

“Employment Strategy for the Future: A Rich and Vibrant Society Where Everyone Can Achieve Excellence and Play a Part in Its Development with Enthusiasm”¹

Koichi Fujii

Research Director, Employment Strategy Section, the Japan Institute for Labour Policy and Training

Atsuki Matsubuchi

Deputy Director, Statistical Information Analysis Department, the Japan Institute for Labour Policy and Training

Toshio Chiba

Senior Researcher, Employment Strategy Section, the Japan Institute for Labour Policy and Training

Introduction: The Purpose of the Study

How to cope with increasingly challenging employment problems has become a major policy agenda in many industrialized nations since the oil crisis. In 1994, the OECD (Organization for Economic Co-operation and Development) proposed a strategic policy aimed at job creation. The EU (European Union) has been formulating and advancing the European Employment Strategy since 1997. Now facing a major historical turning point, Japan also needs to start developing policy based on an employment strategy within a medium and long term timeframe. The Japan Institute for Labour Policy and Training (JILPT) has been undertaking a project called “Research on the Desirable Employment Strategy in Japan” as a part of its Project Research Program (the research period: October 2003 – March 2007). The “Employment Strategy Study Group” at JILPT² has been examining the problem of employment strategy in Japan since December 2004. This is a mid-term report concerning results of the project. We, JILPT researchers, have

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² Professor Masahiro Suzuki of Waseda University (Chair), Professor Yasuo Suwa of Hosei University (Deputy Chair), Professor Takao Komine of Hosei University, Professor Michio Higuchi of Keio University, Professor Ryuichiro Matsubara of the University of Tokyo, labor-management specialists, and government officials participated in the study group. Professor Hiroshi Yoshikawa of the University of Tokyo, Professor Katsuhito Iwai of the University of Tokyo, and Professor Masahiro Yamada of Tokyo Gakugei University also attended a meeting of the study group.

written this report on employment strategy based on results produced by the study group.

Part I: Analysis of the Employment Strategy in Japan

1. Analysis of Employment Strategy

Employment strategy aims to vitalize society by stimulating employment. It is formulated to achieve the following two objectives: 1) To ensure coordination among various related policies, including those not directly related to employment. 2) To establish guidelines ensuring effective policy implementation toward fulfillment of policy goals within a given timeframe. When devising an employment strategy, therefore, it becomes crucial to clearly outline policy objectives, which are set according to the strategy's basic principle, and policies necessary for fulfillment of these objectives. Moreover, policy implementation must be guaranteed at the same time.

The environment surrounding the Japanese socio-economic system is going through dramatic changes at present, and Japan faces various challenges in the area of employment as well. Furthermore, the country is expected to experience further dramatic changes in the future. Our analysis focuses on addressing how Japan might effectively meet these challenges in a medium-long term timeframe encompassing the next 10-to 20 years.

2. Purpose and Significance of Analyzing Employment Strategy

1) Cases from Other Nations

As for examples of preceding employment strategies, there are the Jobs Strategy formulated by the OECD in 1994 in order to cope with a structural change of the 1980-90s – chronic unemployment – through advancement of deregulation and a laissez faire approach and the European Union's European Employment Strategy which was formulated in 1997 with a principle of promoting social cohesion and integration through work. Since 1997, there have been indications that the OECD's employment strategy has begun shifting toward the direction advanced by the EU strategy; it has begun including "equity" as a principle which can coexist with "efficiency." This fact is highly significant for analysis of the employment strategy in Japan.³

³ OECD revised its employment strategy in 2006. EU put forth the "Employment Guidelines, 2005-2008" in 2005.

2) Significance of Formulating a Japanese Employment Strategy

There has been a shift in employment policy in Japan. Previously, economic growth continuing since the high-growth era and long-term employment had been the basic premise of Japanese employment policy. Policy had focused on maintenance and stabilization of growth and long-term employment and distribution of wealth. Especially since the 1997 financial crisis, employment policy has come to be based on a premise that available resources such as fiscal resources will be limited. As such policy agendas as fiscal retrenchment, deregulation, and decentralization are advanced, employment policy also has changed its direction toward an emphasis on job creation and efficiency in job mobility. The idea that cost reduction is the most important priority has come to be influential in recent years. On the other hand, however, there are those who call for reappraisal of the so-called Japanese employment practices while concerns about the future such as an increase in non-regular employment – particularly among young people – and a widening gap in economic opportunities appear to be intensifying.

In the future, we expect to see development of the following trends in the environment that surrounds the Japanese socio-economic system: 1) Acceleration of economic globalization and intensification of global competition (even in knowledge-intensive sectors) due to the proliferation of ICT around the world including developing nations 2) Full transition from industrial capitalism, which generates profits through mass production, to a capitalism of diversified knowledge, which generates profits through innovation in knowledge, technology, and skill 3) Increasing constraints upon available resources (such as government finance and labor supply source) due to the progress of declining birth rate, aging population, and population decline.

As these trends continue, human resources will become scarce, and it is likely that the importance of human resources as a source of added value and innovation will increase further more. There is a need for building a society where all individuals can accumulate human resources for generating greater value, work with enthusiasm, are included in society, and realize their full potential. In this regard, it is timely to consider and formulate an employment strategy which makes “people” (or accumulation and effective utilization of human resources), who will constitute the main engine of vitalization of society and economy in the future, its main focus.

In the future, society and economy will take structures that are qualitatively

different from those in the 20th century. For this reason, an approach of developing short-term measures within separate policy areas will not be able to ensure consistency in policy. Through formulation and implementation of an employment strategy, all related policies should be managed in an efficient, integrated, and streamlined fashion within a medium and long-term timeframe.

Part II: Objectives and Basic Direction of the Employment Strategy

1. Basic Principle and Objectives of the Employment Strategy

The basic principle of an employment strategy needs to address a method for vitalizing society and economy with its focus on “people.” This can be realized by allowing everyone to take an active part in society through work, acquire necessary skills anytime and put them to full use, and then transforming improvement of workers’ skills and motivation into improvement of productivity of society and economic growth. For realizing these objectives, it is important to prevent income gaps from widening too much and ensure that workers can enjoy qualitatively continuous employment so that they are able to stay healthy and develop necessary vocational skills.

In short, the aim of the employment strategy should be “To make the people the focus of every policy and to build a vibrant society where everyone is able to improve and realize their potential and participate while maintaining a sustainable livelihood” or, to put it more succinctly, to realize a “prosperous and vibrant society where everyone can achieve excellence and play a part in its development with enthusiasm.”

By emphasizing “participation”, the “quality of employment”, and “realization of talent”, which are key elements necessary for vitalizing society and economy, we have identified the following three headings as the chief strategic objectives toward realization of the principle outlined above:

1) To build a highly inclusive society where everyone can play a role in supporting it by fully realizing their professional talent (“creation of a highly inclusive society mainly through employment promotion”) and thereby vitalize and stabilize society and the economy

In the future, it will be necessary to build a system for effectively utilizing and realizing individual talents while ensuring that certain groups will not be marginalized in the labor market and society. The key is to make sure that as many individuals as possible can get involved and sustain society through

work while leading their lives with a sense of fulfillment.

To this conclusion, it will be important to offer vocational skill development assistance with an aim of helping workers to make proper occupational choices according to their skill and motivation while improving the labor market mechanisms in tandem with such effort. Another important measure is stimulation of demand for labor through various means including promotion of business ventures. It is also important to enhance communications in society in order to encourage people to take part in society. Because Japan’s fiscal and human resources will come under increasing constraint, it will be extremely critical that each local community will take its own initiative in revitalizing itself and their economy.

2) To make people’s career and livelihood sustainable, improve their vocational skills and motivation, and establish work environments which transform improvement in skill and motivation of workers into increased overall productivity (“maintenance of the quality of employment and improvement of incentives to work”)

If we want to continue expanding the pool of high quality labor force and raising labor productivity, it will be important to ensure that all individuals can sustain their lives economically and professionally. It will also be important to improve their skills and motivation and build a system in which improvement of individual skills and talents can lead to improvement of overall productivity.

It is therefore crucial that, at every stage of their professional life, all workers can develop professional skills to respond to changes according to their overall life plan. They should be able to stay healthy, improve their level of happiness by maintaining a balance between work and personal life, and hence enjoy a sense of fulfillment of life overall. Moreover, it will be important to ensure that excessive socio-economic disparities will not lead to permanent social stratification or a decline in motivation to work and social participation among certain groups.

3) To ensure that individuals can fully develop their career at their own initiative while the risk of career termination becomes unavoidable in the rapidly changing world (“career development assistance based on the career rights concept”)

Based on the idea that companies should determine how they manage

human resources according to their business needs, vocational skill development in Japan has traditionally centered around corporate organizations. Such approach remains important, but a vocational skill development model focusing on realization of individual abilities is becoming increasingly important as the sectors that value individual creativity expand. There is a need to devise professional skill development policy that is in line with the current situation by combining public assistance, mutual assistance, and self-support in a balanced fashion (See Chart 1).

2. Creation of a Highly Inclusive Society through Promotion of Employment

1) What is a “Highly Inclusive Society”?

If the economy and society were to be vitalized, the number of those who support them must be increased. For stabilizing social and economic systems, likewise, it is important to facilitate smooth communications in society, let everyone become part of society in some way, through work or otherwise, and ensure that no one will be socially marginalized.

Encouraging social participation outside work and employment is a basis for establishing a society that is supported and participated in by people with different individual values and ideas. Such social participation can play an important role in vitalizing and stabilizing our society by fostering a sense of shared problems and mutual understanding while our society becomes more complex and economic competitions intensify as a result of globalization and the spread of ICT.

Facilitating communications in society is a basic condition for allowing each of the main actors – the central government, local government, businesses, labor unions, NPOs, and citizens – to take actions at its own initiative in dealing with the problem of employment.

2) Issues and Policy Direction toward Realization of a Highly Inclusive Society

We have identified the following objectives toward realization of a highly inclusive society: i) Promotion of social participation through work ii) Maintenance and creation of employment opportunities iii) Development of a safety net for employment and work iv) Achieving social participation by all and promoting social dialogues v) Employment strategy for local communities.

Chart 1 Employment Strategy for the Future: A Rich and Vibrant Society Where Everyone Can Achieve Excellence and Play a Part in Its Development with Enthusiasm

Major Future Changes in the Environment surrounding the Japanese Socio-economic System

- Rapid development and global dissemination of ICT& intensifying global competition in knowledge/technology-intensive sectors due to the progress of **economic globalization**
- Shift from industrial capitalism to a **capitalism of diversified knowledge** (→ Increased need for continuous innovation = Increased Importance of knowledge, technology, and skill)
- **Increased constraint on resources** such as supply of the work force and government finance due to overall population decline

Direction of Response to the Changes

- It is important to accumulate and effectively utilize human resources which will be an extremely important source of added value.
- It is important to encourage more people to become supporters of society, rather than its dependents, and ensure that no one will be excluded from society.
- It is important to ensure that people can develop skills and contribute to sustainability of society and economy as required skills become increasingly sophisticated.
- ◎ “People” should be the focus of all Japan’s policies since they are the most important source of economic vitality.

Formulation of Employment Strategy Based on a Medium-Long Range Timeframe

Basic Principle : To make “people” the focus of every policy and create a vibrant society where everyone can improve and fully realize their potential and participate while maintaining a sustainable livelihood

Policies for Realizing the Basic Principle of the Employment Strategy (Basic Policy Direction)

- 1 To build a highly inclusive society where everyone can be part of and play a role in building it by fully realizing their professional talent and thereby vitalize and stabilize society and the economy
- 2 To make people’s career and livelihood sustainable, improve their vocational skills and motivation, and establish work environments which will transform such improvement into increased productivity
- 3 To ensure that individuals can fully develop their career by their own initiative while the risk of career termination is becoming unavoidable in the rapidly changing world

[Three Pillars for Realizing the Principle of the Employment Strategy]

- * Enhancing (public) assistance for groups whose human resource development and utilization infrastructures are weak (those with no work experience and non-regular workers) is effective for the purpose of effective utilization of human resources.

i) Promotion of Social Participation through Work

In respect to those who are capable of working, it is essential that they can provide for themselves through work and participate in society as its supporters rather than dependents. In the coming age of the knowledge-intensive economy, we will have to be able to provide skill development opportunities to individuals according to their needs and secure as many employment opportunities as possible for those wishing to work according to their skills and motivation. Such a measure will be of significance as we face a declining birth rate, aging population, and full-scale population decline.

Making various institutions which can affect labor market behaviors (such as the tax and social security systems) conducive to promotion of employment is among the important specific measures for realizing the objective. It is also important to ensure that labor demand and supply are matched most effectively by strengthening the labor supply-demand adjustment mechanism as well as to improve vocational skill development systems (including skill evaluation systems) with an aim of fully utilizing people's potential and motivation.

In the future, we will need to put forth policy for promoting employment among young people, women and elderly who are relatively underrepresented in the labor market. The vocational development systems and labor demand-supply mechanism must now be enhanced in such a way that they can provide a social safety net fit for times of great change. With respect to disadvantaged groups who are willing to work such as the chronically unemployed and young people who have never been employed (the so-called NEET), there will be an increasing need for providing them with opportunities to develop practical vocational skills on the job by changing their attitudes toward work as well as inducing necessarily changes on the demand side (i.e. companies).

ii) Maintenance and Creation of Employment Opportunities

Economic competition continues to intensify while the cycle of technological innovation is getting shorter and shorter; corporate organizations are expected to have a shorter lifespan in the future. Securing employment opportunities including those created by promotion of business ventures will also be important for promoting social participation through work in such

environment. It is hoped that there will be a more proactive employment policy which emphasizes support for job opportunities outside conventional employment – those including independent business ventures – in addition to expanding employment opportunities offered by existing corporate organizations.

One needs to solve a number of problems such as how to acquire business management expertise, develop products, and develop and maintain human resources before starting a business venture. For this reason, public institutions including local government and research institutions such as universities need to provide appropriate assistance to those who wish to start their own business in cooperation with each other.

iii) Development of a Safety Net for Employment and Work

In order for everyone to be able to take part in society through work, there must be a basic mechanism for allowing anybody seeking employment to easily reach employment opportunities without any restrictions. In Japan in the past, based on the practice of long-term employment, the safety net was built around assistance for sustained employment at corporate organizations. From now on, it will be increasingly crucial to build a safety net primarily aimed at helping workers avoid unemployment even when they move within the labor market and minimize the duration of unemployment for those who became unemployed. Fostering stable employment particularly by reinforcing the external labor market and linking the external and internal labor markets together will be important.

Therefore, facilitating efficient use for human resources will be an extremely important task. Such effort will involve improvement of mechanisms for aiding the external labor market to function smoothly. This means that evaluation of professional skills should be effective; workers should be provided with appropriate vocational development opportunities when they move in the labor market and accurate information about the labor market. In tandem with these efforts, the labor supply-demand adjustment mechanism should also be reinforced. Special care should be taken to allow workers to improve their skills by moving in the labor market particularly when the external labor market is seen as an important safety net. With regard to disadvantaged groups such as young people without professional experience, the elderly, and those who have been unemployed

for a long period of time, special care is needed to make sure that employment of these groups can bring benefits to both the demand and supply sides.

Concerning the safety net in an “age of diversified knowledge and global economic competition,” it will be more important than ever before that the safety net’s mechanisms for enhancing the quality and effectively utilizing human resources (such as vocational skill development and evaluation) can realize their potential.

iv) Achieving Social Participation by All and Promoting Social Dialogues

Maintenance of social dialogues is the most basic element in a process of building consensus and fostering mutual understanding in society. Maintaining such dialogues is fundamental to promotion of various modes of social participation including participation through work; it is an indispensable element in successful management of social and economic systems.

The diversification of our social structure, including our attitudes toward work and employment, is expected to continue much further in the future. In order to keep society-functioning smoothly with stability in such an environment, it will be important to take special measures so as to facilitate effective dialogues among its constituents (government, localities, businesses, NPOs, and individual citizens) and allow them to form a collective problem consciousness. Social dialogues at all levels can provide a basis for stabilization of society and economy by helping society to collectively share concerns, raise awareness of each citizen, and facilitate cooperation in preventing social problems.

v) Employment Strategy for Local Communities

Because of the increasingly constrained central government finance and the advance of decentralization policy, redistribution of wealth from center to regions through public work programs in Japan has been reduced in recent years. This reduction is one factor negatively affecting economies and employment in regions with few industries that have a high capacity for employment absorption or are competitive. Particular attention should be paid to the fact that a lack of employment opportunities can potentially undermine the vitality of local communities in the long run and widen

economic and employment gaps among regions in the future.

Each community will have to play its role in advancing the goals of realizing a society in which everyone can enjoy a relaxing and affluent life and building vibrant local communities with their own unique characters. Also at local levels, therefore, it is necessary to put in place consistent medium and long-range policies with the three objectives below and advance vitalization of local communities with a focus on vitalization of lives of people. The three objectives are: 1) Maintaining sufficient (both qualitatively and quantitatively) employment opportunities and ensuring that workers are able to enjoy a relaxing and rich life so as to promote social participation through work and increase those who can support local communities 2) Putting local communities in charge of the task of vitalizing their economies 3) Building a foundation for a highly inclusive society by facilitating social dialogues in local communities.

Each local community will need to devise an employment strategy and take measures according to its local needs while maintaining consistency between their measures and the direction of national employment strategy toward the goal of developing a highly inclusive society through promotion of employment.

In order for a local employment strategy to take full effect, it must be accompanied by organized efforts for fulfillment of strategic goals and smooth implementation of related policies. For this reason, governor and other local leaders must exercise full leadership in devising a local employment strategy. Leaders must start devising specific strategic objectives and necessary measures after securing participation and cooperation of local stakeholders of all levels (labor unions, NPOs, local residents, government agencies, and research organizations) on the basis of the accurate correspondence of information between these bodies..

Part III: Maintenance of the Quality of Employment and Improvement of Incentives to Work

1. Need for Maintaining the Quality of Employment and Improving Incentives to Work

Companies need workers to generate higher capacities and increase their value for the purpose of responding to technological innovations and changes in industrial structures. Workers need to be able to respond to changes in

general attitudes toward work and find fulfillment.. It will be important to create work environments that can improve skills and motivation of workers by incorporating views of both companies and workers and enable workers to find fulfillment in their work. Realization of such environments can raise productivity of companies and in turn contribute to vitalization of the Japanese economy and society.

For the goal of maintaining the vitality of the Japanese economy and society in the face of population decline, it is important to; advance employment and social participation of those who are willing and able to work and raise productivity by expanding the labor pool, utilizing limited human resources efficiently, and bringing out and enhancing motivation and creative skills of individual workers.

Maintenance of the “quality of employment” (= development of a work environment conducive to improvement of motivation, satisfaction, and abilities of workers) and improvement of incentives to work (= enhancement of motivation and abilities of workers) are goals of labor policy. They enable society and economy to maintain their vitality and enjoy sustained growth. Individuals, companies, and government should take appropriate measures for realizing these two goals.

What Is the “Quality of Employment”?

Below are important indicators for showing that the quality of employment is at a high level:

(1) A sufficient number of employment opportunities are maintained (2) Basic and minimum work standards are met (3) Work conditions (wage, work hours, health and safety, and welfare), content of work, and human resources management are such that workers can fully utilize their motivation and skills according to such factors as their talent and life stage and find fulfillment in their work (4) The balance between work and personal life (work-life balance) is maintained (5) Workers can access vocational skill development opportunities and career development assistance appropriate for their level of motivation and performance (6) Workers can receive equal treatment and balanced treatment based on their motivation, skills, and performance, and choose different formats of work (choices over diverse work formats) (7) Workers can receive evaluation and treatment that are fair, transparent, and credible (8) There are

significant communications between management and workers as well as in workplace; labor-management relations are good.

It is also important that workers are able to find fulfillment in areas in life other than work (home, family, and local community) and value things other than work. The quality of life (improvement of living standards) is an important issue.

Productivity, Corporate Performance, and the Quality of Employment

Improving productivity is important also for the purpose of vitalizing the Japanese economy and society faced with the declining birth rate, aging population, and population decline. In increasing productivity, paying attention to improvement of Total Factor Productivity (TFP) is particularly important. Technological innovations, improvement of corporate structures and organizations of work, nurturing of talents responsible for technological innovation, and full realization of individual talents and skills are crucial for this purpose. A key is to create a “positive cycle of the quality of employment and productivity” in which the company improves motivation and skills of workers through employment management innovations and increase its productivity through development and proper assignment of human resources enhancing its corporate performance further and in turn its ability to make further human resource investments.

Companies that are active in skill development and employment management innovation tend to perform well and stay competitive; workers at such companies tend to be highly motivated and satisfied. Well-performing companies with high labor productivity tend to keep their workers highly motivated and happy and be active in making innovations in their employment systems, providing skill development, and introducing measures to provide a worker-friendly work environment. We can assume that improvement of worker motivation and corporate performance can affect each other positively. Moreover, companies that have a high level of female worker representation and are active in skill development of women tend to perform well. By utilizing appropriate treatment systems, skill development, and promotion schemes, companies can also raise the level of motivation and satisfaction among non-regular employees.

2. Maintenance of the Quality of Employment and Improvement of Incentives to Work: Issues and Policy Direction

Securing Diverse Work Format Options

ICT (Information Communication Technology) is becoming more wide spread, and the proportion of service industries in economy is increasing. There is a shift toward greater value products in industrial production while competitions among companies are intensifying. The proportion of women and elderly in the labor force is increasing. Employment needs of workers and companies are becoming increasingly individuated and diversified. Reflecting these above trends, “diversification of work formats” (diversification of forms of employment and work into which this study includes social participation in a very broad sense such as involvement in local community) and individuated treatment (individuated and diversified work assignments and wage/personnel systems, flexible work hours etc.) are progressing and will continue to do so in the future. It is important to build a social system in which diverse individuals can choose diverse work formats according to their abilities and motivation (society that guarantees diverse work formats).

For maintaining such diversity in work formats in substance, we will need to develop employment systems which reflect the desire of workers, accommodate movements between regular and non-regular employment (for example, a system that promotes non-regular employees to regular employees and employment formats that are halfway between non-regular and regular employment such as a regular employment scheme with shorter working hours), build social systems that do not discriminate between any particular work formats, develop flexible work hour schemes, and provide career development, treatment, and skill development opportunities appropriate for motivation, work formats, and duties of individual workers.

Concerning the problem of how to balance treatment of regular workers and non-regular workers, companies can raise the level of motivation among non-regular workers and bring out their full potential by maintaining a rational treatment system which takes into account employment status, motivation, abilities, performance, and contents of work of individual non-regular workers while paying attention to the balance between treatment for non-regular workers and regular workers. Such policy can enhance a consensus of both regular and non-regular workers and contribute to vitalization of companies.

Work formats that do not entail employment can contribute to agendas

such as flexible work styles that can suit different life stages, a better balance between work and family life, and vitalization of local communities. It is therefore important to improve work environments for those who engage in these types of work.

Clarification of Labor Contract Agreements

It is important to secure substantial equality between labor and management, determination of work conditions by consent, fairness in work conditions, and prevention and immediate resolution of labor disputes by clarifying labor contract agreements, whose purposes are to ensure that workers engage in work by consent and to prevent labor disputes. Moreover, it is important to build work environments in which workers can engage in work feeling satisfied and secure along with facilitating immediate resolution of labor disputes by creating a labor counsel system where the third party mediates disputes in a fair manner.

Foundations of Policy Management: Coordination of Policies and Measures for Improving Incentives to Work

Coordinating individual policies is crucial. Concerning labor, enhancing work incentives and preventing particular groups from suffering disadvantages in the labor market are important. The basic principle here is to build a system that is neutral to labor mobility and movements among different employment formats. Policy for encouraging those who are willing to work to participate in the labor market according to their abilities, including promotion of the shift from dependence on welfare to employment, is important. Policy for inducing companies to promote employment should also be considered. Safety net and equal opportunity measures are important for maintenance of the “quality of employment.” A trade-off relationship does not necessarily exist between improvement of labor or social security systems and improvement of employment or economic performance. In some cases, they can have positive impact on each other.

3. Need for Realization of a Professional Life Style in Which Work and Personal Life are Balanced.

Employment has come to take place under diverse conditions and more flexible work hour schemes. This is creating such problems as fatigue from

long work hours, increased stress, a decline in time spent for personal activities and education, disparity between regular and non-regular workers concerning treatment and employment opportunities, difficulty in maintaining a balance between work and personal life as well as between work and family, and a lack of skill development opportunities. The proportion of those who work over sixty hours per week is increasing particularly among male regular workers in their prime.

One concern is that workers have limited and rigid choices of work formats and that this is preventing them from realizing their full potential and limiting abilities of companies to generate greater value. For this reason, realizing a “balance between work and personal life” – freedom for each worker to combine work with non-work (family, community, and educational) activities in different ways in each phase of professional life and choose balanced work formats safely and fully informed – is important.

In the short term, companies might have to shoulder the costs of fostering such a balance between work and personal life, but it will create significant benefits. For workers, freedom to choose work formats which they feel content and secure with will allow them to allocate their time among work, personal activities, and skill development in a manner suited for their individual life stage. They will be able to increase their endurance both in their professional and personal life and reach their full potential in excellent physical and mental conditions. Companies can expect improvement in productivity from full realization of motivation and abilities of workers, and this in turn can contribute to vitalization of their organizations. For society as a whole, it will foster fulfilled family life, help vitalize local communities, contribute to continuous growth of society, and facilitate nurturing of future generations. Furthermore, it will help us in realizing a highly inclusive society in the face of a declining birthrate, aging population, and population decline. In order to realize a balance between work and personal life, workers must be able to have a range of choices concerning work hours and work location and receive fair treatment for each different work format. Moreover, workers, companies, and government must each work toward establishment of a system where workers can freely alternate between joining the workforce and receiving education or training at any stage in their life.

4. Need for Building a New Employment System

Employment policy at many companies still includes maintenance of long-term employment, and is popular also among workers. Companies are reviewing the seniority system and introducing performance-based wage and treatment systems. They are also seeking to link their human resource and business management strategies together more closely and advancing the use of external human resources. A number of companies are trying to combine long-term employment with performance-based human resource policies. Such companies tend to be performing well and have satisfied employees. The Japanese employment system has been created through efforts of both labor and management. The system seems to possess positive features that should be retained. It has positive characteristics such as stability of employment facilitated by the practice of long-term employment and effective human resource management. It fosters effective teamwork by promoting information sharing between labor and management and communications at the workplace. As the Japanese socio-economic system goes through transformation, it will become necessary to develop a new system which can accommodate diversity while incorporating the merits of the old one.

5. Problem of Disparities and Balanced Treatment

Also from the perspective of “employment strategy”, it is important to prevent deterioration of incentives to work by preventing perpetuation of disparities, fostering “equal opportunities”, and realizing a society where people are able to rebound from economic and professional failures. Furthermore, effective measures should be taken so that disparities will not widen too much. Perpetuation or excessive widening of socio-economic gaps can lead to a rise in social instability, a decline in motivation to work, and a decline in vitality of society and economy. Moreover, the existence of the middle class is critical to social stability.

We must be alert about such trends as expansion of the low-income class, widening of disparities among young people, and trans-generational replication of socio-economic disparities in which children inherit the same pattern of income and economic disparities from their parents through education and employment.

Important measures for responding to this problem include creation of a mechanism that enables people to take on a new challenge (and try again even

when they fail), prevention of expansion of the poor and reduction of their size, and development and maintenance of proper conditions for employment. For accomplishing these goals, improvement of the social security system, skill development, and safety net mechanisms including employment placement systems are important. Equal opportunities must be guaranteed. Fair treatment corresponding to different motivation levels and work formats (balanced treatment), fair performance evaluation systems, and the income redistribution policy are also important. Enhancement of the minimum wage system should also be considered as a part of the efforts in developing a safety net. Support for business ventures will also be needed. The key is to balance efficiency and equity. For individuals, improving vocational skills provides the best safety net; it is thus particularly important to provide and improve opportunities for vocational skill development. It is important to discuss how government, individuals, NGOs, and the school system should share and allocate different functions of the safety net, but the role of governmental efforts will be more critical than ever. Moreover, shift from reliance on welfare to employment should be advanced, and government, labor, and management need to promote social integration of the low-income class and groups that are disadvantaged in the labor market. It is important to create a society where worker performance is valued and rewarded in a variety of ways. It is also important to build a system which enables workers to choose diverse work formats that suit their needs.

In addition, it is important to boost demand and curb anxiety about the future by implementing appropriate macro economic measures for improving work environments and eliminating disparities.

Direction of Policy Responses

Employment opportunities with characteristics of both regular and non-regular employment, which are becoming more common among young people, and policy response to the expansion of the low-income class are already becoming urgent issues at this point in the face of the progress of diversification of employment.

There are four important measures for improving the “quality of employment” for non-regular workers: 1) Creation of a system which enables movements from one employment format to another within the same company as well as between different companies 2) Realization of balanced (and yet

rational) treatment for different employment formats 3) Commitment by society including corporations to career development of non-regular workers 4) Reassessing how work conditions for non-regular employees are determined and providing treatment which workers can be satisfied with.

In addition, it is important to shift people away from dependence on welfare to employment and improve the social security system. A society where even low-income class families can have a descent life, including education for their children, must be realized. It is important to prevent excessive disparities and expansion and perpetuation of disparities originating from family backgrounds. More robust housing, social welfare, and education policies aimed at the promotion of equal opportunities are necessary. So is reassessment of the redistributive mechanisms in the tax and social security systems.

Part IV: Career Development Assistance Based on the Concept of Career Rights

1 Career Development in the People-centered Era

One of the basic conditions for fully bringing out talents of workers is to allow each worker to work with a strong sense of motivation and satisfaction. For meeting this condition, it is important that workers can effectively develop and accumulate skills and professional experiences while checking their professional development against their personal values. In other words, what matters for individual workers is whether they have built a good career or not.

The present report defines “career” as a “chain of professional experiences, which involves the full range of a person’s life, and internal process through which the person assigns meanings to the experiences.” In other words, it defines the concept broadly as a “chain of professional experiences” instead of limiting it to vertical movement such as promotion.

Career occupies a large place in a person’s life. Formation of career can have an impact of how people view their lives. It is difficult to determine externally if someone is happy with his or her career, and the answer is really up to that individual. What is important is that people can find fulfillment in a process of tracing the history of their professional life and envisioning the future. Looking back, a person might feel a deep sense of satisfaction over how his or her career has developed up to that point despite having made some mistakes or realize that he or she has been able to grow through his or her

professional experiences. People can enhance their chance of self-realization by building a career that can elicit such emotions.

Usually, career is something that cannot be shaped only by individual motivations of workers. It is formed through a process of negotiation between motivations of workers and what their organizations or companies demand. Those who work within organizations develop their skills by considering needs of the organizations. Individuals can receive recognition as someone indispensable from their organizations and society and find their way toward self-realization through work only by interacting with them. The process of such interaction is probably becoming more important today when economic and social changes are taking place rapidly. In principle, regular workers engage in this process of interaction with corporations and organizations that hire them. However, non-regular workers tend to lead their professional life without even having any organization to interact with. Thus, it is necessary to pay special attention to the problem of non-regular employees.

2. Shift in the Location of Leadership over Career Development

Japanese companies, particularly large ones, used to maintain employment practices with such features as long-term employment and play a dominant role in stabilizing employment of their employees. However, the future of many companies now seem uncertain; they are faced with an increasingly complex external environment beset with such changes as the progress of globalization, technological innovations, and maturing of consumer culture; and these changes are taking place at rapid pace. In such an environment, having a continuous and seamless career path might become impossible in some cases. The key for individual workers is shifting from being employed by the same one company to steadily building up professional experiences. It is becoming increasingly crucial for workers to take responsibility for their own career instead of relying on their company

Although individuals need to take charge of their own career development, they cannot expect to develop their career through their individual efforts alone. For example, it will be difficult for individuals to secure time for self-motivation without outside help. The role of support provided by companies and society for self-managed career development is significant. Effective career development is likely to lead to improvement of corporate performance. In times of high labor mobility, it can also help workers raise their employability in the labor

market and move out of the umbrella of employment security offered by one single company. If multi-level support provided by companies and society can help workers with effective career development, it will become possible to reduce career losses and increase the number of those who can support society, and more and more individuals will be able to work with vigor and enjoyment.

3. Career Development Assistance Based on the Concept of Career Rights

In the past, workers relied on companies in developing their career while under the system of long-term employment. However, professionally demanded skills are constantly shifting. In order to generate innovations, organizations are beginning to value self-motivated workers. Thus, it is increasingly important for individuals to self-manage and shape their own career by balancing their needs against needs of companies and society.

The “career rights” concept is being advanced now to establish a basic principle and legal basis for promoting education and training which is based on a model where companies assist self-managed career development of individuals. According to the career rights concept, it would be difficult for companies to make unilateral decisions that might negatively affect career development potentials of workers (job assignments and rotations, for example). In such cases, they might need to secure consent from workers. It will be important to provide career development assistance centered on the career rights concept in order to ensure that each worker can work reach full motivation and potential in the face of dramatic changes in the work environment.

Existing circumstances and institutions – self-governance by labor and management most prominently – shape what actually constitute career rights. In reality, however, the career development model based on self-management – including its support mechanisms – has not been adequately developed. There is a serious concern about the challenge non-regular workers and young people with no professional experience face in accumulating vocational skills; these groups are facing a high risk of not being able to fully develop their career.

Taking these issues above into consideration, the basic policy direction should be to support self-managed individual career development through multi-level assistance provided by both companies and society. Effective career development can contribute to improvement of corporate performance. This in turn can bring energy to society and the economy.

As utilization of diverse human resources is likely to become an important

agenda in the future, an increasingly wide range of policy responses will develop regarding the problem of support for career development of non-regular workers and young people with no professional experience. The concept of career rights is particularly important for these groups with respect to a goal of developing their abilities to make a living. It is hoped that these groups and society will work together to advance their career development while paying attention to how policy resources should be allocated.

Conclusion: Toward Establishment of an Employment Strategy for the Future

In the present report, we have put forth the following as the basic principle for guiding the Japanese employment strategy: “To make people the focus of every policy and build a vibrant society where everyone is able to raise and realize their potential and participate while maintaining a sustainable livelihood.” We have identified three important pillars for realizing this principle: 1) Creation of a highly inclusive society mainly through promotion of employment 2) Maintenance of the quality of employment and enhancement of incentives to work 3) Career development assistance based on the concept of career rights. One common point can be made with respect to all of the three goals – public assistance for the disadvantaged groups in the labor market (non-regular workers and those with no work experience) is highly beneficial for fulfillment of these goals as well as the goal of efficient utilization of human resources.

As it is a “strategy”, an employment strategy requires establishment of strategic objectives followed up by through policy implementation and verification and assessment of policy implementation. Moreover, results of such assessment must be fed back into the policy and strategic objectives. We will need to address these issues more thoroughly in our future discussion. The present essay is a mid-term report; we plan to continue our research on the remaining issues and produce the final report of the Project Research during 2006.

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