

# Japan Decent Work 8 Index

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Research and Study Committee on ESG-S Indicators (ESG-S Indicators Committee)

# Introduction

## What is JD8?

The indicator of “S (Social)” in ESG needs to be considered in earnest. The reason for this is that what happened in the “E (Environment)” area is likely to occur in the “S” area as well. In the “E” area, it is becoming increasingly clear that the impact of climate change caused by corporate activities poses systemic risks that could shake the foundations of economic activities. In response, disclosure frameworks such as the TCFD have been developed to incorporate these risks into market decisions. These development have also encouraged market participants to decarbonize their investment as well as company’s operations to ultimately improve their long-term value creation.

In the “S” area, there are structural challenges arising from decreasing social cohesion caused by economic inequality, lack of protection of human rights, and depletion of human capital. The erosion of society’s trust in markets and economies is a serious systemic risk. This is a global challenge and, therefore, has led to increased international concerns about economic inequality, human rights, and human capital.

Many international guidelines and standards have been proposed for “S” indicators. However, because of Japan’s unique social systems and employment practices, international standards and indicators alone may not be sufficient. For example, in Japan, wages for part-time employees are lower than full-time. Meanwhile, full-time employees are more constrained by companies, making it difficult for them to balance work with housework, childcare, nursing care, etc., resulting in a widening gender gap.

It is necessary to create indicators that appropriately reflect the structure of these issues unique to Japan.

Given this background, QUICK ESG Research Center and Research Institute For Advancement Of Living Standards (RENGO-RIALS) established the “Research and Study Committee on ESG-S Indicators (ESG-S Indicators Committee)” in September 2020 to study “S” indicators. Based on exchanges of opinions with many corporate stakeholders and institutional investors, the committee has compiled the “Japan Decent Work 8 Index (JD8).”

JD8 does not intend to increase the burden on companies by adding new indicators to the many already existing ones in Japan and abroad.

Instead, while maintaining consistency with existing ones, it adds unique perspectives, such as employment management category, based on circumstances peculiar to Japan. JD8 is not merely a “checklist of disclosure items,” but rather a guideline to encourage dialogue between companies and investors and to drive tangible changes.

This will help not only realize a society where everyone is respected and can work without any concerns but also enable companies to accumulate human capital and increase their corporate value.



Chair of Research and Study Committee on ESG-S Indicators,

### **Takeshi Mizuguchi**

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# Japan Decent Work 8 Index (JD8)

Based on the social (S) issues facing Japan, the ESG-S Indicators Committee proposed eight indicators (13 core indicators and 12 complementary indicators) to realize decent work for enhancing corporate value.

1 Adequate working hours and wages	2 Elimination of gender gap	3 Flexible working style	4 Workplace security
Average annual total working hours by employment management category <b>Core</b>	Number and percentage of employees in each position by gender <b>Core</b>	Percentage of employees using remote work and average weekly remote work hours by gender <b>Core</b>	Initiatives to enhance psychological safety <b>Core</b>
Average annual income by employment management category <b>Core</b>	Average annual income by gender <b>Core</b>	Acquisition rate and duration of childcare leave by gender <b>Core</b>	Percentage of employees on mental leave <b>Complementary</b>
Number of employees by employment management category and gender <b>Complementary</b>	Average years of service by gender <b>Complementary</b>	Number of employees on nursing care leave by gender <b>Complementary</b>	
		Availability and use status of systems that support ease of work <b>Complementary</b>	
5 Investment in human capital	6 Diversity & inclusion	7 Working condition in supply chain	8 Sound labor-management relations
Annual total training hours per person by employment management category <b>Core</b>	Number of employees with disabilities (by disability type) and their average years of service <b>Core</b>	Human rights due diligence in supply chain <b>Core</b>	Existence of labor unions, union membership rates, and scope of union membership <b>Core</b>
Training expenses per person by employment management category <b>Core</b>	Ratio of mid-career hires to regular employees and turnover rates of mid-career and new graduate hires within 3 years <b>Complementary</b>	Adequate transactions with subcontractors and other supply chain companies (price and delivery time) <b>Core</b>	Availability of labor-management negotiations/consultations on wages, working hours, and other working conditions <b>Complementary</b>
System for acquiring new skills and proactive career development <b>Complementary</b>	Initiatives and support systems for sexual minorities <b>Complementary</b>	Initiatives to improve the treatment of temporary/contract workers and freelancers <b>Complementary</b>	Status of labor-management dialogue on management issues, such as changes in industrial structure and business transformation <b>Complementary</b>
	Number of foreign nationals working in Japan with major status of residence <b>Complementary</b>		

# Theory of Change

