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In Japan, Young Face Generational Roadblocks

By **MARTIN FACKLER**

TOKYO — Kenichi Horie was a promising auto engineer, exactly the sort of youthful talent Japan needs to maintain its edge over hungry Korean and Chinese rivals. As a worker in his early 30s at a major carmaker, Mr. Horie won praise for his design work on advanced biofuel systems.

But like many young Japanese, he was a so-called irregular worker, kept on a temporary staff contract with little of the job security and half the salary of the “regular” employees, most of them workers in their late 40s or older. After more than a decade of trying to gain regular status, Mr. Horie finally quit — not just the temporary jobs, but Japan altogether.

He moved to Taiwan two years ago to study Chinese.

“Japanese companies are wasting the young generations to protect older workers,” said Mr. Horie, now 36. “In Japan, they closed the doors on me. In Taiwan, they tell me I have a perfect résumé.”

As this fading economic superpower rapidly grays, it desperately needs to increase productivity and unleash the entrepreneurial energies of its shrinking number of younger people. But Japan seems to be doing just the opposite. This has contributed to weak growth and mounting pension obligations, major reasons [Standard & Poor’s downgraded Japan’s sovereign debt rating](#) on Thursday.

“There is a feeling among young generations that no matter how hard we try, we can’t get ahead,” said Shigeyuki Jo, 36, co-author of “The Truth of Generational Inequalities.” “Every avenue seems to be blocked, like we’re butting our heads against a wall.”

An aging population is clogging the nation’s economy with the vested interests of older generations, young people and social experts warn, making an already hierarchical society even more rigid and conservative. The result is that Japan is holding back and marginalizing its youth at a time when it actually needs them to help create the new products, companies and

industries that a mature economy requires to grow.

A nation that produced Sony, Toyota and Honda has failed in recent decades to nurture young entrepreneurs, and the game-changing companies that they can create, like Google or Apple — each started by entrepreneurs in their 20s.

Employment figures underscore the second-class status of many younger Japanese. While Japan's decades of stagnation have increased the number of irregular jobs across all age groups, the young have been hit the hardest.

Last year, 45 percent of those ages 15 to 24 in the work force held irregular jobs, up from 17.2 percent in 1988 and as much as twice the rate among workers in older age groups, who cling tenaciously to the old ways. Japan's news media are now filled with grim accounts of how university seniors face a second "ice age" in the job market, with just 56.7 percent receiving job offers before graduation as of December 2010 — an all-time low.

"Japan has the worst generational inequality in the world," said Manabu Shimasawa, a professor of social policy at Akita University who has written extensively on such inequalities. "Japan has lost its vitality because the older generations don't step aside, allowing the young generations a chance to take new challenges and grow."

While many nations have aging populations, Japan's demographic crisis is truly dire, with forecasts showing that 40 percent of the population will be 65 and over by 2055. Some of the consequences have been long foreseen, like **deflation**: as more Japanese retire and live off their savings, they spend less, further depressing Japan's anemic levels of domestic consumption. But a less anticipated outcome has been the appearance of generational inequalities.

These disparities manifest themselves in many ways. As Mr. Horie discovered, there are corporations that hire all too many young people for low-paying, dead-end jobs — in effect, forcing them to shoulder the costs of preserving cushier jobs for older employees. Others point to an underfinanced pension system so skewed in favor of older Japanese that many younger workers simply refuse to pay; a "silver democracy" that spends far more on the elderly than on education and child care — an issue that is familiar to Americans; and outdated hiring practices that have created a new "lost generation" of disenfranchised youth.

Nagisa Inoue, a senior at Tokyo's Meiji University, said she was considering paying for a fifth year at her university rather than graduating without a job, an outcome that in Japan's rigid job market might permanently taint her chances of ever getting a higher-paying corporate job. That is because Japanese companies, even when they do offer stable, regular jobs, prefer to give them only to new graduates, who are seen as the more malleable candidates for molding

into Japan's corporate culture.

And the irony, Ms. Inoue said, is that she does not even want to work at a big corporation. She would rather join a nonprofit environmental group, but that would also exclude her from getting a so-called regular job.

"I'd rather have the freedom to try different things," said Ms. Inoue, 22. "But in Japan, the costs of doing something different are just too high."

Many social experts say a grim economy has added to the pressures to conform to Japan's outdated, one-size-fits-all employment system. An online survey by students at Meiji University of people across Japan ages 18 to 22 found that two-thirds felt that youths did not take risks or new challenges, and that they instead had become a generation of "introverts" who were content or at least resigned to living a life without ambition.

"There is a mismatch between the old system and the young generations," said Yuki Honda, a professor of education at the University of Tokyo. "Many young Japanese don't want the same work-dominated lifestyles of their parents' generation, but they have no choices."

Facing a rising public uproar, the Welfare Ministry responded late last year by advising employers to recognize someone as a new graduate for up to three years after graduation. It also offers subsidies of up to 1.8 million yen, or about \$22,000 per person, to large companies that offer so-called regular jobs to new graduates.

But perhaps nowhere are the roadblocks to youthful enterprise so evident, and the consequences to the Japanese economy so dire, as in the failure of entrepreneurship.

The nation had just 19 initial public offerings in 2009, according to Tokyo-based Next Company, compared with 66 in the United States. More telling is that even Japan's entrepreneurs are predominantly from older generations: according to the Trade Ministry, just 9.1 percent of Japanese entrepreneurs in 2002 were in their 20s, compared with 25 percent in the United States.

"Japan has become a zero-sum game," said Yuichiro Itakura, a failed Internet entrepreneur who wrote a book about his experience. "Established interests are afraid a young newcomer will steal what they have, so they won't do business with him."

Many Japanese economists and policy makers have long talked of fostering entrepreneurship as the best remedy for Japan's economic ills. And it is an idea that has a historical precedent here: as the nation rose from the ashes of World War II, young Japanese entrepreneurs produced a host of daring start-ups that overturned entire global industries.

But many here say that Japan's economy has ossified since its glory days, and that the nation now produces few if any such innovative companies. To understand why, many here point to the fate of one of the nation's best known Internet tycoons, Takafumi Horie.

When he burst onto the national scene early in the last decade, Takafumi Horie was the most un-Japanese of business figures: an impish young man in his early 30s who wore T-shirts into boardrooms, brazenly flouted the rules by starting hostile takeovers and captured an era when a rejuvenated Japanese economy seemed to finally be rebounding. He was arrested five years ago and accused of securities fraud in what seemed a classic case of comeuppance, with the news media demonizing him as a symbol of an unsavory, freewheeling American-style capitalism.

In 2007, a court found him guilty of falsifying company records, a ruling that he is appealing. But in dozens of interviews, young Japanese brought up Takafumi Horie again and again as a way of explaining their generation's malaise. To them, he symbolized something very different: a youthful challenger who was crushed by a reactionary status quo. His arrest, they said, was a warning to all of them not to rock the boat.

"It was a message that it is better to quietly and obediently follow the established conservative order," Takafumi Horie, now 37, wrote in an e-mail.

He remains for many a popular, if almost subversive figure in Japan, where he is once again making waves by unrepentantly battling the charges in court, instead of meekly accepting the judgment, as do most of those arrested. He now has more than [a half-million followers on Twitter](#), more than the prime minister, and publicly urges people to challenge the system.

"Horie has been the closest thing we had to a role model," said Noritoshi Furuichi, a 25-year-old graduate student at the University of Tokyo who wrote a book about how young Japanese were able to remain happy while losing hope. "He represents a struggle between old Japan and new Japan."

Mr. Furuichi and many other young Japanese say that young people here do not react with anger or protest, instead blaming themselves and dropping out, or with an almost cheerful resignation, trying to find contentment with horizons that are far more limited than their parents'.

In such an atmosphere, young politicians say it is hard to mobilize their generation to get interested in politics, which puts them at a further disadvantage in the rivalry.

Ryohei Takahashi was a young city council member in the Tokyo suburb of Ichikawa who

joined a group of other young politicians and activists in issuing a “Youth Manifesto,” which urged younger Japanese to stand up for their interests.

In late 2009, he made a bid to become the city’s mayor on a platform of shifting more spending toward young families and education. However, few younger people showed an interest in voting, and he ended up trying to cater to the city’s most powerful voting blocs: retirees and local industries like construction, all dominated by leaders in their 50s and 60s.

“Aging just further empowers older generations,” said Mr. Takahashi, 33. “In sheer numbers, they win hands down.”

He lost the election, which he called a painful lesson that Japan was becoming a “silver democracy,” where most budgets and spending heavily favored older generations.

Social experts say the need to cut soaring budget deficits means that younger Japanese will never receive the level of benefits enjoyed by retirees today. Calculations show that a child born today can expect to receive up to \$1.2 million less in pensions, health care and other government spending over the course of his life than someone retired today; in the national pension system alone, this gap reaches into the hundreds of thousands of dollars.

The result is that young Japanese are fleeing the program in droves: half of workers below the age of 35 now fail to make their legally mandated payments, even though that means they must face the future with no pension at all. “In France, the young people take to the streets,” Mr. Takahashi said. “In Japan, they just don’t pay.”

Or they drop out, as did many in Japan’s first “lost generation” a decade ago.

One was Kyoko, who was afraid to give her last name for fear it would further damage her job prospects. Almost a decade ago, when she was a junior at prestigious Waseda University here, she was expected to follow postwar Japan’s well-trodden path to success by finding a job at a top corporation. She said she started off on the right foot, trying to appear enthusiastic at interviews without being strongly opinionated — the balance that appeals to Japanese employers, who seek hard-working conformists.

But after interviewing at 10 companies, she said she suffered a minor nervous breakdown, and stopped. She said she realized that she did not want to become an overworked corporate warrior like her father.

By failing to get such a job before graduating, Kyoko was forced to join the ranks of the “freeters” — an underclass of young people who hold transient, lower-paying irregular jobs. Since graduating in 2004 she has held six jobs, none of them paying unemployment insurance,

pension or a monthly salary of more than 150,000 yen, or about \$1,800.

“I realized that wasn’t who I wanted to be,” recalled Kyoko, now 29. “But why has being myself cost me so dearly?”