this rate, but in recent years the situation is far worse and the fertility rate is 1.5 in 2022, slightly higher than Japan and its 1.3 fertility rate (The World Bank, 2023). If the trend of low birth rate is going to continue, unless there is massive immigration, it is hard to keep the average population age low and even keep the population number in the near future.

Finland is already facing a demographic crisis with its aging population and low birth rate. At the moment this is not causing a real issue or damage to the Finnish society as a whole, thanks to the fact that older people are remaining in the workforce or returning back. However, if the trend continues, it can slowly but surely start negatively affecting the nation. Currently, only certain sectors are suffering from dwindling qualified workers and this can be mitigated with retraining of unemployed individuals, but in the near future, Finland can face a situation just like in Japan

where almost every sector is lacking in workers. Nevertheless, it is also important to direct attention to the fact that Finland still has a high unemployment rate among the working age people even when compared to other EU member nations. This to an extent means that Finland needs to address its unemployment situation before it needs to address the future potential labor shortage. Compared to Japan, Finland still possesses some time and also available potential labor force to tap into but proactive and future-oriented actions to address the potential labor shortage is still a necessary action.

5.2. Finnish Labor Culture, Laws, and Regulations

The Japanese government is starting to address the issue with the nation's unpleasant working conditions for its workers through its "Work Style Reform Related Laws", Finland has for some time had laws and traditions that protected employees from the employers and more importantly from inhumane working conditions. As such Finland today is known for its excellent work-life balance and this is also something that is appreciated and cherished by the Finnish people (University of Helsinki, 2024). Looking into factors that enable people to have a proper work-life balance in Finland will also provide potential methods and actions that can be taken by Japan as well.

To begin with, looking at numbers that proves the excellent Finnish work-life balance is the easiest way to recognize the admirable labor condition in Finland. . OECD's Better Life Index, provides different life related indexes and according to the index, only 4% of employees worked very long hours which is far lower than the OECD average of 10%. The index further provides that a person working full-time in Finland on average spends about 63% of their day on personal life, which includes sleep and leisure (OECD, 2022). Finally, Work-Life Index, which looks at cities and its ability to provide a healthy work-life by taking in series of factors such as over work, holiday allowance, and paid leave awarded Helsinki as the top city with the best work-life balance, surpassing other Nordic cities such as Oslo and Stockholm (Kisi, 2021). These results in Finland achieving the highest life satisfaction among the OECD members scoring 7.9 out 10 (OECD, 2022).

Finnish achievement of high levels of work-life balance partly comes from unique Finnish culture as well. Finnish society historically boasts a high level of trust and this high trust enables Finnish people to develop a workplace and structure that is based on trust (Savage, 2019). This focus and respect on trust then results in Finland focusing and also respecting equality, quality of life, and care of others (Zeng and Chen, 2020, p.637). When these qualities are not respected and achieved in the workplace, this is reflected as a decrease in quality of work-life. When work-life quality decreases, for many Finnish people, it leads to dissatisfaction and poorer life quality (Dbronič, Beham, and Präg, 2010, p.220). Finnish culture helps people to achieve a proper balance between work and personal life (Helsinki Partners, 2023) and this leads to a high level of satisfaction among the people.

Finland is able to achieve high work-life balance through conscious actions by the government to protect these rights. As much as people may appreciate and want a proper work-life balance, without a government that is able and willing to provide these balances, it is impossible for people to appreciate such a lifestyle. Government can provide people with things like money, education, and parks to increase the people's welfare (Goodin, Parpo, and Kangas, 2004, p.531). However, one thing that the government cannot provide directly, but nevertheless plays a crucial role in people being able to enjoy a proper work-life balance is time. Time is something that is equally given to all people and government indirectly through policies, benefits, taxation and others can influence how much time its citizens can use on different things. Finland through its government is able to offer generally an egalitarian access to time to all of its citizens, regardless of its earnings levels and bit more access for those with children (Goodin, Parpo, and Kangas, 2004, p.544). These conscious actions through policies by the government to ensure people have access to time outside of their work and thus results in people maintaining proper work-life balance (Crompton and Lyonette, 2006, p.389).

Before going into actual laws and policies by the Finnish government it is important to briefly cover where the foundation for government assurance of work-life balance came from. Development of the government ensuring proper labor conditions and therefore work-life balance for Finnish society started little after World War II. With

mobilization of women into the labor force, alongside increasing presence of women in left wing parties and employers, work life policies that helped keep women in labor flourished (Eränanta, 2015, p.78). Policies surrounding employment and labor protection as well as social welfare were rapidly developed and then enacted throughout the 1960's and 1970's (Eränanta, 2015, p.79). Largely through efforts of passing these laws that encouraged and pushed for women to be able to contribute equally to society and more over encourage men to share equal burden in caring and domestic works (Crompton and Lyonette, 2006, p.389). In return, these laws lead to two major acts in Finland today that ensure that workers enjoy a proper working condition and life balance.

Two important laws in Finland that guarantees that all working in Finland enjoys this proper work-life balance and humane labor conditions are the Working Time Act and Annual Holidays Acts. These two laws act as a cornerstone of maintaining and mandating certain levels of working conditions that are flexible and give people access to spend time with families (infoFinland, 2024). The Working Time Act points out that any violation by the employer of what is being written under the act will make the employment null and void (Ministry of Economic Affairs and Employment of Finland, 2020, p.3). The act lays out what is considered to be regular working hours, how much overtime is allowed, and how much and to what extent employees have access to rest. Within the section under the regular working hours, it is pointed out that working hours is anything and everything that employees spend time working and any time period where employees were obliged to be at the disposal of the employer (Ministry of Economic Affairs and Employment of Finland, 2020, p.6). Furthermore, the Working Times Act ensures that employees must have at least a 1 hour rest if the work exceeds 6 hours and daily and weekly rest are also given as worker's rights (Ministry of Economic Affairs and Employment of Finland, 2020, p.21-23). Finally, the act lays out that regular working hours is 8 hours maximum and weekly working hours should not exceed 40 hours (Ministry of Economic Affairs and Employment of Finland, n.d.). The Working Time Act lays out a strict regulation on how much to what extent working hours employees are allowed to work and there is very little leeway for employers to violate these worker's rights that are ensured through the act.

Next the Annual Holidays Act passed in 2005 and just like the Working Times Act ensure employees enjoy certain rights from the employers. Unless stated otherwise, everything written under the Annual Holidays Act is obligatory and any violation done by the employers will make any contract and agreement between the employee and employer null and void (Ministry of Economic Affairs and Employment, 2019, p.5). Under this act employees in Finland can obtain holidays through one of three ways, these being 14 day rule, 35 hours rule, and leave entitlement rule (Ministry of Economic Affairs and Employment, 2019, p.6). However, if it is under a collective agreement, not under individual agreement, then the employees and employers can agree to move or increase the holidays than what the act states (Ministry of Economic Affairs and Employment, 2019, p.26). Through the combination of the Working Time Act and Annual Holidays Act, with the former ensuring proper working conditions and contract and latter ensuring workers with ability to take breaks, Finland ensures that proper working conditions are achieved and more importantly enforced upon all of its working population.

5.3. Trade Unions

When exploring the Finnish labor and work-life balance, one cannot ignore the role and influence of the trade unions in Finland. Unions in Northern Europe for decades after World War 2 have represented the workers and were formed the part of three social partners alongside the government and management and represented the workers and helped form social policies (Tucker, 2012, p.2). This development of trade unions was possible thanks to the dominance of social democrat parties in Northern Europe (Ristikari, 2012, p.21). At the height of its influence, approximately 80% of workers in Finland were represented by a trade union during the 1990's (Bergholm and Sippola, 2022, p.73). Trade unions are usually formed around certain trade and while entering the trade union is not mandatory for the workers, rights to join the union are protected by the Finnish law (infoFinland, 2024). Although the influence and membership of trade unions have decreased over the years, unions still remain a powerful force with significant negotiation power both against the employers and the government.

Today, The Central Organisation of Finnish Trade Unions or SAK is the biggest labor confederation in the nation. Currently SAK has 18 affiliated trade unions and

represents over 900,000 workers in Finland (SAK, n.d.). Central objective of SAK is to promote emotional and material welfare for all workers (Suomi.fi, n.d.) and aims to protect human dignity, equality, and defense of the weak (SAK, n.d.). Alongside SAK, the Finnish Confederation of Salaried Employees (STTK) and the Confederation of Union for Academic Professionals in Finland (Akava) each with 420,000 and 620,000 union members each form the powerful and influential Finnish trade union (STTK, 2024);(Akava, 2024).

Trade unions in Finland have been heavily involved with negotiation throughout its history. In Finland, the government does not possess the ability to force workers, represented by the unions, and employers to agree to a certain wage through government policy of decision making and therefore any agreement regarding wage negotiation is done through collective agreement (Kauppinen, 2000, p.161). While this limited the government's ability to intervene and sometimes force an agreement if the negotiation does not result in an agreement, it gave workers, through unions, to form a united front and opposition against the employers. Once agreement is made at a national level, then the negotiation moves down to sectoral level and then finally down to a company level (Kauppinen, 2000, p.162). As a result Finland has been seeing a steady wage growth with average annual wage in 2022 being €46,672 compared to €26,597 in 2000 (OECD, 2022). Such a negotiation style enabled the trade unions to uphold its goal of protecting the weak and enabling all to stand on equal footing and during the height of the Finnish trade unions resulted in the development of a union based unemployment insurance system.

Finnish trade unions saw their greatest membership in the 1990's. The ascendancy of the Finnish trade unions were largely due to the fact that trade unions developed an unemployment insurance system called the "Ghent system" (Sippola and Bergholm, 2023, p.387). Finland in 1990's faced a recession and high unemployment and the Ghent system reformed the Finnish unemployment insurance and was now a properly funded system (Bergholm and Sippola, 2022, p.74) that was accessible for anyone that was part of the union. Trade union was therefore able to offer workers not only proper labor protection, but was also able to protect the worker and its family when the individual lost the job.

However, since predominance of trade unions in the 1990's, Finnish trade unions' power and influence has gone sour and it is necessary to point out its decline since then. Like any decline of a major organization, the decline of trade unions in Finland is the result of multiple factors that grinded away its power and influence. To begin with, the shift among the society from protection of workers to protecting the company has been a significant factor in weakening unions. During the 1970's and 1980's workers bargained with the companies for their labor conditions and wage, but since the 1990's this shifted into workers cooperating with the companies to secure employment and certain labor rights (Kauppinen, 2000, p.183). This has then turned the table in terms of who has power within the negotiation as now companies are able to pressure workers for concession in return for employment instead of workers pressuring companies. With companies gaining the upper hand against the workers, this also enabled companies to start to decentralize the system.

Once the united front of workers presented through the trade union started to break down, this enabled companies to start a decentralized negotiation. In 2016, centralized wage negotiation broke down and companies were able to negotiate with workers on an industry base (Sippola and Bergholm, 2023, p.400). The consequences of this decentralization in wage negotiation can be seen today with Finland's negotiation being an industry based one where the result of industry level agreement on wage determines company level negotiation while at a national level only resulting in suggestion (Sippola and Bergholm, 2023, p.401). Decentralization has broken apart the trade unions' ability to negotiate at a national level and now many labor, employment, and wage negotiation are done at a company level (Kauppinen, 2000, p.183).

Thirdly, the same unemployment benefit that has propped up the trade union in Finland ironically has resulted in its downfall as well. The Ghent system has offered workers who were part of the trade union with unemployment insurance and this has encouraged many to join the union. However, for those who were not part of the union felt left and eventual discovery that non-union members can access the unemployment fund led to the development of the General Unemployment Fund or YTK in 1992 (Bergholm and Sippola, 2022, p.74-75). Since YTK was not affiliated with the trade unions, but offered similar unemployment insurance and benefits as

the union counterpart, employers were more than happy to support the YTK (Bergholm and Sippola, 2022, p.75). Now YTK has fully place down its roots and are seeing no sign of going away but is rather a prominent unemployment insurance in Finland with nearly a half million members (Sippola and Bergholm, 2023, p.414);(Bergholm and Sippola, 2022, p.75).

While in the last two decades, the Finnish trade union has lost its members and influence, it is still far from correct to conclude that the trade unions will fade in irrelevance. Trade unions are not marginalized and will remain the chief champion and protector of workers and their rights (Sippola and Bergholm, 2023, p.414). After all, for Finnish workers, there are no others that will fight for their rights and protection. Trade unions will continue to work for the people and just like the economic recession in the 1990's gave trade unions power, events in the future might very well give labor unions centralized power it has once enjoyed.

5.4. Immigration

Question regarding immigration has been a hot topic in Finland for some time and will continue to be a highly polarizing topic in the future. Just like the rest of Europe, people and political parties have diverse opinions in regards to questions such as how much immigration, who should be allowed to immigrate, and if the government can deport immigrants. With neighboring Sweden facing rising amounts of gang violence and Prime Minister Andersson admitting that Sweden now has a parallel society due to failed integration of immigrants (Henley, 2022), alongside rise of anti-immigrants, right-wing Finns party, immigration in Finland hangs in balance. While immigration policies is not the central scope of the thesis, it is nevertheless important to briefly cover Finnish immigration policy in regards to labor as it offers better comparison with the Japanese labor situation and related immigration.

Historically Finland has been an emigration nation, in the past 2 decades has transformed the nation into a immigration country. As of 2022, 49,998 people immigrated to Finland, the highest number ever recorded (Statistics Finland, 2023). This is despite the economic downturn and while Russians and Ukrainians fleeing

the conflict play into this high number but the increase of international individuals being employed by the company is also playing into this number (Finnish Immigration Service, 2023). Immigration into Finland has been increasing and is most likely to continue to increase. The Finnish Immigration Service believes that the high number of immigration is due to the lack of people with specialized skills in Finland, alongside improvement of international recruitment networks (Finnish Immigration Service, 2023).

Immigration is increasing in Finland but compared to many other European countries Finnish immigration policy has been strict. Finland does indeed follow EU and international agreements on immigration including the European Convention on Human Rights and the Geneva Refugee Convention and numbers of asylum seekers in Finland has increased (Ministry of the Interior, n.d.). However, Finnish immigration policy for the past few decades can be summarized as being strict and the recent rise of the right-wing populist Finns party made normalized strict and anti immigration stand amongst the public discourse (Mäkinen, 2017, p.219). To make matters worse for the future immigrants, with the Finns party now in power, the party plans to propose an increase in requirement for permanent residence permit by increasing the years to 6 years from the current 4 years (Ministry of the Interior, 2024). Finland has historically taken a hard stance on immigration and the rise of populist parties will further discourage immigration into Finland.

National government's historical stance on immigration and rise of right-wing populist might paint a picture that Finland as a whole is headed for anti-immigration stance, but it is important to also identify other groups that are actively opposing this. Whether one likes immigration or not, the issue of aging population and labor shortage will not simply disappear by refusing immigrants. Local government and labor unions have been taking actions to support immigration policies. Local governments and municipalities are encouraged to follow the national policy of selective immigration, but some have ignored this and have decoupled themselves from the national policy and applied their own immigration stance (Heino and Jauhiainen, 2020, p.76-77). As a result many Finnish urban municipalities have a positive stance on immigration and even rural municipalities recognize that

immigration is a potential solution to their demographic and labor issues (Heino and Jauhiainen, 2020, p.82).

As for the trade union, the traditional understanding is that unions in order to protect their workers will be against any immigration policy as it will increase competition for jobs and give employers an advantage in negotiation. However, this understanding may be wrong in Finland. For example, under a group interview done with union representatives, there were positive remarks by union members to open up the union to make it more inclusive and open for immigrants to be integrated into existing unions (Ristikari, 2012, p.117). Moreover, union members thought that having immigrants into board and representative positions within the union would open up the union to new ideas, perspectives and improvements (Ristikari, 2012, p.118). The Finnish trade union has been supportive of a more open immigration policy and believes that migrants and minorities will give organization more strength (Alho, 2013, p.132-133).

In reality Finland faces a mixed situation where the central government led by the right-wing populist government is keen on tightening the immigration. Meanwhile the local governments and trade unions are open to more open immigration. Nevertheless, with an aging population and decreasing labor force, the weight of immigration policy and immigrants on the future prospect of Finland will continue to increase.

6. Analysis

6.1. Japan: Too Little to be Called a Reform

Despite the fact that the government calls for labor reform and claims to make changes where all people regardless of sex, age, or background can actively participate and contribute, current changes the government is bringing in are still very much limited to the traditional ideas and gender role. On one hand the government calls for full participation of women into the workforce, on the other hand the government is more than happy to limit married women into working as a part-time worker with limited hours and benefits. As seen with the newly implemented aid package, the Japanese government is content with married women being a part-time worker, forced to juggle between job and looking after the family, rather than providing with bigger and more drastic reforms to encourage women to return as a full-time worker and be able to pursue their own career goals and ambitions while also maintaining a family.

Evenmore, when looking at the currently implemented labor reforms and in general at the “Work Style Reform”, none of the changes are huge changes to the Japanese labor situation that garners the title of “reform”. Whether it is implementing new limitations to overtime work that a company can enforce on its employees or encouraging the companies to pay similar wages for part-time and full-time workers with similar responsibilities, these are such a small change to a point that it can be considered to be a baby step changes in the grand scheme of things. None of these changes are truly transforming the working environment in Japan, but are instead small staples that are expected to hold together a dam called societal collapse. So far the changes that have been implemented by the government fail to offer any meaningful change to address the labor shortage or labor condition in Japan.

Moreover, with a rapidly aging population Japan no longer has the time and space to sit around and leave the task for the next generation. According to Wei and Katanuma (2023), by 2040 Japan will face a labor shortage of upwards of 11 million people. When the labor shortage issue is going to get continuously dire, simply asking every single Japanese person to work and contribute to the society is not necessarily a realistic solution to the issue. Ironically, specifically in terms of mentality amongst

the leadership, this is no different than the late war Imperial Japanese leadership calling for the collective death of 100 million Japanese so that the allied forces will tire out of killing and therefore will be willing to negotiate for peace (Ichinose, 2022). Nearly 80 years later, now the Japanese government is asking 120 million Japanese to work no matter the condition in hopes of improving the labor shortage and achieving economic growth. Government can hope for change all day and night, but without meaningful actions and realistic solutions, the problem will continue to grow and eventually lead to societal and labor collapse of the nation.

Nevertheless, one must acknowledge the fact that the Japanese government and the LDP leadership has recognized the labor shortage and labor condition issue in Japan and is willing to take some actions to create a change. Furthermore, businesses in Japan have also started to take action to tackle this issue as continual labor shortage and lowly motivated workers will not only doom the continual growth of the company, but the very existence of the company. With both the private businesses and the government having started to take action against the labor shortage and labor conditions in Japan, and the general population having no necessary qualms with improvement in labor conditions, now is the best and last opportunity for Japan to truly transform its labor and bring about a true reform. If the Japanese government and more importantly, the society fails to reform, labor shortage will reach a point where the Japanese economy and society cannot no longer sustain itself. In the best case scenario, this will result in a slow decline of the Japanese economy and society, but in the worst case scenario, this will lead to utter collapse of the nation. Therefore decisive reform to tackle this “crisis” is not only important for Japan, but a necessity.

6.2. Comparing Japan and Finland

With both the Japanese and Finnish cases being presented, it is crucial to compare these two cases. Comparing these two countries will help point out the difference and similarities between the two countries regarding the issues nations face and what workers of each nation currently enjoy in terms of work style and work-life balance. In addition, comparison will offer potential angles Japan can take in order to further reform the labor within its nations and at the same time offer Finland with insight into what potential future can be for Finland if necessary actions are not taken.

First and foremost, for work-life balance, certain statistics have been steadily improving in Japan for some time. Working hours have been drastically improving and in recent years, the average Japanese person works less than their counterparts in Italy and the United States. As for the wage, for three decades wage has been immobile alongside the stagnant economy, but the past year has finally seen some growth due to double factors of inflation and competition among companies to obtain or retain the dwindling labor force. However, future of work-life balance does not necessary present a rosy picture as despite the goal of “work style reform related laws” is to create a society where people can work in a way that fits each one, actual law that was passed regarding the overwork still allows companies to restrain workers well beyond the standard 8 hours.

Japanese workers’ dream of not being overworked might not be achievable still as the government has shown no real intention of doing so, Japanese workers do still enjoy unique benefits working in Japan. The segmentalism system and lifetime employment system that was developed in Japan since the post war makes it virtually impossible for workers to be fired from their job. Furthermore, Japanese unions might not work against the employers, but in return for cooperation with the employers, Japanese workers are able to enjoy significant benefits as part of employment contract. Japanese workers are also able to enjoy significant job training as long-term investment in workers is seen as normal within Japanese society (Busemeyer, 2009, p.390).

On the other hand, Finland has been known for excellent work-life balance and promotion of both work life and personal life in a healthy manner is still considered to be important both by the Finnish society and the government. Only about 4% of full-time workers in Finland work overtime constantly and 63% of their time is used outside of work (OECD, 2022). Adding on to this, Finnish society boasts a high level of trust and general respect towards well-being of oneself and others and cultural importance on equality (Zeng and Chen, 2020, p.637) creates a society where both the employees and employers respect having a healthy working and non-working life. Finally, as a cherry on top, the powerful Finnish trade union ensures that workers have powers to bargain with the employers and equality is actually practiced. Combination of Finnish culture and trade unions ensure that everyone who is

working in Finland can achieve a humane level of work-life balance and this perhaps leads to Finland constantly scoring high on life satisfaction.

To top off the strong Finnish culture of placing importance on personal time and trade unions that places workers on equal standings with the businesses, Finland has labor law that clearly states what is considered to be labor and what workers should expect by law from the employers. The Working Time Act clearly sets a line by stating that 8 hours a day or 40 hours a week is standard working time and anything else requires actual agreement between both the employers and employee (Ministry of Economic Affairs and Employment, 2020, p.9). This is then followed by the Annual Holidays Act which sets how many days off workers have by law and ensures that holidays are enforced. These two acts make certain that work-life balance is clearly determined by the government and more importantly, any violation of any of the two acts nullifies any job contract that ensures that violation is not acceptable. This is different to the Japanese “Work Style Reform Related Laws” which may have set a new limit on overwork, still offers a massive leeway for employers with ability to determine how much overtime can be enforced as long as it is under 720 hours a year or 45 hours a month (Aichi Labour Bureau, n.d.). What is more egregious about this law is that as long as the company declares that it is a special case 60 or 100 hours of overtime is allowed with law having no explanation about what is considered to be special in the first place.

Next, both nations are facing demographic challenges with an aging population and low birth rate. For Finland this situation can lead to labor shortage in the future while for Japan’s labor shortage is already a reality. Finland, like any other developed nation, has been seeing an increase in people who are 65 years old or older while the birth rate remains far below the level to keep the population number. At the moment Finland is not facing population decline but if the trend of low birth rate continues soon population decline may occur in Finland. Meanwhile for Japan, population decline due to demographic collapse is already a reality and will continue to accelerate unless things change. While there are numerous researches conducted in regards to reasons behind low Japanese birth rates, in regards to labor two factors are affecting the birth rate. First factor is the age based salary system resulting in lower wages for younger people and therefore higher cost to raise children. Second factor

being the societal system forcing women to choose between career and having a child while taking the former often resulting in loss of full-time job.

With an aging demographic, comes labor shortage and again the extent of labor shortage and its effect is different between the two countries. Finland as summarized in the previous paragraph, is heading for demographic collapse but it has not arrived yet. As such, labor shortage in Finland is still not a case with official data showing no case of labor shortage in any parts of Finland. Instead, the case in Finland at the moment is that certain sectors, such as nursing and healthcare are lacking in the workforce. Coupled with the relatively high unemployment rate of Finland, which is around 7% at the moment (The World Bank, 2024), Finland is not facing a labor shortage, but rather a labor mismatch.

Concluding that Finnish labor situation is still fine, just through unemployment rate and labor mismatch is a dangerous assumption. Indeed, the number of the labor force is still increasing in Finland, but this is due to the fact that older people, those who are 65 and above are increasingly working instead of going into retirement (Ministry of Economic Affairs and Employment, 2022). The Finnish labor market is held together by older generations who are deciding to keep on working, but such a trend is not sustainable. In the near future, Finland will face labor shortage as there will be fewer and fewer younger people available for work while more and more will be under the pension system.

The labor situation in Japan, compared to Finland, is in a far worse state. Japan is constantly achieving a low unemployment rate and this is not due to the fact that Japanese policies aim for full employment and is being successfully achieved, but it is a result of labor shortage. This is proven through the Japanese job opening data where it shows that there are 1.35 job openings per 1 job seeker (Nishioka, 2023, p.3). Situation regarding labor shortage in Japan is reaching a point where companies that feel labor shortage in day to day activity are a majority in the nation. In recent years, this lack of labor force is becoming severe to the point that companies are starting to declare bankruptcy because of labor shortage. Labor shortage in Japan has passed a point and is now slowly damaging the nation and the situation will become worse for Japan as the aging population sees no sign of halting.

Long term aging of the population is now biting into Japanese companies and their ability to operate. Companies are now forced to fight amongst each other for scarce fresh labor force in terms of recent graduates. As such, wages for entry level positions are rapidly increasing, followed by wage increases in other positions as well. Some believe that wage increase due to labor shortage will become a trend for the foreseeable future (Inoue, 2023, p.3). Granted, wage increase after 30 years of stagnation is a welcoming change, companies fighting amongst each other for every dwindling number of workers is overall not a healthy situation for the country. The longer it takes the Japanese government to solve the labor issue, both companies and workers will suffer. Companies cannot expand or even keep up business operations at a healthy level, while workers will continue to suffer under terrible working conditions that needs to be enforced due to labor shortage.

Finally, while the focus of the thesis is not on immigration, with demographic collapse and labor shortage, the issue of immigration still needs to be addressed to an extent. Both Japan and Finland have traditionally been tough on immigration. However, with a critical labor shortage, the Japanese government is forced to implement an expansive immigration policy, while for Finland, the current government led by the right-wing populist Finns-party has a very open anti-immigration stance and is trying to limit immigration. However at the local level, both nations are being open and accepting to immigrants. In Japan, various local governments are implementing plans to help smoother integration of immigrants while in Finland, local governments are open to accepting immigrants as extra labor force and “fix” the demographic imbalance.

Japan and Finland both have similarities and differences in their labor situation. In terms of labor quality and people’s ability to achieve a proper work-life balance Finland is far more advanced with laws and unions having a strong presence in protecting worker’s work-life balance. Meanwhile Japan is starting to take small steps to improve the labor situation with the government taking baby steps to reform the so-called “workstyle” while the Japanese private sectors are taking bigger steps for change but concerns still remain as labor shortage can nullify any effort for improvement in work-life. Referring to labor shortage, both nations face an aging

demographic and lowering birth rate where independent population replacement is impossible. Again here Japan is in a more advanced state where labor shortage is evident in every sector and jobs while in Finland labor shortage is limited to certain sectors and fixing the labor mismatch may solve the issue. Both Finland and Japan have had a history of policies that limit immigration, the difference here is that while the right-wing populists in Finland want to limit immigration while Japan has to accept immigration. While the actual immigration stance might differ between the two central governments, both nations' local governments and societies are much more open to immigration.

To summarize the situation faced by both countries, Finland compared to Japan still has some leeway to address the issues with its demographics and potential labor shortage. Currently Finland is able to keep up its labor force number thanks to the fact that increasing numbers of older people are working instead of retiring (Ministry of Economic Affairs and Employment, 2022). This is not a long term solution and addressing this through various policy actions whether it is a better job training system or even immigration. In any case, Finland is still not at a point of crisis in terms of labor and if the Finnish government and the people are able to address the issues through proper foresight and long-term planning. Fact that Finland still has some time should not be taken for granted and be used effectively. Finland already has an excellent working culture that honors work-life balance and if Finland wishes to keep such a culture intact, proper actions should be taken now to and get to grips with the future.

Finland might be a ship that has spotted the iceberg at some distance and has time to navigate through it in order to avoid disaster, Japan has already struck the iceberg and is sinking while the decks are on fire. The unpleasant truth about the predicament that Japan is in right now is that it happened because the government and to some extent the people ignored labor issues and negative effects it was causing. Perhaps the illusion and vain hope of Japan once again returning back to its economic boom of 1960's and 1970's might have caused this or maybe because of collectivist Japanese culture and resulting indecision hindered any chance of addressing the issue (Yates et al., 2010, p.429, p.430). Whatever the reasoning behind lack of early action, one thing remains true today, which is that Japan is now

in a labor crisis. Issue has grown to a point that it affects every single Japanese person's life and even the nation's future. Ignoring it any further can mean societal collapse, whether that is due to having too much retired population or labor shortage and action must be taken now.

Situation in Japan is at a point where the nation is getting close to completing the negative cycle of labor situation. First, historically Japan has had a terrible working condition and workers who "proved" their loyalty by suffering through long working hours and giving up on personal and family time were called *kigyō-senshi* (corporate warrior) or *mōretusyain* (fierce worker) and was a positive attribute (Kubo, 2017, p.46);(Noboru, 2005, p.16). Although seeing these types of workers and working conditions in a positive manner has more or less disappeared, long working hours and poor work-life balance still lingers on. Furthermore, stable employment for full-time workers has resulted in lower pay in Japan and combination of these two resulted in younger people having fewer children. Third, with fewer children came the issue of an aging population. Fourth, with an aging population, there are a dwindling amount of younger people resulting in labor shortage. Finally, labor shortage results in either fewer people covering multiple positions or businesses operating at a lower level, resulting in decrease in working conditions and back to the beginning of the cycle. Japanese society today has completed the full cycle and considering that a single cycle completion is creating a crisis in the nation, Japan cannot afford to go through another round of this negative spiral.

6.3. Labor Crisis and Societal Transformation

It is undeniable that Japan is facing a crisis now, but going back to comparative political economy and more specifically on Blyth and his hypothesis, this crisis offers an excellent chance for societal transformation in Japan. When society faces a unique crisis labeled as "Knightian uncertainty", existing institutions are transformed as a result because the existing institution is unable to solve the crisis (Blyth, 2002, p.9, p.274). The Japanese labor crisis is unique and consequential to the point that institutional transformation is not only likely, but necessary as failure to do so will result in societal collapse. One way or the other, Japanese society is therefore in the process of transformation and Blyth's 5 step hypothesis is applicable but is also helpful in guiding the said societal transformation.

Following Blyth's hypothesis and applying it to the current labor crisis in Japan, the first hypothesis of the crisis occurring and efforts to reduce uncertainty is certainly taking place. This effort is in the form of increasing wages for private companies and the "Work Style Reform Related Laws" for the government. Next, the step of people and stakeholders rally under the idea and create a coalition is somewhat achieved, although missing the key aspect. Here both the general populace, business, and the government all recognize the labor crisis and recognize that transformative action is necessary to counter it. However what is missing here is the idea to unite the people and drive change. Next, hypothesis three to five has still not been achieved yet for Japan. Hypothesis three argues that the idea is used to fight different institutions, but considering that already in hypothesis two stakeholders are all in agreement, any real opposition from certain groups is questionable. As for hypothesis four and five, hypothesis four argues that idea is used to build stability and hypothesis five claims that idea ensures the stability of the newly developed institution and both will be achievable once idea is developed. Japan is following through with Blyth and his hypothesis of crisis and institutional transformation and when a proper idea is developed for how Japan wishes and plans to transform, the rest of the way to transformation should be rapid and effective.

Societal transformation in Japan has happened multiple times in Japan's modern history and it is not an impossibility for the nation. When Japan opened up the world through Meiji Restoration in 1868, Japan rapidly modernized and industrialized, quickly shedding its feudal ways. Then after its defeat in World War 2, Japan once again achieved transformation as the nation became democratic and was followed with rapid economic and industrial development in the 1960's to 1980's. Japan is once facing a necessary societal transformation and its history proves that it is doable. Coupled with this, the Japanese government is a highly bureaucratic central system with very few veto power (Peng, 2016, p.279). This means that policies that might be controversial due to transformative nature that might see difficulty in passing in other nations are able to be implemented in Japan.

Japan, due to years of poor labor situation, has reached a punctuated equilibrium as historical institutionalists argue. This derailment from normality or crisis is a threat

to the nation, but at the same time is an opportunity for institutional change. As both historical institutionalism and comparative political economy approach agrees, this change in institution requires an idea. Japan at the moment lacks the idea that will help create a new institution that will replace the existing institution that has created this labor crisis in the first place. Even though at the moment a new idea to base a new institution is lacking, Japan is still at the precipice of change as the government, business and people all agree that change is needed. Indeed, actions that are being taken now, especially by the government are not something that can bring in institutional change or societal transformation. However, this recognition and agreement in need for change is an steadfast foundation for societal transformation. With the necessary foundation already set in place, all Japan needs is a strong idea for change to rally behind and decisive action. Failure to do so is societal collapse of Japan and its irrelevance. Japan today stands on the edge of success and failure of the nation and the next step or lack thereof will determine its fate.

7. Conclusion

This thesis has pointed out the different situation both Japan and Finland faces in relations to labor. There were some aspects that were similar amongst both nations, such as the national stance on immigration being different when compared to local governments' stance. However, even amongst similarities when looking into details there were still small differences. For example, both Japan and Finland are facing a demographic crisis with low birth rate, but for Finland, the aging population still has not negatively affected the labor situation while in Japan this is very much the case. As for the difference, both nations have very different working cultures and who and what helps ensure that labor is protected. Here, Finland has a well established system where both the government and the union help protect the workers and set a clear line on what is allowed and what is not. Meanwhile Japanese workers, despite the certain reforms that are starting to be enacted, generally are at the mercy of their employers. As such, Japanese today like to talk about companies in whether it is a "black company" or not, which is an internet slang for denoting companies with illegal or barely legal labor practices (Kobayashi, 2016, p.48).

The Japanese government and the wider Japanese society is well aware of the labor situation the nation faces and realizes that actions must be taken and have started to take small steps. The Japanese government has started enacting reforms through the "Work Style Related Reform Laws" to ensure that everyone available and able are in the labor force by creating a more worker friendly society. In reality, reforms enacted so far are small reforms such as putting somewhat of a limit to annual working hours or companies offering similar wages for similar jobs. These do not offer any transformative change to labor in Japan and weak wording, enforcement, and punishment does not give out a strong message.

Thesis examined various aspects that are creating the labor situation in Japan and to an extent in Finland. Previous research and statistics and data were examined, analyzed, and connected to offer a wide overview and understanding of what is creating the labor crisis in Japan and what is going on with the labor situation in Finland. Two overviewing case studies were then followed through with analysis of current labor reforms in Japan and comparison of Japan and Finland. Final part of

the analysis covered the feasibility of Japan overcoming the labor crisis and achieving societal transformation.

This paper offers a good overview of the situation and offers an analysis that societal transformation using crisis is a possibility, but there are few limitations and rooms for improvement. First and foremost, labor is a wide subject and there are many other aspects of labor that could have been covered or researched more extensively. For example, the issue with underemployment was entirely ignored and Japanese hiring culture and practices were another subject that could have been explored in detail. Immigration as an issue was briefly touched upon, but immigration could have been discussed further to an extent that it was a central issue.

Another limitation with the paper is in its offering of solutions. Author believes that the thesis does a good job in addressing the labor crisis, but offers a weak solution to the crisis. Indeed, offering answers to the labor crisis was not the central topic of the thesis, but concluding the paper by declaring that foundation for societal transformation is ready and all it needs is a new idea, without presenting the new idea for Japanese society to rally upon is somewhat weak. Concurrently, it is also necessary to point out that the solution to the labor crisis is a topic large and complicated enough to garner an entire book.

Keeping these points in mind, there are many potential future research branches out from this paper. One way to follow is by offering a potential new solution for Japanese societal transformation. This can be done from a political economy angle, by tackling neoliberalism or this can be done more from socio-economic or socio-cultural angle by discussing changing mentality in Japan regarding work, family, and loyalty. Second, future research can be focused upon government led reforms done by the central-left coalition party. Post-war Japanese politics have been dominated by the LDP, but recent repeated scandals and poor economic performance is leading to people voting away from the LDP. Recently, elections for 3 open seats in the lower house were held and all 3 seats were taken by the main opposition, the Constitutional Democratic Party (NHK World, 2024). It is possible that the LDP will lose its power in the next major election and under the leadership of the more left-leaning government, more expansive reforms might happen. Conducting

research on Japanese labor reforms once left-leaning governments is an interesting future research.

It is undeniable that Japan is facing a labor crisis and many other developed countries are following suit. Unless Japan is going to face the various factors that are causing the labor crisis, Japan will at best keep on facing population decline and economic stagnation and at worst will be facing a societal collapse. Only approach to overcoming this crisis is through societal transformation. Japanese society is ready to accept the change in institution and societal transformation. Now it only requires the Japanese government and its political leaders to enact ambitious and transformative reform.

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