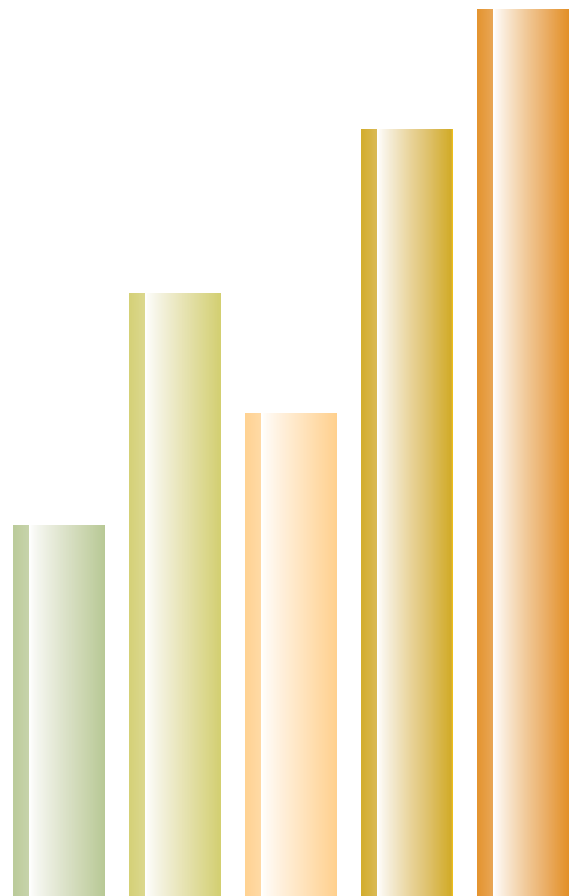


Labor Situation in Japan and Analysis : Detailed Exposition 2005/2006



The Japan Institute for Labour Policy and Training

The objective of **The Japan Institute for Labour Policy and Training** is to contribute to the planning of labour policies and work toward their effective and efficient implementation, as well as to promote the livelihood of workers and the development of the national economy by conducting comprehensive research projects regarding labour issues and policies, both domestically and internationally, and capitalize on the findings of such research by sponsoring training programs for administrative officials.

The Institute will concentrate our effort in the following areas.

1. Comprehensive Research on Labour Policies

The following research themes have been decided.

- (1) Contribute to the formulation of an employment strategy centering on systematic implementation and assessment of employment promoting measures and the creation of jobs that match the regional situation.
- (2) Contribute to upgrading the supply/demand adjustments of the labour market, including adequate responses to employment issues for the young, middle-aged and older workers and to a vocational information system.
- (3) Contribute to the development of an infrastructure for the corporate management of human resources and ability development, and to restructuring the system determining working conditions while accurately monitoring changes in corporate structure and behavior.
- (4) Contribute to building a social system in which one's private and working life are in harmony with each other, and to developing an environment allowing for diverse working styles, indispensable for such a system.

The Institute will also engage in collection and coordination of information on labour policies, both domestically and internationally, and various statistical data in order to lay a solid basis for its research activities. We will also carry out policy studies from an international perspective by building a network with overseas research institutions and individual researchers.

2. Training of Staff and Other Personnel Related to Labour Affairs

Using the results of the above mentioned research projects, the institute will provide training programs for personnel in charge of labour affairs and other interested parties at the Ministry of Health, Labour and Welfare. Simultaneously, through such training sessions, the Institute will be kept abreast of current issues in labour administration and the problems frontline officials in such positions face. The information so acquired will then be utilized in future research activities.

3. Dissemination of Results and Findings, Including Policy Proposals

The results of our research activities will be published quickly in research reports on labour policies, newsletters and on the web site with an eye to contributing to the planning and drafting of labour policies and the stimulation of policy discussions among different strata of the populace. At the same time, the Institute will organize policy forums and other events to provide opportunities for open discussion on policies.

**Labor Situation in Japan
and Analysis:
Detailed Exposition
2005/2006**

The Japan Institute for Labour Policy and Training

Foreword

The Japan Institute for Labour Policy and Training was established in October 2003 with the objective of contributing to the planning of labor policies and working toward their effective and efficient implementation. It serves to promote the livelihood of workers and the development of the national economy by conducting comprehensive research projects regarding labor issues and policies, both domestically and internationally, and to capitalize the findings of such research by sponsoring training programs for administrative officials. In order to achieve this objective, the Institute works towards building a network with overseas research institutions and individual researchers, and is also engaged in the definitive promotion of international collaboration in research, together with the advancement of policy studies from an international perspective.

This publication, which has been compiled as part of the Institute's effort to establish a foundation for international activities, describes and analyzes individual themes related to the current status of labor issues in Japan. The contents were written primarily by research specialists at the Institute, and the compilation was undertaken by the International Affairs Department.

In principle, this book is issued every year alternately as "General Overview" and "Detailed Exposition" editions. The 2004/2005 edition issued in March 2004 belonged to the former category, and provided an exhaustive range of write-ups that covered basic points on issues related to labor problems and labor policies in Japan. As opposed to the 2004/2005 edition, this 2005/2006 issue provides detailed exposition, and offers recent write-ups by researchers of the Institute dealing mainly with important labor issues. It does not provide an exhaustive account of the labor situation. The book takes up specific topics and introduces recent trends concerning these as well as the relevant analyses, but does not present any one uniform theme as a whole. Consequently, it has been compiled with the intention that the reader will use it together with the 2004/2005 edition.

We hope that this book will help its readers gain an understanding of the current labor situation in Japan.

July 2005

The Japan Institute for Labour Policy and Training

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Freeters and Jobless Youth

Currently, the system for raising young people to become full-fledged working professionals or constituent members of society is extremely unstable. Particularly, due to these changing times, the numbers of “freeters” and “jobless youths,” have risen dramatically. What is necessary now is to address these social issues head-on, and restructure the system such that it can raise young people to become full-fledged supporting members of society.

The first issue that needs to be addressed in the process of transition to working professionals is the freeters. According to the latest “White Paper on Labour Economy 2003,” the number of freeters is 2.09 million. The number has doubled within the past ten years. Although in the “White Paper on the National Lifestyle 2003,” there are different numbers, this is because of differences in the definition of “freeter.” While the word “freeter” is actually quite vague, it is, for the most part, commonly understood to refer to young people working in *arbeit* (temporary jobs) or part-time jobs. In looking at the number of males and unmarried females of 15-34 years of age working in *arbeit* and part-time jobs in the 2002 “Labor Force Survey,” they now constitute roughly 1.92 million people.

Rather than the freeters, who are working, it is the young unemployed persons, trying but unable to find work, who are in the greatest danger during this transition to working professional. In the same “Labor Force Survey,” the number of completely unemployed persons between the ages of 15 and 34 was around 1.68 million. Furthermore, there are quite a large number of young people who have become detached from the labor force. While they are no different from the unemployed people in terms of not working, they are not searching for work. According to the same “Labor Force Survey,” excluding the number of people in school or those who are involved in household affairs from the non-labor force, the number of young people who do nothing is 640,000.

Thus, the number of young people in danger during the transition to working professional is roughly estimated to be around 4.2 million. The recent increase in young people joining the lattermost “non-labor forces” is particularly striking. It can be said that because of the harsh job-hunting environment, the number of young people who appear to have lost their ambitions, has risen dramatically.

Increasing Numbers of Freeters and Jobless Youth

(1) Changes in Labor Force Demands

The first underlying cause for the increasing number of such young people is the narrowing down of the number of new-graduate recruitments by recruiters. From its peak of 1.67 million people (1992), the number of job offerings for high school students has now fallen to one-eighth or 220,000, for those graduating in March 2003. On the other hand, the number of job offers for college graduates decreased only to two-thirds of the highest year (2002, Works Institute. Recruit Co.). That is to say, there is a great difference in the decreased levels of job offers depending on academic background. In looking at trends in age and academic background of completely unemployed persons and freeters, a common trend which emerges is that the percentages increase with younger age or lower academic background. This indicates changes in the labor force qualifications required by the industrial sector.

The changes in labor force demands are not just occurring in Japan. Since the latter half of the 1970s, increases in unemployment rates of young people with low academic background levels can be seen occurring in many advanced nations. This has been due to the structural factor whereby in the globally expanding economic scale, the more advanced countries have tended to shift to industries with high added value, and concurrently demand has increased for labor with have added value. In other words, the

younger the age and lower the academic background of a person, the fewer skills and experiences he/she has, leading to limited working chances.

Against this background, Japan, as country providing a system for the smooth transition from school to work, has been receiving international praise for keeping unemployment rates low among young people (Ryan, 1996, OECD, 2000). This system is the recruitment and employment of new graduates, especially from high school where the responsibility for job placement lies on the school, placing many students with employment ambitions in jobs at once. The hiring companies conduct rigorous occupational skill development under the premise that the recruits will be employed long-term. This cooperation between school and company has allowed for young people in Japan to learn occupational skills, and has raised their motivation to do professional work. However, the number of young people dropping out of this system is now on the rise. With the changing employment practices of Japanese companies, it

seems that the all-too-common limited work opportunities of young people in advanced countries is rising to the forefront in Japan as well.

The changing employment practices are, on the one hand, connected with the rising employment through non-full-time employment styles, such as *arbeit* and part-time work. Already in the mid-1990s, the industrial sector indicated that future Japanese management would move in the direction of short-term employment through work performed by non-full time employees, in order to have some extent of flexibility, even for employment, so as to continue economic activity in a society that changes dramatically and with a future that is difficult to foresee (Japan Business Federation 1995). With the premise of limiting the recruitment of new graduates for long-term employment, the behavior of companies in increasing their employment of non-full-time employees has been a means of responding to the sluggish economy, as well as a reflection of the changes to these fundamental ideologies.

1-1 Freeter ratios by gender, age, and academic backgrounds

(%)

	1982	1987	1992	1997
Male totals	2.4	4.0	4.4	6.4
15-19 years of age	7.8	14.8	15.7	24.4
20-24 years of age	3.8	6.1	6.6	10.6
25-29 years of age	1.7	2.5	3.0	4.4
30-34 years of age	1.3	1.6	1.5	2.4
Junior high school	4.3	9.1	12.3	15.6
High school	2.4	4.4	4.9	7.2
Junior college/Technical college	2.2	3.3	3.1	5.1
College/Graduate school	1.2	1.4	1.4	2.7
Female totals	7.3	10.8	10.2	16.3
15-19 years of age	6.7	14.4	15.1	29.2
20-24 years of age	6.1	8.9	9.2	16.9
25-29 years of age	9.6	12.1	10.2	13.6
30-34 years of age	10.5	13.4	10.8	14.3
Junior high school	12.9	27.2	32.1	42.4
High school	6.5	10.7	11.1	20.0
Junior college/Technical college	7.3	8.2	6.9	12.1
College/Graduate school	8.0	8.9	6.8	9.6

Source: "Labor Force Survey," Ministry of Internal Affairs and Communication

1-2 Unemployment rate by gender, age and academic backgrounds of young people

(10,000 people, % in bold)

	Male			Female		
	Working persons	Completely unemployed	Unemployment rate	Working persons	Completely unemployed	Unemployment rate
15-24 years (excluding those in education)	250	37	12.9	243	27	10.0
Junior high/High school	172	29	14.4	125	17	12.0
Junior college/Technical college	38	3	7.3	85	7	7.6
College/Graduate school	40	4	9.1	33	2	5.7
25-34 years (excluding those in education)	845	52	5.8	563	44	7.2
Junior high/High school	430	33	7.1	245	23	8.6
Junior college/Technical college	129	7	5.1	208	14	6.3
College/Graduate school	287	12	4.0	111	7	5.9

Note: Unemployment rate = Number of completely unemployed / (Working numbers + Completely jobless numbers).

Source: 2002 average values from "Labor Force Survey (Detailed Tabulation)," Ministry of Internal Affairs and Communication.

These changes in company behavior can be said to be the largest contributing factor to the circumstances of rising numbers of young unemployed persons, decreasing numbers of full-time employees, and increasing numbers of non-full time employees.

(2) Problems from the Supply Side of the Labor Force

At the same time, it has been pointed out that the problems also lie with the young people, such as trends among high school and university graduates who are not actively undertaking job-hunting activities, choosing to become freeters or jobless persons instead, as well as high turnover rates of young persons caused by many of them quitting voluntarily. It can be interpreted in a way such that changes in the awareness and behavior of young people have led to high unemployment rates and growing numbers of them becoming non-fulltime employees.

When looking at the kinds of processes high school students go through to become freeters, a survey targeting high school students in the Tokyo Metropolitan area (Japan Institute of Labor, 2000) shows that almost half the students who became freeters had employment ambitions at first, but quit at some stage during the process of looking for work. Amidst these circumstances, the first problem is the decrease in job offers, while the second problem is

the employment placement system for high school students. While each school individually strives to find job offerings for its students, recruiters distribute job offering information only to schools that they have targeted. As a consequence, some schools receive astonishingly few job offerings, especially general high schools and commercial schools in metropolitan areas, as they belong to the lower-rank in the high school hierarchy based on entrance exam difficulty. Additionally, as organized placement by the school is based on academic records or attendance status, the lower-ranking students will drop out of the job-hunting process at an early stage, and not seek out career guidance at school. Organized placement between the company and school was effective until the early 1990s as a supporting system for encouraging the smooth transition from school to work, since there were many job offers. However, this system acts in reverse today, having also become the factor for causing quite a number of students to shun school guidance and support.

The remaining half of those who chose to become freeters are students who have not thought about their careers, or were unable to make career decisions. Although high school career guidance bears the objectives of developing career outlook and career understanding or self-understanding among students from an early stage, this guidance was actually "exit

1-3 Reasons for becoming freeters (multiple answers)

(% , actual numbers in bold)

	Overall	By gender		By high school type		
		Male	Female	General high school	Commercial high school	Technical high school
Total	100.0	100.0	100.0	100.0	100.0	100.0
Actual numbers	773	296	432	567	133	73
No good place for employment	40.1	33.1	43.5	36.7	48.9	50.7
Want income for now	43.1	34.1	46.8	46.7	35.3	28.8
Cannot become full-time employee	12.4	9.5	13.9	11.8	13.5	15.1
Academic record not good enough for further education	26.8	35.1	20.6	28.2	18.0	31.5
Further education impossible due to family circumstances	22.5	19.9	23.1	23.3	21.1	19.2
Expenses for further education expensive	41.4	33.8	46.1	41.6	45.9	31.5
I want to do other things	33.8	38.9	30.6	33.0	34.6	38.4
Income is good	9.1	7.1	10.6	9.3	10.5	4.1
Free time	42.8	35.1	47.2	45.0	39.8	31.5
Comfortable human relationships	16.8	14.5	17.8	17.6	15.8	12.3
Easy to change jobs	18.6	14.5	19.9	20.6	11.3	16.4
Will even become freeter in order to do work I like	33.2	19.6	42.6	31.2	45.9	26.0
Other freeters around	9.2	8.4	8.3	8.8	9.8	11.0
Don't know what work would be suitable for me	38.3	37.8	37.5	38.8	40.6	30.1
Don't want to receive higher education	27.6	26.7	28.2	28.9	27.1	17.8
Others	4.7	5.1	4.9	4.8	3.8	5.5
No response	11.4	18.2	6.9	10.4	10.5	20.5

Note: Shadings in "Overall" are top five answers. Other shadings are at least five points above figures in "Overall."
 Source: "Survey regarding career decisions of high school students," Japan Institute of Labor.

guidance" which focused on job placement at graduation. High school students could search for jobs even if they had not given any thought to their careers or their professional future, as long as they undertook this guidance. The system of high school recruitment was an excellent system for providing jobs at graduation, but tended to neglect the high school student's vocational development. These weaknesses in career guidance have become major problems with the recent transformation in the job offering environment.

Let us look at it from the high school student's perspective. According to the aforementioned survey, when high school students were asked to give the biggest factors for choosing to become freeters, "Don't know what work would be suitable for me," and "I want to do other things," came up the most often. Both answers show a focused awareness for "things I want to do" and are values which emphasize

vocational self-fulfillment. However, multiple-answer formats show different trends, with "More free time than for full-time employees," and "Want income for now" coming up the most often. Furthermore, the people giving those two answers also tended to choose (based on factor analysis), "More comfortable human relationships than for full-time employees," and "Can change jobs more easily than full-time employees." In the end, the freeter mentality comes down to: "want to earn easy income in freedom and comfort".

Although the value for seeking vocational self-fulfillment should increase naturally when a society becomes prosperous, the choice for "freedom and comfort" is an orientation for avoiding roles and responsibilities as constituent members of society. Not being able to raise the sense of belonging to society is a significant problem for our society. The cen-

1-4 What was felt through freeter experiences by freeter types (multiple answers)

(%)

	Those in pursuit of dreams		Those who are immature		Those forced to become freeters	
	Male	Female	Male	Female	Male	Female
Many various experiences	65	76	47	59	55	65
Free time	53	58	40	54	36	36
Work that I want to do	14	19	10	12	10	13
Low income	33	37	39	33	40	43
Concerns about the future	24	34	44	17	30	35
Unstable lifestyle	33	21	40	17	33	21

tral issue, which has become wrapped up within the transition through a school-company cooperation, is not just the creation of professional skills or encouraging motivation for employment, but the determination of the student him/herself and giving the opportunity to become one of the constituent members of society as a “working professional”.

(3) Freeter and Jobless Youth Issues

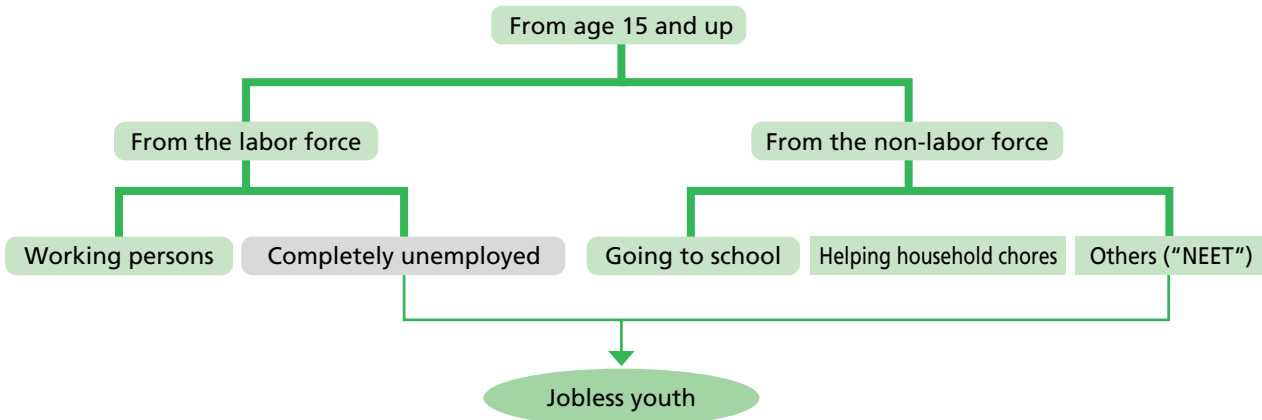
Based on these supply and demand circumstances, the numbers of young people graduating without jobs or not moving on to further education are growing, remaining either as unemployed/jobless or arbeit worker. What kinds of problems are there with new graduates not finding jobs and becoming freeters, or voluntarily remaining unemployed?

A system where one could receive an opportunity for long-term employment at graduation with no specific term limitations and never experiencing unemployment would be the ideal system for young people. One could carry a long-term vision for work, and securely acquire work skills from a stable base of employment. There could even be investment for capacity building from the company side. In addition, stabilized human relationships could be constructed, making it easier to establish oneself as a professional. One could expect increased income, create economic self-reliance, and design future lifestyles. However, the demerits would come from the fact that the system would enable many young people to become employed at once. Although mass recruitment is effective, the making of personal decisions among students would either be too lowly or too lightly

regarded, and would follow through without having the consensus of the students. The result would be a large mass of early turnovers even though they took the opportunities for stable employment. In addition, it would be easy for a company to manage employees uniformly by the year they joined. This would result in new ideas from young people not being taken up, allowing those ideas to easily die away. It might also take a 10 to 20-year wait until reaching a post with responsibility.

The opposite of the merits for finding employment are the demerits of not finding employment. First, vocational skills cannot be accumulated. Even the young people who get work on an arbeit or part-time basis mostly end up repeating temporary work not related to skill acquisition and thus, many of them result in wasting their youth, the best time for acquiring skills. The second is that there are no career prospects. Arbeit and part-time working experiences are usually not considered as a career when evaluating a person for a full-time job. Salary increases and promotions for those who continue working on an arbeit or part-time basis are extremely low compared to that of full-time workers. The third is that it is difficult to establish one’s position in society. Psychological problems would not just be tied to the increasing sense of insecurities, but to identity crises as well. The fourth is the inability to have economic self-reliance, which leads to difficulty in planning a personal lifestyle. Wages would be low, with little possibility of a wage increase. Furthermore, it is not uncommon to drop out from the social security plan or the social security system.

1-5 Definitions used in "Labor Force Survey" and where "Jobless Youth" fall into



Column

<Definition of "Freeter">

1. According to the "White Paper on the Labour Economy 2003" assessment, there were 2.09 million freeters in 2002 (940,000 males, 1.15 million females). These have been specially calculated from the Ministry of Internal Affairs and Communication's "Labor Force Survey (Detailed Tabulation)." No freeter percentages have been calculated.

*Definition of "Freeter"

Those between the ages of 15-34 who are not students, and for women, are unmarried 1) who are referred to as "arbeit worker or part-timer" at their places of employment, and are 2) unemployed persons who desire to work as "arbeit worker or part-timers," and are not helping household chores or are attending school.

2. Other definitions of "Freeter"

The "2003 White Paper on National Life" states, "Due to the reality of the many people who are forced to work as part-timers and arbeit workers even if they desire to become full-time employees,

we widely consider people who would like to work but cannot gain full-time employment jobs as freeter. Therefore, "freeter" has been defined as, "a young person between the ages of 15 to 34 (excluding students and housewives), who work in part-time or arbeit jobs (including dispatched works) and unemployed persons who wish to work."

Based on this definition, the "2003 White Paper on National Life" says that the number of freeters counted in the "Special Survey of the Labor Force Survey" in 2001 was 4.17 million people.

*There are two main differences in the definition of "freeter" which is used by JIL and the "White Paper on the Labour Economy."

- 1) The definition in the "White Paper on National Life" includes dispatched workers, and temporary workers.
- 2) The definition in the "White Paper on National Life" includes jobless persons who have employment ambitions for becoming full-time employees.

(Statistical Information Analysis Department)

Can the demerits of finding employment be solved by becoming a freeter? This depends on the individual. There are many people who choose to become a freeter with the intention of realizing or pursuing personal "things I want to do." However, there are actually only a few young people who can get close to what they want to do through their arbeit experiences. It depends on whether or not they have the willingness to strategically choose an arbeit to challenge their dreams. Although there are some young people who have started their own businesses,

only few young people are capable of creating a new idea or to working with a sense of responsibility.

The problems for the individual are also the problems for society. There are concerns that national technological skills would decline if there accumulates a large number of people continuing to lack sufficient professional skills. Not only would the accumulation of young people who cannot have hope for the future slow down the drive of society, it would also be a cause for social anxiety. Furthermore, the social security framework would not be sustainable,

with possible risks to societal reproduction. Or there could also be widening differential gaps or danger of its immobilization, with the current situation of young people with little academic background being the first to be excluded from stable employment opportunities.

(4) Considering the Responses to these Issues

One important thing in addressing these issues is to consider them as a part of the fundamental issues of how to nurture the next generation for overall society. By acknowledging the reality that the system of nurturing the next generation (of professional workers), which Japanese society used to have, has come to perform less effectively, it is essential to reconstruct a framework which can supplement the past system.

The first response is the construction of a framework for the development of professional skills. In Japan, with the premise of Japanese-style life-time employment practices and the recruitment of new graduates corresponding with these practices, the role of the school is just to enable students to develop the most basic and fundamental skills. In the industrial sector, oftentimes only full-time employees are regarded as employees and are provided off-the-job training and reassignment based on career development. Of course, there are no such opportunities for the unemployed, and opportunities to develop professional skills are limited even among arbeit or part-time job workers. How can these be carried out, and where? The responsibilities of job-training and educational institutions will probably grow, and measures providing opportunities for training-type employment would also be effective, considering the efficiency of training occurring onsite. Or, should the labor demand be severely limited as it is today, development of professional skills could very well be considered through societal participation such as through work in nonprofit organizations or volunteering. These are important measures, especially for raising the employability of those who are young and do not have much academic background.

For the second response, it is necessary to provide counseling services in parallel to skill developments which focuses mainly on employment guidance/counseling, and provision of employment

data. There is a need for evoking and sustaining motivation by helping people to design individual career plans, and creating programs that decide professional direction and methods of developing skills. Although it would be desirable for those roles to be borne by the school's career guidance during one's school career, it would be necessary for there to be a service provided outside of school as well, which could be utilized easily by both graduates and current students alike.

The third is a system for assessing professional skills. In the recruiting processes for those other than new graduates, namely mid-career recruitment, the major factor of evaluation oftentimes is past experience. Only experiences as a full-time employee are considered to be past experiences in those circumstances. The young people who have started working from non-full-time employee positions are excluded from the opportunities to become full-time employees because they have no experience. When discussing the diversification of professional forms, a system which can accurately appraise one's experiences and skills is necessary despite whatever form the profession may take. An employment management which reasonably appraises the work done through some other form than full-time employment, and develops those professional skills at the same time, is already being utilized at some companies which employ a high percentage of non-full-time employees. Even society-wide, it may be said that these measures must naturally also be taken up in order to raise overall efficiency, if the diversification of employment continues to grow.

In detail, establishment of professional qualifications which correspond even with beginning levels can be taken into account. Also, what has to be responded to even more quickly are job placement and counseling functions that connect both job seekers and recruiters. It is crucial to enhance the intermediary functions in order to aid the processes for the recruiter to post recruitment messages with required skills reinterpreted into competency level and for the job seeker to measure their experiences and skills and add what is not met according to such a level.

On the one hand, one of the things that will become an issue is career education from the time

one is still in school. During the period when almost all people who wanted employment were able to utilize the recruitment process for new graduates, it was possible to make a smooth transition into a profession, even if they had not the ability to think and decide their career paths. That ability has become important now, as the path of transition has diversified beyond the new-graduate recruitment today.

One effective measure here would be the provision of an opportunity to obtain a wide variety of experiences through cooperation with the industrial sector, such as experience-based work onsite. Those methods would vary with the situation of each pupil or student. Social experiences which encourage awareness as a member of society may be important for the elementary school level, while there may be steps for testing out the applicability of knowledge in real society in the course of professional education. For these kinds of education, cooperation with the industrial sector is necessary for success. As it is to raise the next constituent members of society, it is only natural that the industrial sector should also take up part of the responsibilities.

Coordinating the relationships between support for employment and the school is also another important problem. New measures must be dispensed in order to incorporate those who take time to undergo the transition from school to work into the framework for social work support. Although there has been employment support for young people through "Young Hello Work," a governmental job-placement office especially targeting young people, and other means until now, these have been used effectively only by young ambitious people, but have been unable to correspond with those not actively searching for work. With the collapsing of the prior transi-

tion framework, there are a large number of young people who have lost their ambition for employment. Finding an approach for those kinds of young people by creating a means of providing employment support from the time they are in school, as well as constructing dependable organizations and support from the young person's point of view, can be considered necessary.

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1. The stagnating numbers of double-income households

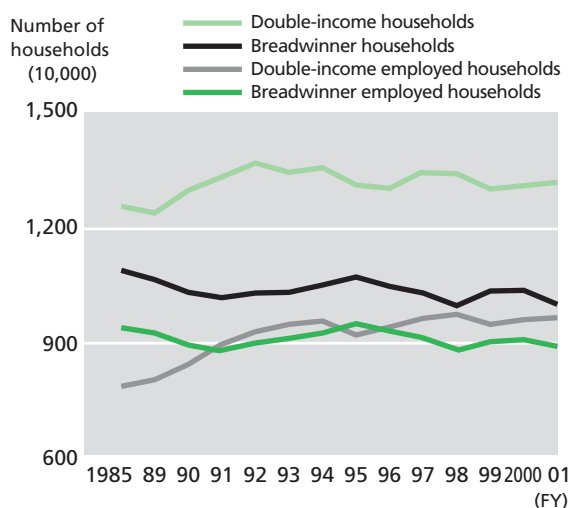
The number of “double-income households”, households with both working husbands and wives, currently exceed 13 million. This clearly surpasses the number of breadwinner households (full-time housewife households, or only working husband households). Among employed households, there have been rising trends in the number of double-income households. However, there has only been a marginal difference with breadwinner households, and antagonistic trends have been appearing within the last ten years. In other words, breadwinner households and double income households are now equally divided (see Figure 2-1).

Sociologist K. Davis analyzed the historical changes in families, and stated that breadwinner household was very fragile as a system, and was merely a dominant family unit during a certain time in history (Note 1). In the US, the sixty years from 1860 to 1920 was the period when breadwinner

households became common. Furthermore, the percentage of working married women during this period was less than 10%. In England, these types of households had already been established during the Victorian Era, when the number of breadwinner households was increasing not only for the upper and middle classes, but for the working classes as well. This took place from around 1840 until the early stages of World War I.

One common point between these two examples is that they both took place during unprecedented periods of economic prosperity. Therefore, it has been suggested that securing a high income would be necessary for the household budget to be maintained by one man’s earnings. In order to achieve this, an economic foundation that had high productivity or other such means would be necessary. In both countries, more married women began to work after these periods had ended, transfiguring the image of households. K. Davis points out that this transfiguration arose from changes in economically related factors, as well as the instability of breadwinner households as systems. In a breadwinner household, with the husband (father) as the only family breadwinner, both wife and children would be equally fully dependent on him. However, the husband, or the family breadwinner, would have a very heavy responsibility in supporting everyone in the household during their entire life. In addition, the division between workplace and household would limit the time for interaction between husband and wife, or father and children, and so it can be said that there is a low level of cohesiveness as a system. Therefore, the breadwinner household is an unstable system that structurally contains a lot of weak points. This is why a strong ideology is needed (standards or values for dividing labor between the sexes) in order to support this system. Due to this reinforcing factor, the system was able to be maintained for a certain period of time, but the powerful waves of industrialization gradually forced the system to change.

2-1 Transitions in households by working condition of couples



Source: “Special Survey of the Labour Force Survey,” Ministry of Internal Affairs and Communications, Statistics Bureau.

What is the situation for Japan? Unlike America and England, Japan never had a period where breadwinner households were prevalent. In Japan, married women have always traditionally worked, which has not dramatically changed today. According to Davis's theories, breadwinner households have not yet shown economic prosperity as much as it could have due to their universalization. However, looking only at the households of employed, as shown in Figure 2-1, breadwinner households (working husband households) were prevalent around 1985. Afterwards, the numbers of double-income households began to rise, showing a reverse phenomenon in 1992. Transitions to similar directions taken in the US and England can be seen in this data alone. However, as stated in the beginning, the rise in the number of double-income households afterwards has been sluggish, with the decrease in the number of breadwinner households also slow. Double-income households today do not have a dominating presence.

In other words, Japan has clearly taken a different path from the US and England, where the prevalence moved from breadwinner households to double-income households. As will be examined afterwards, these circumstances have become part of the contributing factors to a uniquely Japanese problem, and carry close ties with the declining birth rate. When comparing breadwinner households to double-income households, there have been arguments stating that the securing of a good child-raising environment makes upholding this household type an advantage towards the strategies for combating declining birth rates. However, actual circumstances show otherwise. As will be explained afterwards, no universalization of double-income households is taking place. In addition, the continuing antagonism with breadwinner households is encouraging the declining birth rate trends, not applying the brakes.

2. Is there such a thing as a standard model for a double-income household?

Two years ago, during the escalating arguments over pension reform, a report was presented which labeled the future of the Japanese pension system as "a pension system arising from the contributions made by women." Basic points were presented in the report,

giving a basic perspective and overview of the social security system, and designated six challenges. The first challenge proposed the notion that it would be important to change the current system which standardized single working parent households, and to establish pension standards based on the model of the double-income household. This notion attracted much attention.

In the above report, it makes note of the expectations for the increasing of employed women through the diversification of the lifestyles of women, and included diversification of household categories into the picture. Under these circumstances, the report declared (proposed) that in the designs of the future pension system, the double-income household, not the conventional breadwinner household, should be set as the standard household that would be the base for that system. The declaration recognized that setting the double-income household as the standard model was reasonable for conducting sound pension management. This declaration could perhaps make a big impact on strategies and policies for double-income households. This is because until now, the argument was that the main issues for a double-income household were working women-related issues, from the perspectives of balancing work and family, family responsibilities, child-rearing responsibilities, etc. Or, the fact that these positions are firmly in place from the perspectives of the pension system can be taken up as a great turnover in ideology.

The importance of the double-income household as the standard model, from the perspectives of working women, raising children and sound pension management, could open up the path for investigating and responding to these problems in an integrated manner, and can be said to hold large significance.

3. Is it hard to work and raise children at the same time?

As stated in the beginning, while double-income households are being recognized as the standard model, the transitions towards these households are showing stagnating trends. It is commonly known that the percentage of married women in their 40s is about 70%. Despite these circumstances, why are the numbers of double income households not rising?

This is because it is closely related to the problem of balancing both work and child care, which will be expanded upon later in this article.

How difficult is it to give birth and raise children, while continuing work at the same time? I made some provisional calculations using the working history data of women in life events such as marriage, the birth of a child, or freedom from childcare (Note 3). I was interested in finding out whether or not changes had occurred in working history during a life event, or whether the percentages of working women increased at life events, and what had defined those changes. When I analyzed the results, I found that the percentages of married working women were certainly rising, and there were many young cohorts remaining in the working market. However, at the birth of their first child, the working percentages suddenly dropped, with any changes barely to be seen between the cohorts. This was especially true for the youngest of the subjects, who were the first Equal Employment Opportunities Law generation, born between 1962 and 1966, and showed the most promise for rising percentages from system reform. But there were almost no differences with the old cohorts, with 20% at best remaining in the work market one year after childbirth.

We can grasp a better understanding of the current circumstances for more recent trends with the “Longitudinal Survey of Babies in 21st Century” (Note 4). Because the targets of this survey were people who had given birth to their first child in 2001, the women were younger than the targets for the previous study. As shown in Figure 2-2, 24% of the mothers who had given birth to their first child had jobs, while 74.3% did not have jobs. When looking at the changes just before and after birth, 73.5% of the women had jobs up to one year before birth, but within half a year after giving birth 67.4% of those women resigned their jobs. In other words, three out of four women who had given birth did not have jobs half a year after giving birth, and most of these women quit their jobs because of childbirth. When comparing this with the results of the analysis I conducted (20% at best still working after childbirth), there are not very great differences to be seen. Of course, there are many different reasons for leaving.

Many factors are involved, including situations where the mother herself wants to devote full time to her children, the will of the family, customary regulations at the company, or it may have become impossible to perform both work and child care at the same time. The result is a combination of these factors, and changes may have occurred to the reasons over time. Whatever the case may be, many women are leaving the workplace after childbirth. For working women, it is not a matter of doing work and raising a child at the same time. In many cases, it is a choice regarding childbirth or child care, with the choice coming down to leaving work.

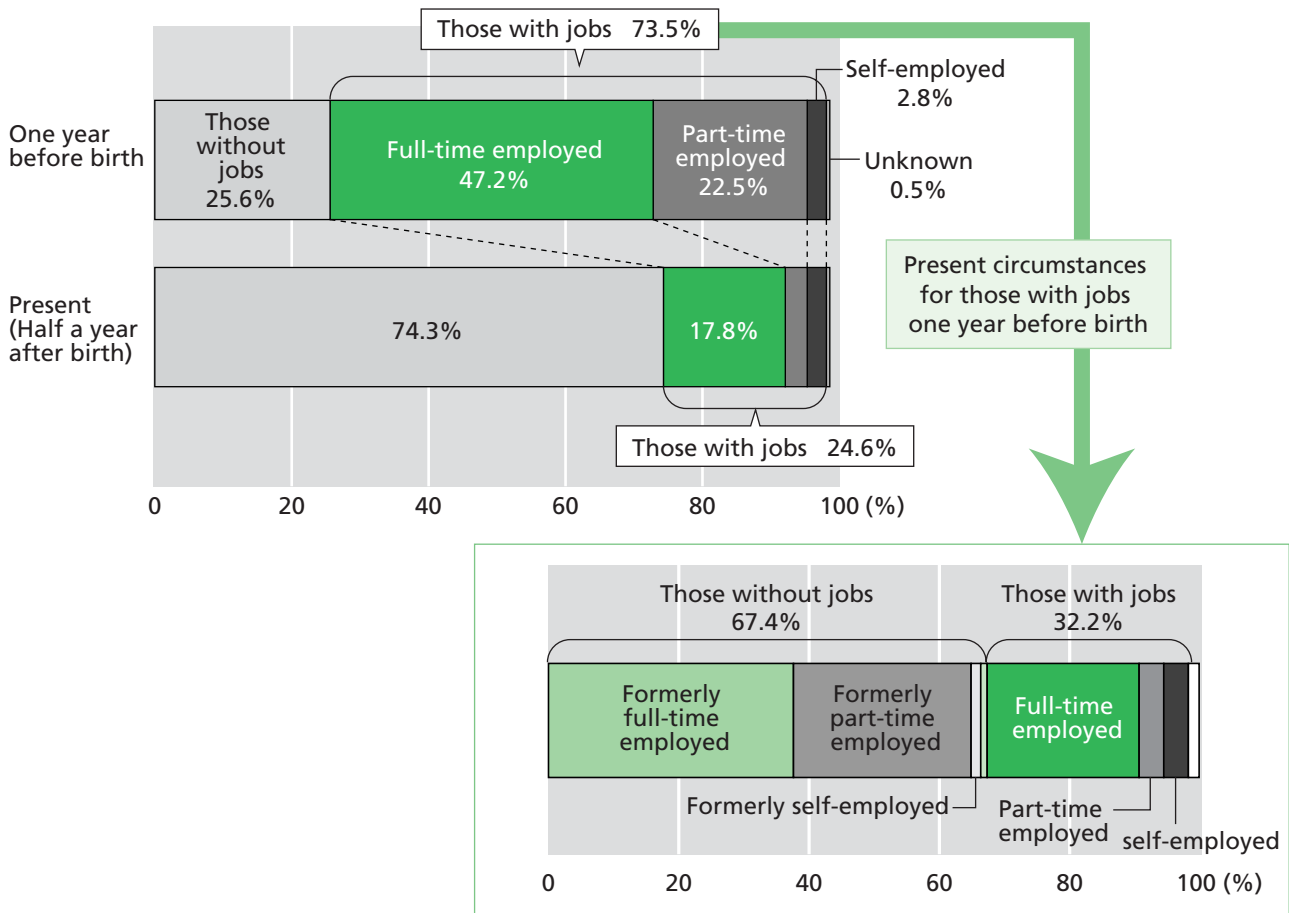
4. Work or child care: Breaking away from the notion of “one or the other”

After the enforcement of the “Equal Employment Opportunity Law,” the government implemented various supporting policies, such as: support for both work and the household activities, especially for work and raising children, child-care leave systems, limitations on graveyard shifts, limitations on overtime work, reducing working hours, and policies which involved company employment management, such as the encouragement of “family-friendly” companies. According to the “Basic Survey for Women Employment Management”, those who benefited from the child-care leave system amongst women who had undergone childbirth had increased 64.4%. And after the enactment of the Child-care Leave Law in 1991, it can be said that the system became securely established as a child care support measure for working people. Furthermore, the child care leave system plays a great role for those continuing work after childbirth. However, as shown in Figure 2-2, there are many numbers of women leaving work for childbirth reasons, and no significant changes can be seen in the practice of leaving work after childbirth.

In short, supporting policies for both work and childcare that are concentrated in child-care leave systems can be seen as beneficial on both aspects of work and child care for those continuing work. But it does not go as far as persuading people to stay at work for those leaving for child care reasons (for those who must leave work).

The reality of many people leaving work for

2-2 Working circumstances of mothers with one sibling (just self)



Source: "Longitudinal Survey of Babies in 21st Century (2001)," Ministry of Health, Labor and Welfare, Statistical Information Department.

childbirth implies for working women that it is either "one or the other" choice between continuing work, or marrying and later giving birth and raising children. Those who choose to raise children become full-time housewives after leaving work. Although it has been noted earlier that the numbers of breadwinner households are not decreasing, it is also known that a large percentage of these households comprise of those who left work after childbirth. On the other hand, many of those choosing to continue work also chose not to give birth, or even marry. Therefore, with the option for conducting work and child care at the same time not universal, the career choice for continuing work means that one cannot have children. The rise in unmarried rates and the dropping of birth rates in couples are the results of those circumstances.

Because breadwinner households are good envi-

ronments for raising children, there are viewpoints stating it may be effective for curbing the declining birth rates. However, this is not true when looking from an overall perspective. Because of the tendency to become a housewife after childbirth, there is pressure for those continuing work not to give birth to children. This results in encouraging the declining childbirth rates. If there is no option for continuing work and raising children, the declining birth rates cannot be stopped in the end.

5. Seeing additional support for balancing work and child care

The Japanese government has been producing various birth rate policies after the "1.57 Shock" in 1989. Many different efforts have been taken, including system reform and law establishment. Supportive measures for balancing work and child care as well as

child care policies were provided one after another, such as the enactment of the Child Care Leave Law (1991) and its reinforcements including the revision of the Employment Insurance Law (child care leave benefits added in 1995), the “Angel Plan” in 1994, the new Angel Plan in 1999, and the “Plus One Proposal to end the Low Birth Rate” in 2002. However, none of these served to curb the declining birth rates. In 2002, the total birth rate extraordinarily dropped to 1.32%

The lowered birth rates are unavoidable trends which are the results of industrialization. In every industrialized society, lowered birth rates are occurring uniformly despite differences in standards. Although this phenomenon arises from many different factors, in simple terms the benefits of having children have dropped for parents, while the materialistic and mental costs of raising children have gone up. The problem for Japan is that birth rates have drastically declined, and that the decline cannot be stopped. In addition, the middle-aged and elderly people are forming the bulk of the human population, which has started to take on a backwards pyramid shape. Because of this, the declining birth rates have become deeply imbedded even from the structural points of human population.

As has been stated so far, the declining birth rates are partly due to the employment environment for women, where the choice comes down to “one or the other” regarding work or child care. Furthermore, in order to curb the progressively declining birth rates, the “one or the other” option must be done away with, and universalization of the options allowing for both work and child care is key. In other words, the rise in the number of couples that marry, have children, and become double-income households where both sets of parents work while raising children, would be successful in the long run to declining birth rate policies.

Double-income households, as was touched upon earlier, are not only policies for declining birth rates, but are also deeply involved in the issues for equal employment for men and women as well as for the pension system. It is believed that trends towards double-income households will play strategic roles for future societies as well. It can be said that support for double-income households, especially how to cre-

ate a system for supporting both work and child care, is an urgent issue.

Conclusion

Although there are many different forms of supporting policies for double-income households, the central themes can be seen in the following three points.

The first is improving both work and household (childcare) support, which make up the core of the child-care leave system.

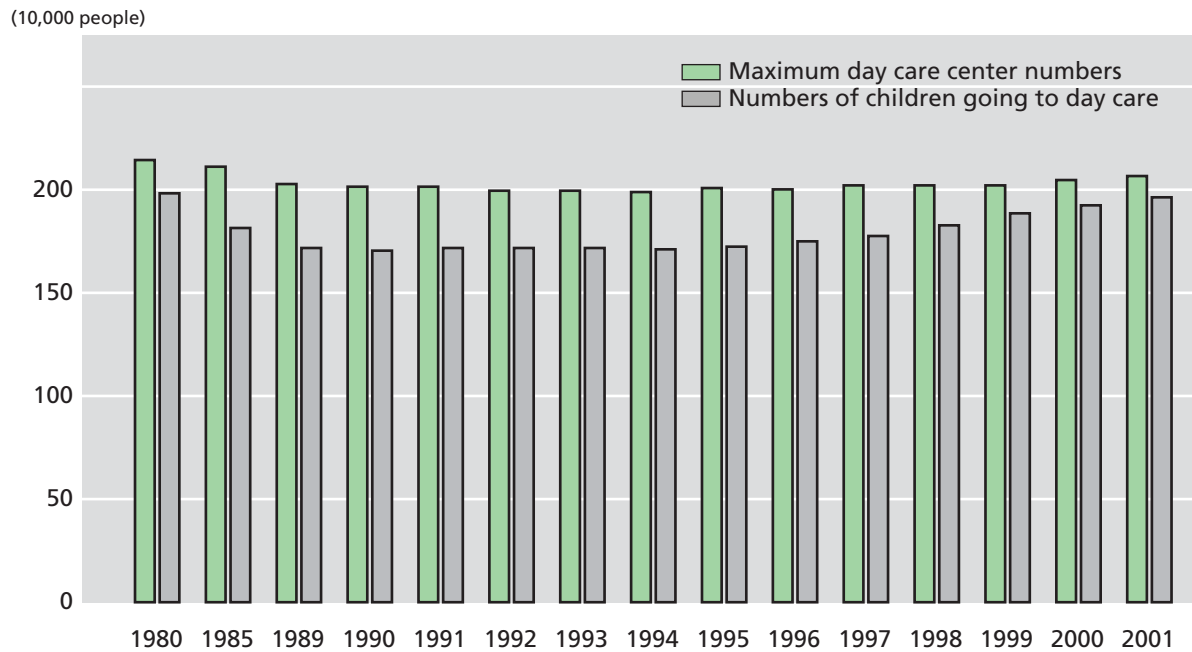
The rates of those making use of the child-care leave system are steadily growing. However, even if the system can be assessed as being beneficial for supporting work and child care in this aspect, it mainly affects those continuing work. The problem is that up until now, the effects have been doubtful for those leaving work for child birth reasons. As support measures for those forced to leave work, it is necessary to reform the system and make it user-friendly by incorporating the many various items concerning child care leave from both work and household aspects.

The second is improving the day care system, which is at the heart of the matter for upgrading day care centers.

Although the objective is to have a zero-waiting list regarding the day care center problem, transitions can be seen in Figure 2-3 for maximum day care center numbers versus the numbers of children going to day care centers. In 2001, the maximum number was 1,936,881 children, while the number of children going to day care centers was 1,828,225, showing that maximum day care center numbers were not achieved (Ministry of Health, Labor and Welfare, Statistical Information Department: “2001 Social welfare administrative operations report.”) In reality however, there were many children who could not go to day care centers. Although there are a variety of different factors, in particular children in urban areas, especially very young children, could not go to day care centers. With what could be termed as a “children waiting list” problem, those numbers reached 35,000 in 2001. At their peak, the numbers exceeded 40,000 in 1997. Although improvements have been seen, an immediate solution is necessary.

The third is the improving the support network for child care.

2-3 Transitions in maximum day care center numbers and numbers of children going to day care



Source: "Statistical Reports on Social Welfare Administration Services (Welfare Administration Services Example)," Ministry of Health, Labor and Welfare, Statistical Information Department.

After coming home from the day care center, the parent must make dinner, see that their children take baths, and put them to bed. These actions are repeated again and again everyday, in the middle of a hectic schedule. Support is needed for this process. A system providing child service tickets could be beneficial, so long as it provides a variety of different services. It is expected that activities by NPOs and volunteers will be encouraged for promoting child-rearing abilities in each region.

As countermeasures for declining birth rates, the new "Law for Measures to Support the Development of the Next-Generation" (July 16, 2003) was issued, which are the policies needed for action from this perspective. Creating an environment that can support both work and child care serves as the pillar for these policies. This Promotion Act establishes the responsibilities of national and local governments, business proprietors and citizens, and lays down the obliga-

tions for formulating detailed action plans. With the continued upholding of policies mentioned earlier, comprehensive and integrated effects may be realized from all of these various policies. Hopefully, we can see results which will prove effective for bringing out a balance between work and child care.

Notes: (1) Davis, K. "Wives and Work: The Sex Role Revolution and Its Consequences," *Population and Development Review*, 10:3 pp. 397-417, 1984.

(2) Committee for the review of pension correlating to changes in women's lifestyles "Report - Pension System Arising from Contributions made by Women" November, 2001.

(3) Imada, Sachiko. "Women's Employment and Job stay," *The Monthly Journal of The Japan Institute of Labour*, No. 433, 1996.

(4) "Longitudinal Survey of Babies in 21st Century," Ministry of Health, Labor and Welfare, Statistical Information Department, 2001.

The new competition rule

A primary core concept that points out the direction of the recent revolution in human resources, otherwise known as the change to a “results-based principle” (a concept in human resource management wherein employees are assessed and receive raises and promotions based on their real performance) is the trend towards individual management. It has been said that the particular feature of Japanese-style human resource management is egalitarianism and standardization based on the element of seniority, indicating that companies have been managing their employees as a group based on this seniority element. Replacing this tradition is a movement in which companies are considering looking at differences in the value of their employees and the way they work for the company in individual respects, rather than a group-based sense on seniority principles. In other words, a movement that brings the evaluation of individuals into account. In regards to this, companies are in a transition of switching over from the existing competitive rule (evaluation rule) that emphasizes seniority to a new competitive rule with a “results-based” emphasis.

The core mechanism for evaluation established in this new competitive rule structure is the goal management system, which is being adopted by approximately 60% of all companies. Furthermore, regardless of whether or not they adopt a goal management system, approximately 80% of companies indicate that “division managers (or equivalent positions) are given business goals,” and approximately 90% of management-level positions “provide subordinates with business goals in addition to performing work.” (“Survey of the Actual Condition of Activity in Accordance with Merit-based Principles and Results-based Principles,” Fuji Research Institute Corporation

(1998)). When looking at this present situation, from an operational point of view the goal management system may already be the standardized evaluation system, regardless of whether or not it is called the goal management system.

According to the Japan Institute of Labour’s “Survey of Human Resource Management and Educational Training Investment in the Age of a Performance-based Principle (2000),” among companies reporting that the results-based principle is emphasized for setting individual goals, “financial related indicators (including sales ratios and other indicators)” (or outcomes) are not the only things that matter, with that ratio standing at around 40%, and the remaining 60% dominated by non-financial related indicators (see Table 3-1).

In addition, indicators for assessing the potential for latent competitive strengths, such as “improvements in individual tasks” (50.8%), “development of individual ability” (27.3%), “fostering of subordinates” (21.1%) and other long term perspectives are emphasized to a particular extent, and goal setting is conducted through a combined consideration of “outcomes,” “process” and “the long-term fostering of human resources.”

Clarification of goals

However, in order for this competitive rule to function as a “fair competitive rule that will be accepted by employees and bring about employees’ motivation for work,” assignments, appropriate skill goals and outcome goals must first be clearly set, based on existing corporate planning and departmental goals. Secondly, in order to build a foundation for “clearly setting appropriate outcome goals and skill goals” it is necessary to improve an assessor’s evaluation skills and maintain an appropriate evaluation process.

3-1 Individual goals emphasized as part of goal management (multiple answers)

(%)

Section (number of companies)	Financial related indicators (outcomes)			Customer satisfaction	Process			Fostering of human resources		
	Sales	Profits	Profit ratio		Developing products, services, customer base	Costs	Improvement in individual tasks	Fostering of subordinates	Developing individual ability	Motivation to work and attitude
374 companies	43.0	38.0	24.9	19.3	20.3	31.6	50.8	21.1	27.3	10.2
	105.9			19.3	102.7			58.6		
	[37.0]			[6.7]	[35.8]			[20.5]		

Note: Values indicated in [] set the value of all indicated answers at 100, and calculate the percentage value of explanations from respective viewpoints.

Source: Compiled from "Survey of Human Resource Management and Educational Training Investment in the Age of a Performance-based Principle" The Japan Institute of Labour (2000).

4

Unpaid Overtime Work

There are certainly many wage earners who work without being paid the legal allowance for overtime work. This is known as “unpaid overtime work.” If we assume the situation of a wage earner who is paid normal overtime allowance, a set overtime allowance would be paid if the legal hours set by the Labor Standards Law of eight hours per day, forty hours per week are exceeded. If this allowance is not paid, it becomes unpaid overtime work.

According to a survey conducted by the Japan Institute for Labour Policy and Training (JILPT), 49.8% of men and 41.0% of women are doing unpaid overtime work. In addition, 12.6% of men and 5.9 % of women do more than 50 hours of unpaid overtime work per month. Furthermore, the average amount of time of unpaid overtime work is 38.1 hours for men and 29.4 hours for women. Using simple arithmetic, 38 hours per month translates into 456 hours per year. If we hypothetically make the hourly wage at 2000 yen, the employee is actually not receiving 912,000 yen in overtime allowance per year.

The phenomenon of unpaid overtime work is not an issue for all employees. It is especially prevalent in the wholesale and retail industries, and in the management and sales fields. There are hints in the office

that unpaid overtime work is necessary in order to meet sales quotas. Is it just the case that the efficiency of these employees is low? To the contrary, it is probably realistic to think that there are many employees who have to work unpaid overtime hours as one condition of their jobs. On the other hand, we have found that the unpaid overtime work of many employees may be reduced by implementing such method as the use of ID cards to manage and record their working hours. This implies that appropriately managing the work hours within companies is a critical factor in this trend.

As cases of death from overworking increase, extended working hours and unpaid overtime work are becoming large social problems. Although it is important not to increase overtime in the first place in order to reduce the amount of unpaid overtime work, in Japan, the overtime allowance premium is significantly lower than the costs associated with additional employment. Furthermore, while there are trends of long working hours being valued socially, many employees have large workloads and are forced to do overtime. As competition among companies becomes fiercer, the Japanese economy may become dragged down should this situation continue to linger.

4-1 Unpaid overtime time analysis panel and average hours

	Unpaid overtime time analysis panel (%)						Average time of unpaid overtime (hours)
	0 hours	1~24h	25~49h	50~74h	75~99h	100h+	
Male/Female	53.3	24.8	11.5	4.7	2.0	3.7	35.4
Male	50.2	24.2	12.9	6.2	2.4	4.0	38.1
Female	59.0	26.1	8.9	1.8	1.2	2.9	29.4

Note: Subjects were approximately 2,100 employees taken from throughout Japan.
Source: June, 2004 JILPT survey.

The “discretionary labor system,” in which the supervision of work hours is substantially moderated, is specified in the Labor Standards Law. By law, there are 11 categories of the “specialty services model” requiring a certain set of qualifications and the “project operations model” for people conducting operations of projects, planning, surveys and analysis. Although it cannot be called the “discretionary labor system” if its application does not follow the law, the employment rate for the “discretionary labor system” is low. In the “specialty services model,” the rate is 2.5% in all the companies with over 30 people, and 7.3% in companies with over 1,000 people. In the “project operations model,” the rate is 0.5% in all the companies, and 1.9% in companies with over 1,000 people. Does this really represent the current status?

To say the “current status” here is to question how much of the discretionary system is evasive of the law. That is to say, there may be a considerable number of workers employed under the discretionary system who carry the possibility of violating the law although they have a high level of vocational knowledge, qualifications, etc. and are essentially applicable for the “discretionary labor system”. Among the various discretionary systems, it is probably frequently assumed that some form of results-oriented supervision takes place by company-specific regulations and unsaid rules. Basically, concerning the personnel management of employees, the number of invested

work hours is not considered, but output is measured through results and performance.

For companies that do not adopt the “discretionary labor system,” there is a large possibility that they believe the administrative procedures are too complicated. However, to what extent is the ideal goal of the law being understood? Under the name of the discretionary system, the law does not allow the present situation of over-extended long hours of work without being caught. Similar to professional sports athletes, certain jobs are allowed in which the accomplishments of the person are emphasized but the process and the required hours to achieve the results is not crucial. However, for many workers, it is not as discretionary as allowing natural individual play to raise a certain set of results, since the locations and hours for work are rather restrictive. And in Japan, where worker skills are formulated by on-the-job training (OJT), the situation is exactly the same for white-collar workers. Perhaps the majority of the results-oriented pseudo-discretionary system may not pay attention to the evaluation according to this kind of labor investment. In this case, the workers are not nurtured. If the companies have begun to abandon the cultivation of workers, the unemployment rate of the youth will continue to exist even if the economy recovers. With no name to support future industries, there is no telling what will happen to the outlook of skilled workers.

5-1 Employment rate for the discretionary labor system

(%)

	Specialty services model	Project operations model
Size of companies	2.5	0.5
Over 1,000 people	7.3	1.9
300-999 people	4.1	0.7
100-299 people	2.8	1.0
30-99 people	2.2	0.3

Source: General Survey on Working Conditions, 2004, Ministry of Health, Labour and Welfare.

Towards a more harmonious workplace

Mental wellness is the health care of the employee's mind. Although also frequently referred to as mental health, in English this often indicates mental disorder or mental disability. Rather than providing remedies for one's unhealthy condition, mental wellness is used to mean the improvement of one's current condition. It targets all employees within a company as primarily preventive and improvement activities.

What sort of stress or anxiety does a typical employee feel in today's world? Looking at the large-scale survey, Survey on State of Employees' Health (August 2003), which the Ministry of Health, Labour and Welfare (MHLW) conducts every five years, "Relationships at the workplace" 35.1% is the highest, with: "Workload" 32.2%, "Jap characteristics" 30.4%, "Company prospects" 29.1%, "Occupational aptitude" 20.2%, "Employment stability" 17.7% in that order making up the factors for stress and anxiety.

The top three items for this survey: "Relationships at the workplace," "Workload," and "Jap characteristics," have always occupied the upper ranks since the earliest surveys, and "Company prospects" and "Employment stability" are recently provided options which had been added to already existing items such as relationship worries and difficulties of work. However, the survey results reflect the recent economic situation, and anxieties towards employment have grown.

An interesting fact can also be seen from the large-scale data of Japan Institute of Labor (currently The Japan Institute for Labour Policy and Training) concerning the employee situation. From the survey on the workplace of approximately 10 thousand employees (JIL Research Report No.161), definite trends could be seen in the graph for comparing stress and levels of job satisfaction, job involvement, organizational commitment, etc., among people in their 20's, 30's, and 40's. The younger the people were, the higher the stress level; on the other hand, the older

the people were, the higher the level of job satisfaction, job involvement, and organizational commitment. Difficulties of finding employments and joblessness have become recent issues for young people, but it is clear that they are faced with difficult circumstances even in the office.

Suicide due to overwork

The issues of mental health and mental wellness have suddenly become hot topics within the past several years among the mass media. These have derived from rulings for large compensations to be paid to family members of the deceased, with the negligence liability of the company recognized as related to possible suicides from overwork. These have also derived from the great increase in the number of demands and cases approved to provide workers' compensation for those that have suffered mental disorders from emotional burdens of work, or that have resulted in a suicide. When referring to stress, there may be an image of middle-aged to older people, but it is indicated from the Japan Institute for Labour Policy and Training's survey that younger people must not be overlooked. Furthermore, while deaths or suicides from overwork are extremely rare, they do occur. It is worthwhile to think of introducing activities by understanding mental wellness as health care for the employee's mind, in order to further vitalize both individuals and organizations instead of conducting any type of measure just because it has become an issue in society, or as "measures for the sake of measures."

6-1 Comparison of awareness towards stress and job by age

Stress	20's > 30's > 40's
Level of job satisfaction	20's < 30's < 40's
Job involvement	20's < 30's < 40's
Organizational commitment	20's < 30's < 40's

Beyond corporations

The nurturing of human resource talent over a long period of time within the company itself, and avoiding layoff of regular employees to the maximum extent possible: this was the long-term employment system that was practiced in Japan. It can be said that the organizational structure of the enterprise unions that are the majority in Japan are suited to this type of domestic labor market. This is precisely the reason why any fluctuations in the long-term employment system can bring forth problems that exist in these enterprise unions.

Let us seek to have employees learn occupational skills beyond the corporation. In the year 2003, the Japanese Electrical Electronic and Information Union started the “Activity of Electrical Industry Career Academy” to develop the occupational skills of union members. The academy will train 600 “career development and advancement specialists” in the span of three years. These specialists will plan and run human resource development and career development-related training programs for the other members of the respective labor unions that they belong to.

A further step is to make it possible for union members from other companies to participate in training courses conducted by a company belonging to an affiliated union. There are several companies, including Hitachi, Ltd. and Matsushita Electronic Industrial Co., Ltd., that have already consented to providing such training courses. The idea is to develop this endeavor, and create a qualification system in the future for a cross-sectional industry-wide evaluation of technical skills. The idea seeks to break the confines of a corporation. This could be said to be a groundbreaking attempt for the labor unions of Japan.

A labor union that organizes people belonging to the same trade over and above the confines of an organization is known as a craft union. The Nippon Careservice Craft Union (NCCU) prides itself on being the first such labor union in Japan. The union conducts negotiations with industrial associations

etc., and seeks to establish a wage system across all companies with the purpose of improving working conditions for careservice workers. It began in 2000 with 7,000 union members, a number that expanded to 45,000 by the year 2003.

A “representative system” that cuts both ways

The Japanese Trade Union Confederation is setting up “regional unions” where part-time workers can join as individual members in prefectural offices across the county. They are now studying the possibility of expanding such unions. This is also a strategy for offsetting the defects of enterprise unions.

Labor organizations are also seeking out many different experiments. However, re-empowerment is not simple for labor unions. In such scenarios, employee representation is the system that comes to mind. It differs from labor unions in the sense that employees select representatives from each business site. Under this system, they are legally obliged to set up a committee for holding talks with the employer. The Japanese Trade Union Confederation is in the process of putting together an essential structure for the legal outline of this system.

The Confederation’s proposal is to make this system legally binding for business establishments which do not have labor unions, where membership would include more than half the workforce, and to dissolve the committee once such a union is established. This committee also has possible intentions for creating labor unions.

However, there is no cohesive opinion within the Confederation. Committees that are established through the employee representation system do not enjoy the right to engage in labor disputes. If this system is institutionalized, a need for labor unions may not be felt. Because of this, there is also a deeply-rooted opinion for playing it safe.

Promoting “short-term regular employees”

The method of working as a “short-term regular employee” has the potential to change business and society. “Short-term regular employees” refers to workers who hold the same position, responsibilities, and undergo the same applicable skill evaluations and pay systems as full-time regular employees, but the weekly scheduled hours of work is shorter. It is understood that the idea of shorter work hours is no different from part-time work, but the key is that short-term regular employees would receive the same equal treatment as full-time regular employees.

Applicable short-term regular employees include many cases of regular employees in child nurturing and nursing care categories. A child-care leave law was established in 1990, and since then the number of businesses responding to the needs of employees and introducing systems for short-term work that support child nurturing and nursing care have been increasing.

When businesses are asked about their status for introducing short-term regular employment systems, 30% of businesses report that they already have a “system in place.” Furthermore, when one includes offices replying that such a system is “under consideration” or “could possibly be put to consideration in the future,” the number becomes over half (see Table 8-1).

When one looks at examples of how systems are being implemented, most systems had between 6 to 7 actual working hours. Salary is calculated by an hourly basis, and most businesses set targets through consultations with supervisors for what is feasible, given the amount of time spent at the company, and make assessments based not on the “volume of work accomplished (labor hours) but on the quality (content) of work performed.” (Tokyo Metropolitan Government Bureau of Industrial and Labor Affairs, “Study on the Feasibility of Short-term Regular Employees”, 2003.)

For unfamiliar workplaces as well

For businesses, resignations due to child nurturing and nursing care reasons decrease after introducing a short-term regular employee system, where positive effects in an employee’s ability to settle in to their position can be anticipated. In particular, the system is being introduced as department stores and other such companies manage to keep the skills that women have obtained through their experiences.

From the perspective of the individual working, it becomes possible to fulfill their household responsibilities while maintaining their status and assignments as regular employees. The biggest merit of this system is that one can flexibly adjust their time in response to their life stages without putting a halt to their career.

The merits for society are great as well. The progression of women in their careers is one of the causes of trends toward later marriage and having fewer children. If both work and child rearing can be realized, we could probably expect a positive effect against the trend of reduced childbirth. Furthermore, a system which allows us to move toward short-term work would be a powerful option, even concerning a soft landing from an active working life to retirement in an aging society. In the future it is hoped that such a system would be applicable in a broad range of levels for reasons beyond child nurturing and nursing care, regardless of whether the employee is male or female.

Nonetheless, there are also problems that must be solved. The first would be the conflict with existing categories, such as part-time work. In positions where part-time workers perform essential business functions, it is difficult to understand the differences with short-term regular employees, leading to fears that differential treatment might lead to a loss of motivation by part-time workers. In introducing this system it is necessary to review the entire employment system, keeping in mind the equal treatment of regular and part-time employees. The second is assessing the

work assignments in which this system could be applicable. It could be easily introduced in situations involving work that is highly autonomous, such as specialized work. If a company can match the needs

of the job and the individual and make use of this system, then the introduction of this system will lead to positive effects throughout the company.

8-1 Possibilities for considering a future short-term regular employee system (businesses establishments)

(%)

Subjects	System already in place	Currently under consideration	Could potentially be under consideration in the future	No possibility for future consideration	No response
Directed at persons who are regular employees and already undertaking child nurturing and nursing care	27.2	3.6	21.3	42.6	5.3
Directed at persons who are regular employees and would like short-term work due to reasons besides child nurturing and nursing care	4.3	2.9	20.0	67.1	5.8
Directed at part-time and other non-regular employees who would like to transition to short-term regular employees	1.6	2.8	17.5	71.5	6.6
Directed at new graduates or mid-career workers	2.3	2.9	17.6	70.0	7.2

Source: "Survey of Multiple Ways of Structuring Work," Japan Institute of Workers' Evolution (2001).

Legal amendments which pursue the current situation

Of all labor-related legal systems, those related to employment policies belong to one of the largest sectors which is so frequently sought a review reflecting the economic climate and social conditions.

In particular, after the enactment of 1985, in the flow of diversifying the employment system, the Worker Dispatching Law has conducted multiple revisions by pursuing the current situation. In the recent revisions conducted in June 2003, one of the focal points was the clarification of positioning the temp-to-hire placements.

Among the patterns of worker dispatching, the “temp-to-hire placements” refers to the one which temporary worker suppliers (employment agencies) schedule the operation of job placements corresponding to the temporary workers and companies or establishments as well. Employment agencies select the personnel by matching them to the companies waiting to be supplied with the labor of temporary personnel, and send them out upon conducting training when necessary.

Companies appreciate this convenience and can extensively observe the workers’ aptitude and knowledge during the dispatch period for the purpose of recruitment. As such, the temp-to-hire placement focused on new graduates is called the “dispatches of new graduates” and is highly esteemed.

During the initial phases of implementing the worker dispatch legislation, there were concerns that the employer’s responsibilities would become unclear, because of conducting the merging of job introductions and worker placements, and thus this structure was not permitted. Nevertheless, once seen as promoting the direct employment of dispatched

workers, the operation was legalized in December 2000.

Observe the situation first

Along with legally clarifying the rules of temp-to-hire placement, by making possible an interview before the start of the placement job, the revisions this time around take into consideration the usability of the system.

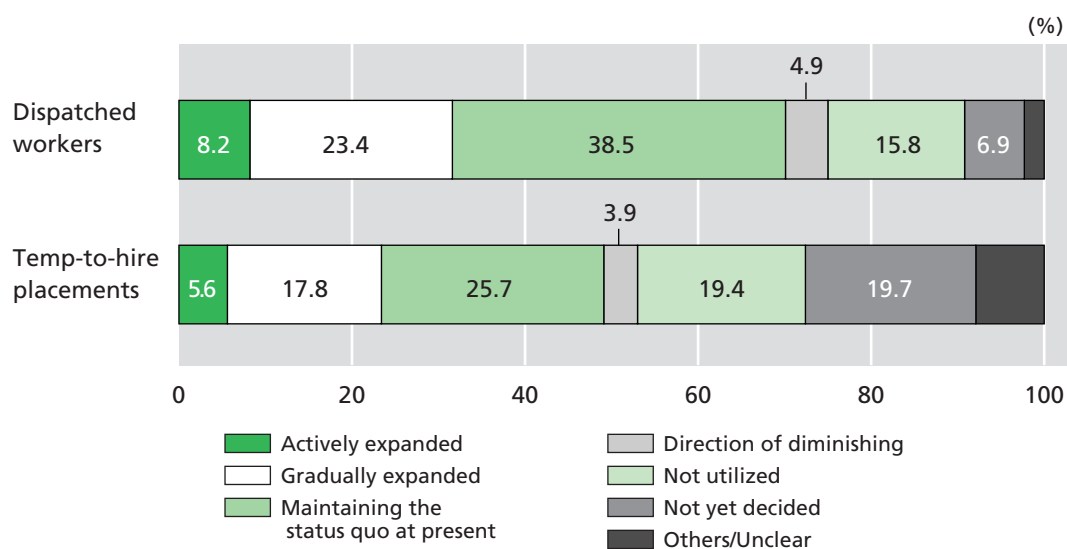
The recruitment status of new graduates has the potential for receiving a great deal of this influence.

Traditionally, as the backbone of the future work force, it was thought to be desirable that newly recruited graduates start as permanent employees. However, while companies are recently evaluating personnel even more carefully, administrative authorities rely on a “trial employment system” in which graduates yet to be employed are offered job opportunities at companies for a short period of time. They are testing out the enforcement of a policy which would somehow expand the gateway to jobs even by the slightest margin.

Concerning the temp-to-hire placements, there is one belief that this can become a single route in multiple-tracking one’s career path and is expected to be advantageous.

Although the companies have a high esteem for workers dispatching, they frequently take the cautionary stance of observing the situation for the time being (see Figure 9-1). Henceforth the trends will be focused on to see whether the temp-to-hire placement system will promote the regularization of temporary workers and contribute to the stabilization of employment, or whether it will be simply used as an accessible trial employment instead of permanent employment.

9-1 The policy of companies related to utilizing dispatched workers and the temp-to-hire placements (the number of responded companies; 304)



Source: Tokyo Chamber of "Questionnaires survey results related to labor policies" June 2003 Commerce and Industry.
 Responding companies: 304 companies from the Tokyo Chamber of Commerce and Industry Committee on Labor Affairs Affiliated Companies, Members and Member Branch Office Companies.
 Survey period: May 6-19, 2003.

Significance of the two legal revisions

Corporate reorganization consists of three types, namely transfer of operations, amalgamations and divisive reorganization. The succession of labor contracts is a point of concern in each of these cases.

The conventional method of corporate reorganization was either through the transfer of operations or corporate amalgamation. Of these, transfer of operations requires the individual consent of workers under Article 625 of the Civil Code, which makes the procedure cumbersome from the point of view of the company. While a corporate amalgamation does not necessitate the consent of workers, it was not suited for reorganizing a part of the business operations since it involves the succession of all labor contracts to another company.

The Commercial Code was revised in the year 2000, making corporate reorganization easier. The method was divisive reorganization, where worker consent is not required. It thus became possible for the companies involved to make a decision among themselves regarding the labor contracts for succession.

The business divisions to be succeeded are listed in the Divisive Reorganization Plan/Contract (hereinafter referred to as "Reorganization Plan"). Labor contracts belonging to business divisions listed in the Reorganization Plan are succeeded en bloc by the formed companies.

However, since this could cause the positions dictated by the labor contract to become unstable, the Law Concerning the Succession of Labor Contracts was enacted simultaneously with the revision of the Commercial Code in the year 2000 in order to protect the workers.

According to this law, when conducting a divisive reorganization a company shall, on or before the day two weeks before the general meeting of shareholders that approves the divisive reorganization, notify the workers of whether there is any statement in the divisive reorganization plan concerning how the new

company will succeed to the labor contract.

Labor contracts of workers in the main business units to be reorganized will be succeeded to the formed company. On the other hand, workers who are part of the main business units to be reorganized and who are not listed in the reorganization plan subject to succession may file a written notice of objection up until one day before the general meeting of shareholders and have their labor contract succeeded to the formed company.

Setting a system in place for the transfer of ownership

Workers belonging to a business unit which will not be reorganized but undertake work from a business unit which will be divisively reorganized can, in the event of being listed for succession by the formed company, file a written notice of objection up until one day before the general meeting of shareholders and refuse the succession.

In other words, the succession of labor contracts is ensured for those working in the main business units to be divisively reorganized, and likewise it is ensured that workers not belonging to a business unit that is to be reorganized can remain in the original company. Since the divisive reorganization of corporations is a new system, such laws for protection are essential and hold vital significance.

On the other hand, there is no institutional provision in the case of transfer of business ownership. The research group of the Ministry of Health, Labour and Welfare holds that the individual consent of workers is required, but that legislative provisions are not required that since dismissals, alterations in working conditions or personnel relocation, and labor-management relations at the time of transfer of business ownership are protected through rules from previous court decisions and other legislations.

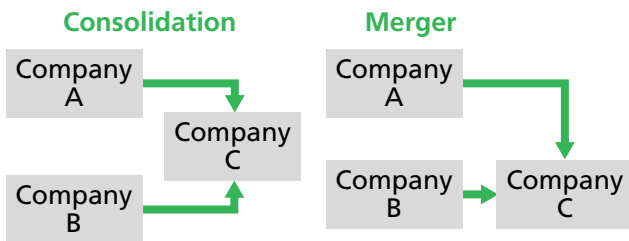
The terms and context of a transfer in business vary widely, and it is unquestionably difficult to set across-the-board rules, especially if one considers

that some transfers of business may be conducted in the case of managerial failure or in order to disbranch a loss-making division. However, it is for this reason itself that the succession of labor contracts becomes

the most problematic, and is the reason why I believe that a type of corporate reorganization is needed where at least some form of system which can protect workers is assured.

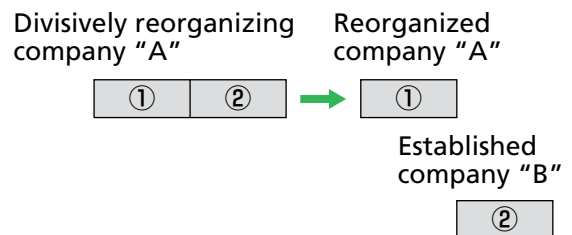
10-1 Image diagram representing corporate reorganization

Amalgamation



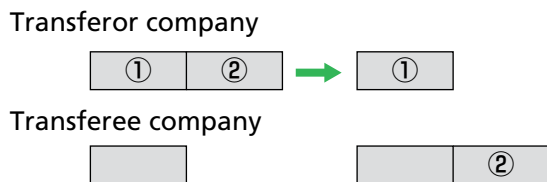
Divisive reorganization

Reorganization through the establishment of a new organization

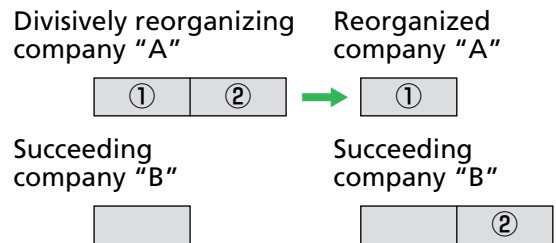


Transfer of business ownership

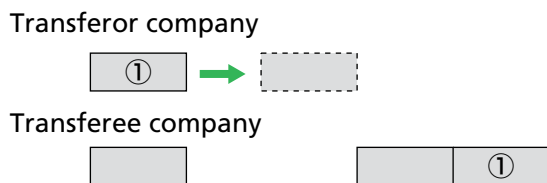
Partial transfer



Reorganization through a merger



Complete transfer



The decreasing protection by labor unions

In the past, disputes between labor and management usually referred to group-level disputes arising between unions and companies. However, these types of disputes have been recently decreasing in number while individual management and labor disputes, or disputes originating between individual employees and companies, are on the rise.

Lying in the background is the increased variety of working styles, and the move towards individualization in human resource management as responses to these changes. As a result, we are seeing more firms terminating employees and modifying working conditions disadvantageously in order to reduce costs, with correlating incidents of harassment.

There is also a relationship with reduced unionization rates. In the past it was typical for a labor union to address an employee's grievances and complaints, and make a request to the company for resolutions. Aside from large firms which can have unionization rates of 55%, most places have no unions, with rates of unionization at small and medium-sized firms around 17% and rates dropping to 1% in small businesses (2002). Because of such backgrounds, individual management and labor disputes have become a problem that cannot be socially neglected.

In the past, mechanisms for resolving disputes were primarily courts, the Labor Standards Inspection Offices, and labor administration offices. Out of these mechanisms, the courts were the ultimate arbiters for resolving disputes, but they cost too much time and money. Resolving conflicts through other mechanisms ran into problems within the scope of the related dispute and effectiveness of the resolutions.

Because of this, the Law for Promoting the Resolution of Individual Labor Disputes was enacted in July 2001 and took effect in October.

This law first institutes a consultation desk as the interim for individual labor and management disputes. Information would then be provided to the consultant concerning means of resolving the dispute,

and consultations would be conducted one more time with the company or employee. This consultation and provision of information is extremely important, as there may be many people with no legal knowledge.

Effective consultations

If disputes cannot be resolved even through these means, a system is in place where the head of the regional labor office can offer advice and instructions. Afterwards, a person knowledgeable in labor problems can also provide their good offices to resolve a dispute, depending on what is necessary.

In FY 2004, the numbers of consultations brought to consultation desks in one year was approximately 824,000 (an increase of 12.2% over the prior year). Among these, the number of consultations that did not involve legal violations was approximately 160,000 (also an increase of 13.7%).

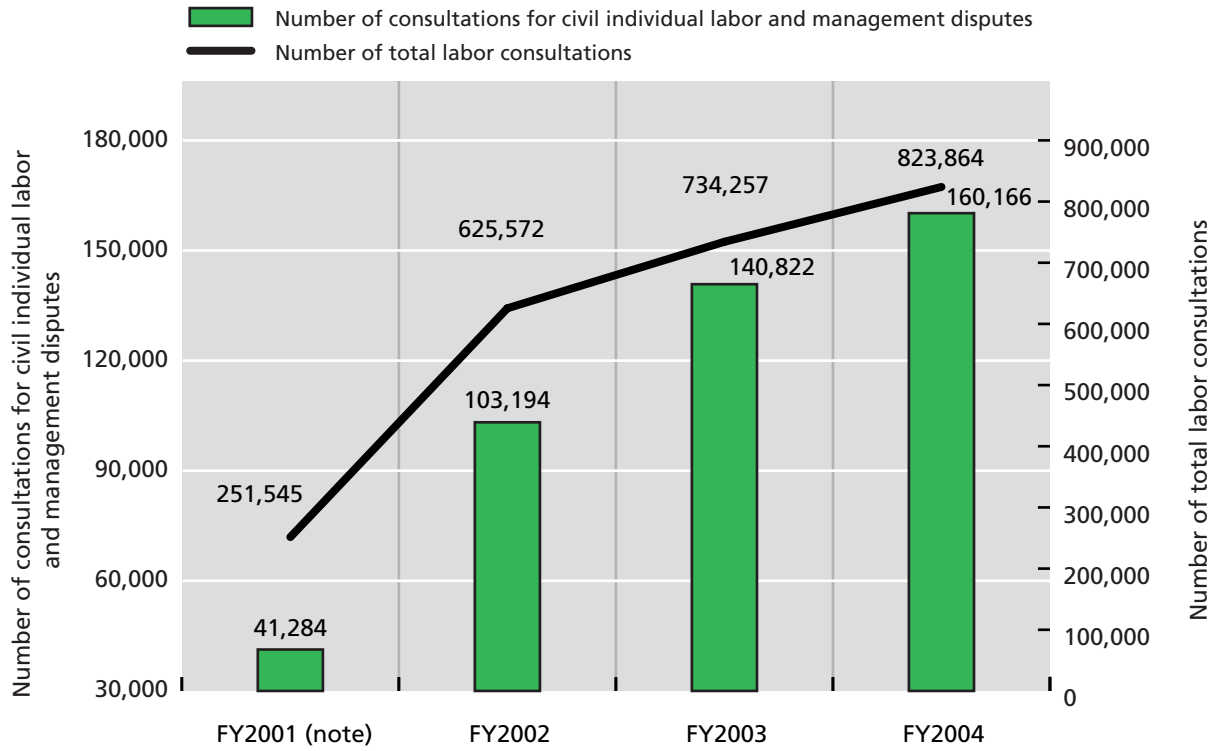
The primary contents of these consultations include those related to the termination of an employment, which is particularly numerous at 27%, and 16% for those related to disadvantageous modification of working conditions. Issues related to inducements toward retirement, sexual harassment, and overall areas of harassment and bullying approximately total 17%. Issues discussed in consultations reflect recent economic conditions.

Since the number of incidents involving conciliation, advice and guidance are between 5,000 and 6,000, one can see that dispute resolution at the level of consultations are functioning quite effectively.

Reform of the labor tribunal system* will soon be undertaken as part of the reforms for the judicial system. In addition to administrative consultation and information dissemination, this would add one more step to the enhancement of the individual labor and management dispute resolution system, in order to maintain the court system as the final arbiter for dispute resolution.

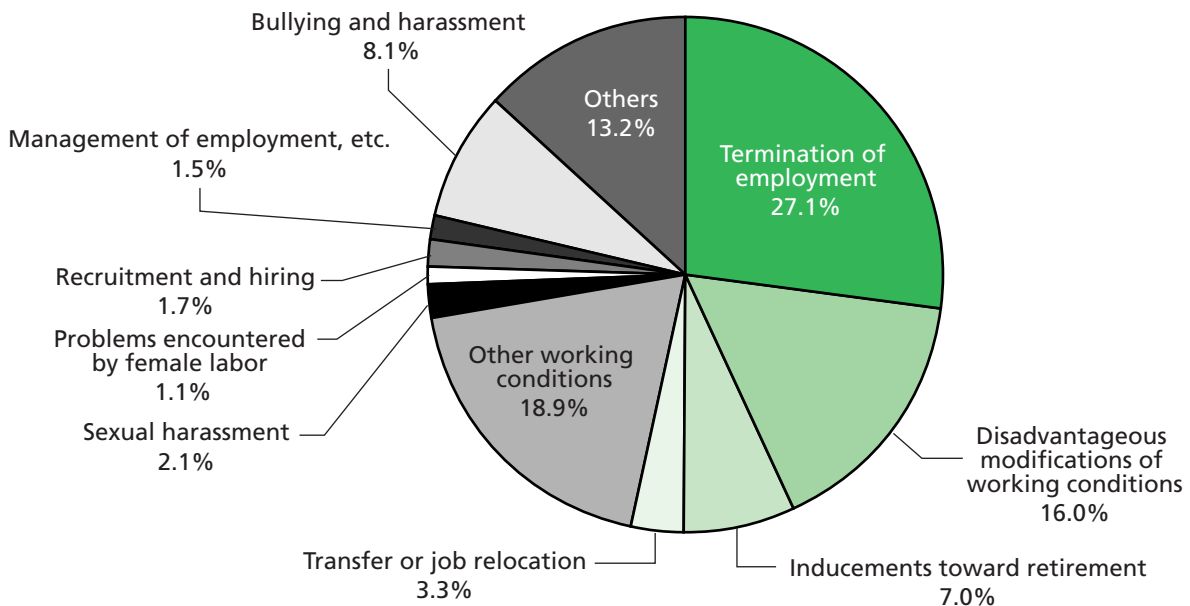
*Labor Tribunal Law was enacted in May 2004, and will be in effect within 2 years from the date of promulgation.

11-1 Shift in the number of consultations



Note: The number of instances for Fiscal Year 2001 are for the bottom-half of that fiscal year (October 1, 2001 to March 31, 2002).
 Source: Ministry of Health, Labour and welfare (announcement of finding in newspapers on May 23, 2005).

11-2 Breakdown of consultations for civil individual labor and management disputes



Source: Ministry of Health, Labour and welfare (announcement of finding in newspapers on May 23, 2005).

12 Work-Sharing

Not an emergency procedure

In these past several years, with the unemployment rate rising, the work-sharing debate has intensified even in Japan. In March 2002, as a form of a government labor-management agreement, the emergency job security scheme and the diversified employment scheme concerning Japan's work-sharing were organized.

For a period of time, the mass media were very much into this issue of work-sharing, but hardly any articles are published on the subject at the present. Amidst this background, the special characteristics of Japan's labor market are acting as a strong influence.

The purpose of work-sharing in the emergency job security scheme is to reduce the work hours and wages of current employees and to prevent the dismissals of extra workers. However, as this was utilized to overcome the streamline management in many Japanese businesses at the time of the oil shock, and is currently considered as a necessary employment adjustment measure, this is not a new scheme. In addition, saving employment is not reasonable when the danger of business bankruptcy approaches. On top of this, even if the so-called emergency job security scheme was introduced, the fact would still remain that reduced labor cost is not proportional to shortened work hours. This is because non-operation expenses other than wages, such as welfare, education and training costs, and so on, are not necessarily reduced by the number of decreased work hours, due to the fact that the labor cost per person increases in the end. Because paying overtime is much less than the cost of hiring new employees, the potential for creating new jobs is diminishing.

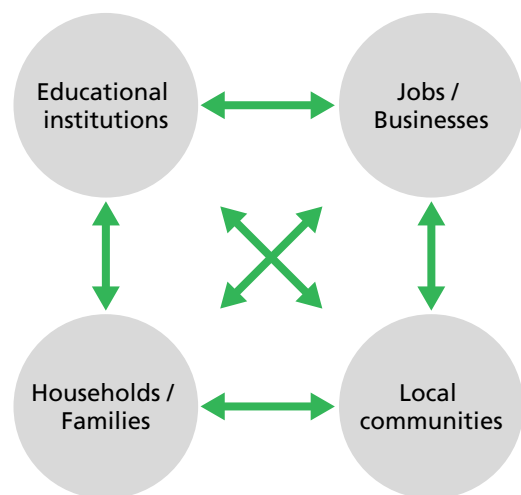
Always towards a dream

Today, it is commonly agreed upon in discussions to spread the diversified employment scheme for the purpose of Japan's work-sharing. This indicates a society which is able to adjust the work hours as necessary, according to the stages of life an employee is at.

Instead of the single-track life cycle which was "school-job-retirement" until now, in this society it is possible to change over at any time to the various dimensions of household, school, job (business), local communities, and so on. In the Netherlands, as part of the progress towards the growth of a service economy, the equal treatment of part-timers and full-timers (equal pay for equal jobs) has been realized, contributing to growth of employment. Related parties in Japan are basically headed towards the same direction.

However, problems are mounting. These include eliminating the status of permanent and nonpermanent employees, the tax system and social security system, economic measures, etc. It is still too early to tell where the diversified employment scheme is going.

12-1 The transitions between life stages in the diversified employment scheme society



A place for expanding experiences

Since 1997, the Government of Japan has been advancing the systemization of internships for students. These internships allow for students to obtain job experiences related to their majors or future careers while they are still in school. Local municipalities, as well as Chambers of Commerce and Industry and Employers' Associations, are also setting up support for receiving interns. The mass media is also giving a great deal of coverage to the situation of businesses taking in interns, and working towards their popularization. As a result, internships became widely known in a short period of time. The popular status of internships in colleges (see Figure 13-1) plainly shows this. Nonetheless, Japan's internship system is just in its initial stages. This is because it is hard to say what exactly should be taught to students through job experiences.

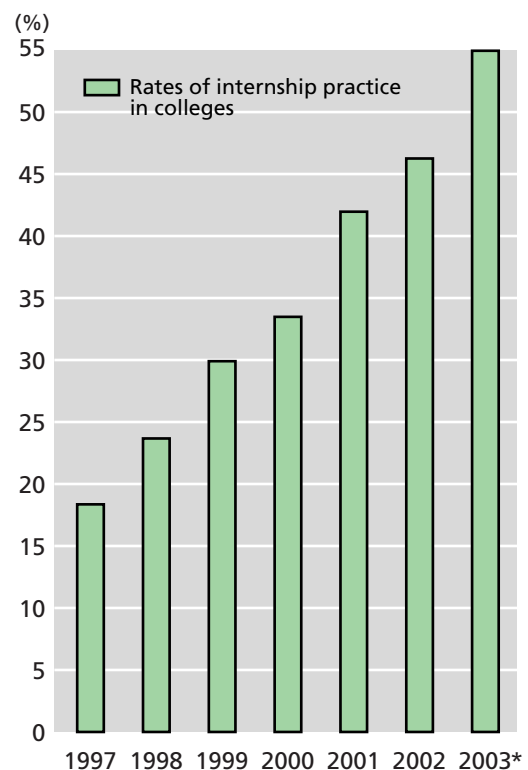
Internships for education can generally be divided between internships which provide an opportunity to nurture specialized employees with indispensable research and training, and internships which help students learn the reality of the job and find a major or the right vocation for the future. At present, it is expected that people must open the way for business careers through their own will and responsibility. In this situation, the latter internship is necessary, which carries the goals of career guidance and will raise the business awareness of young people.

Obstacles here and there

In order to let internships take root in Japan, it is necessary to overcome the obstacles which result from "Japanese-style employment." This is because at the foundation of Japanese-style employment, companies form the structural body of business careers, not individuals. On top of that, companies which have come to emphasize recruitment of new graduates prefer those who do not have any other job experiences, so that these graduates can easily assimilate to the company culture through educational training after their

recruitment. In concert with this move, the schools, whose number of newly graduated students installed in major companies became an indicator of social reputation, have rather hated to provide the job experience learnings to their students. These were the reasons why the idea of relating part-time job experiences with school education and incorporating those experiences into the curriculum did not come about, even though the higher education has progressed to be very common and part-time work hours account for a somewhat large share of current school life. At any rate, the popularization of internships does not stop with schools actively taking part in job experience learning. Companies will be pressured to revise "Japanese-style employment" as well, regardless of whether or not they accept interns.

13-1 Situation of internship practices in colleges



Note: *Predetermined rate

Source: Ministry of Education, Culture, Sports, Science and Technology

14 The Japanese Dual System

Four Ministries involved

Recently, there has been gathering societal interest on the high youth unemployment rate issues and the growing numbers of freeters (young part-timers). When a young person cannot find employment in a stable job it means that that young person cannot accumulate job skills, a cause for concern regarding decreased competitiveness in Japanese society and other social uncertainties.

As a measure to confront this youth employment problem, the “Youth Independence and Challenge Plan” was announced in 2004, which was established at the “Summit on Challenges and Strategies for Youth Independence,” a summit meeting composed of four Cabinet ministries: the Ministry of Health, Labour and Welfare; the Cabinet Office; the Ministry of Economy, Trade and Industry; and the Ministry of Education, Culture, Sports, Science and Technology. The goal is to achieve a turnaround in the trend of increasing numbers of unemployed youth and part-time workers within the next 3 years.

The contents of the plan include a “Japanese Dual System” to be introduced by the Ministry of Health, Labour and Welfare in the next fiscal year. The Dual System, based on the German model, is a system for integrated occupational training in which young people study at vocational schools while training as apprentices in firms. The principle target demographic in the “Japanese Dual System” will be non-working high-school graduates, but will also include unemployed people and part-time workers. The basic working method will be “learning while you work.” For example, a system is planned so that a person will undertake training at a job site 3 days a week, while undergoing educational training in a lecture environment at a school 2 days a week. The aim is to

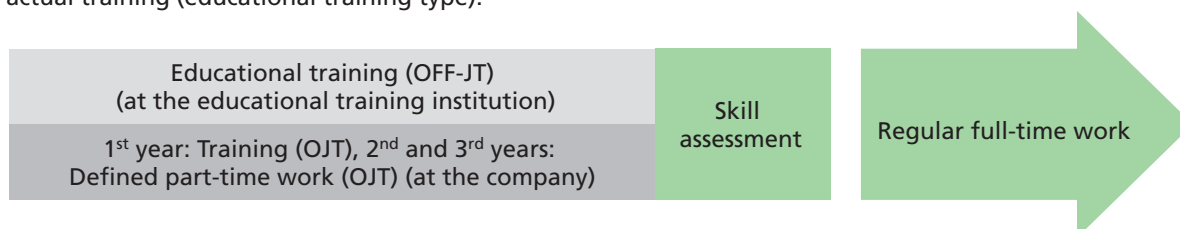
foster workers that meet the applicable needs of firms by linking together the training conducted in both firm and school.

A stalled prototype

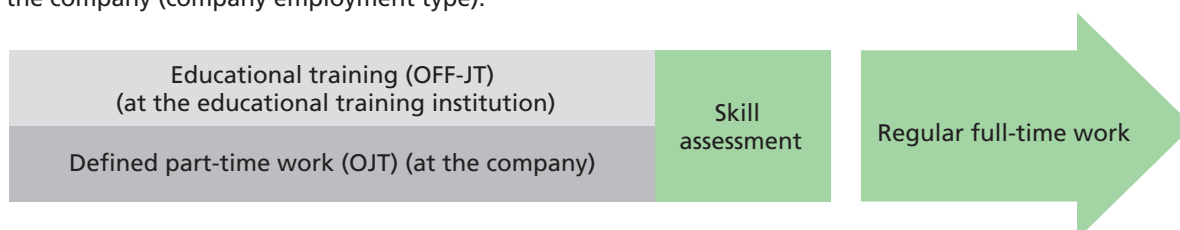
As has been recently clarified, the “Japanese Dual System” involves two pillars, including (1) an “educational training type” mechanism by which the educational institution locates a firm that will accept a young participant and entrusts that firm to implement on-the-job training (OJT), and (2) a “company employment type” mechanism which implements off-site job training (OFF JT) through a part-time employment contract concluded between the young person and the accepting firm. Joint planning and coordination for the training plan will promote the spread of the “educational training type” method, wherein the educational training institution will provide training. For the next three years up to FY2006, in the alternative system model which will be undertaken in Germany, problems are already arising with firms not accepting trainees and growing numbers of young people unable to locate firms for training. One of the keys to the success of the “Japanese Dual System” will depend on to extent industries can be enticed to contribute. However, at this stage we are at a point where we cannot necessarily say that the “Japanese-version Dual System” has gained the understanding of would-be receiving firms. Other issues include ensuring that occupational training does not end up becoming as simply odd jobs, and to what extent coordination of educational training can be undertaken. The “Japanese-version Dual System” will perhaps offer a new challenge to a Japanese society that has not provided enough social support to young persons up until now.

14-1 Basic working methods of the Japanese Dual System

- (1) The educational training institution locates an accepting firm for the individual who will undertake educational training. OJT proposals at the job site will be developed jointly, and the firm will be entrusted to provide actual training (educational training type).



- (2) A young person and an accepting firm are matched, a part-time employment contract is completed, and a complementary educational training (OFF-JT) is chosen and undertaken simultaneously with training (OJT) at the company (company employment type).



Source: Ministry of Health, Labour and Welfare.

15 Measures for Employing Older People

Building a society that can work regardless of age in the era of population aging

As the rapid aging of society continues to advance, the public pension eligibility age is gradually being raised from 60 to 65 years old. During a period of tough employment conditions faced by older people, securing places for full-fledged employment up to 65 years of age is an urgent matter, and in May 2004 the Law Concerning the Stabilization of Employment of Older Workers was revised as follows:

1. Companies shall raise the retirement age up to 65, or introduce a system for continuing employment.

However, when employee standards for a continuing employment system are determined through labor-management agreement, a system in which not all prospective employees are covered is also possible. It is also possible to determine standards in work rules and in other measures without a labor-management agreement for the time being after the Law's enactment in April 2006 (three years for large companies, five years for medium and small companies). Japan's public pension system for private sector subscribers and civil servants has two tiers. The first tier offers payment of a fixed-amount base pension, while the second tier offers payment of a pension linked to prior earnings. The eligible age for payment of the first tier fixed basic pension is being raised gradually from 60 to 65. At the present time (2005) it is 62.

2. The target retirement age will gradually be raised from 62 to 65 by FY2013 in accordance with eligible age for receiving public pension.
3. When an age limit is set at the time employees are recruited and hired, the reasons for doing so must be indicated.
4. When older employees separate from their jobs due to dismissal (excluding dismissal due to reasons attributable to those persons themselves), the business owner shall issue documentation stating the employee's work experience and capabilities.

At any rate, the revision of Japan's employment

system strongly biased towards age is inevitable. It may be unavoidable to revise traditional practices, such as seniority-based promotion continuing into ages beyond the fostering period, pay raise systems, demotion from managerial posts at certain ages without exception (fixed-age retirement system for managerial staff), and other practices.

3 turning points- "Interfacing" measures between the mandatory retirement age points and the eligible age for receiving a pension

In the future, three time periods can be expected to become turning points for policies promoting the employment of older people.

The first turning point was the year 2004, in which new revisions to the public pension law (a mechanism for automatically adjusting benefit levels within the earnings' range was introduced after fixing future insurance rates) were undertaken, and the eligible age for receiving the base pension was raised to 62 years old. As stated above, revisions were also made to the Law Concerning the Stabilization of Employment of Older Workers.

The second turning point will be the year 2007. In this year, the baby-boom generation (born between 1947 to 1949) will reach the age of 60, and laws against equal employment treatment in the European Union (EU) will be finalized by the end of 2006 (the EU Council adopted a Directive in November 2000 that prohibit employment discrimination based on religion, disability, age and gender, and each nation must implement this legislation by the end of 2006. The EU Directive includes some permitted differences of treatment justified by a legitimate aim. For example, the preamble states that the Directive shall be without prejudice to national provisions laying down retirement age. Japan is watching with great interest how EU governments will implement the Directive).

The third turning point will be the year 2013.

Raising the eligible age for receiving the earnings-related component of public pensions will start from 61 in 2013.

Gradual reform aimed at structuring a new Japanese model

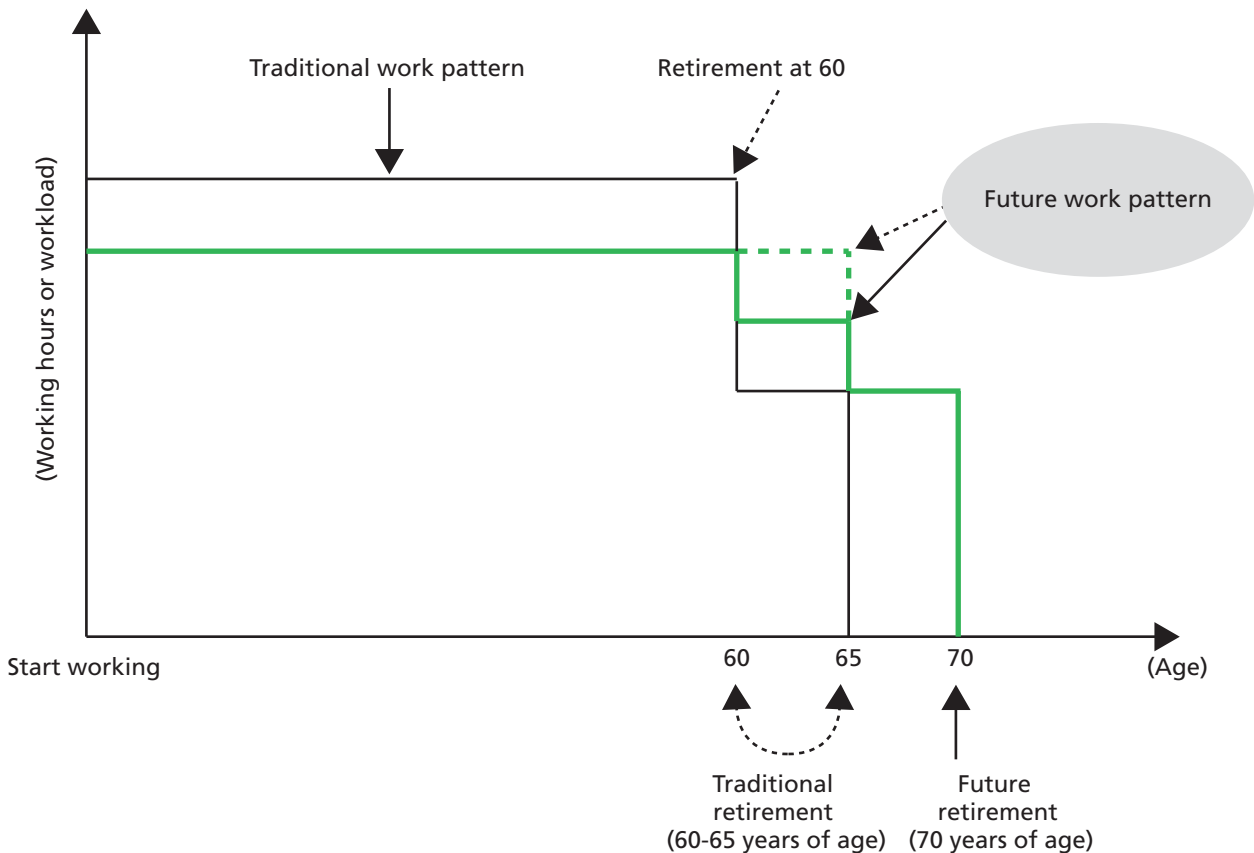
Taking this schedule into consideration, the new Japanese model will hopefully be able to balance between employment security and the correction of age discrimination. Moreover, while incorporating various progressive retirement methods in response to individual work needs and aiming towards a societal structure with a high retirement age, the new system

is expected to undertake gradual reforms with the following goals and timeframes clearly in mind:

(1) First, as an urgent issue, building of a mechanism in which employment and public pensions are linked; (2) secondly, building of a mechanism for progressive retirement in accordance with the desires of the individuals when they are between the ages of 60 and 70, to be finalized by 2010; (3) and thirdly, the serious challenge of providing an employment system in which anyone can work regardless of age.

My hope is that these 3 steps will be undertaken steadily within the next 10 to 15 years.

15-1 Future work life pattern for elderly



Source: This is a diagram which incorporates revisions that the author has made to a diagram by Atsushi Seike, "Aiming toward a society with employment throughout life" (NHK Human University Lecture series, June-July 2003) page 109.

16 Employment for the Disabled

The problem of employment, not welfare

Presently, the advanced nations no longer put their emphasis on welfare which strives to protect the disabled. Their focus has instead shifted greatly towards support services and advocacy for activities aiming for social participation and autonomy. The necessity of realizing social participation through jobs and employment for disabled people in the productive (working) age range, excluding children and elderly over 65 years of age, has become a significant theme.

Former President Masao Ogura, who founded the idea of express delivery service, is setting up the creation of employment opportunities for disabled people. Under “Management to Change Welfare,” he criticized “welfare labor” (no relation to employment) in a welfare institution which can only make less than 10,000 yen a month. Insisting on “normalization in the market economy,” he advocated that a changeover to “the concept of making a system in which disabled people are able to work well in a market economy, and can be independent in basically the same ways as non-disabled people” is necessary. In advancing a strategy which utilizes diverse human personnel (diversity), the Japan Business Federation also took up the promotion of disabled employment, and described its importance as an employment issue (“Committee on Management and Labor Policy 2005).”

Two Approaches (quota-levy system)

Japan is not the only one late in addressing the issue of employing disabled people. Many challenges have been tried in all advanced nations, such as adding legal restrictions to the labor market. These can be divided into two major approaches. One approach is introducing a law prohibiting discrimination against disabled people to places such as England and Canada, with America’s ADA (Americans with

Disabilities Act) as a representing example. Another is introducing the “establishment of statutory employment rating: anti-discrimination legislation and quota-levy system,” which enforces an employment scale for companies in places such as Japan, Germany, and France.

The former approach enforces workplace environment reforms (accommodation) for companies and corresponds to individually disabled conditions. The latter approach is different in that procuring statutory employment rating becomes a duty, but leaves workplace environment reforms to the independent verdict of the companies. In the latter approach, the focus is not on the quality of employment but on its quantitative regulation. Because it cannot promote workplace environment reforms to correspond to the disabled people with diverse needs, there also exists the opinion that the latter approach ought to supplement legislation for prohibiting discrimination against disabled people. In any case, no decision has been currently made as to which of the two approaches is beneficial for the expansion of job opportunities for the disabled.

Approximately 480,000 workers with disabilities, and percentage of companies which have not attained the statutory employment rate at 58%

This table shows the current status of the employment of disabled people in private companies. Companies which did not attain the statutory employment rate constituted over half of the total at 58%, showing that the employment problem of disabled people is great. With the statutory employment rate designated for large companies, the potential contribution of large companies is significant, with a total number of 85,000 disabled workers at large companies with over 1,000 people.

In the future, large companies are expected to advance workplace environmental reforms by going beyond the scenes of employment and recruitment, and further expand job opportunities such as providing career-building support after entry into a company. Additionally, when paying attention to the fact that over half of all workers with disabilities are employed in small companies which employ fewer

than 55 people and are not subject to the establishment of employment rating, it becomes an important issue as well to strengthen the support for workplace environment reform. At present, there are approximately 150 thousand applicants with disabilities at public employment security office (PESO), and this figure is increasing every year.

16-1 The number of workers with disabilities and percentages of companies which have not attained statutory employment rate, by size of private companies

Classification of Companies by Worker Population Size		Number of workers with physical disabilities and mental retardation (people)	Percentage of companies which have not attained statutory employment rate (%)
Employment rate of target companies	Over 1,000 people	85,271	70.6
	500-999 people	24,274	68.1
	300-499 people	19,524	62.4
	100-299 people	40,747	57.4
	56-99 people	19,584	55.7
Under 55 people		294,000	—
Total		483,000	58.3

Note: Employment rate figures for targeted companies with over 56 people derive from the June 2004 Survey. The writer created the total figure based on each report from the November 2003 Survey.

Source: Disabled Workers' Affairs Division Survey Data, Ministry of Health, Labour, and Welfare.

Attention-gaining management strategies

Lately, many Japanese enterprises have somewhat been able to recover their confidence. The Japanese style of management, which shone in the 1980's, also faded in the 1990's and led many to speculate that there was no future for it, unless companies changed their management practices toward a more American approach. Toyota Motor Corporation saw its rankings lowered by credit rating companies, having announced that it would maintain lifetime employment, a symbol indicating that Japanese management practices are behind the times.

However, structural reforms during the bottom half of the 1990's are beginning to bear fruit. Among those enterprises which met with success in their responses to globalization and digitalization are emerging companies achieving record profits. Many of these firms are forging ahead with management reform, while holding the line against American-style management.

What these firms have in common are managers who realize true achievements in management reform while grasping powerful leadership capabilities. Moreover, these kinds of managers do not avoid problems, but project clear management strategies and fulfill detailed reform plans without hesitation. It is truly the top-down, rather than bottom-up management strategies, which are the ones gaining attention.

Diversification of labor

The influences of advancing deregulation in various areas have been great in the developing backdrop due to management reorganization. The upgrading of corporate partition law has promoted bold corporate divestitures and mergers, thus accelerating changes in industrial structures. Wide ranging deregulation is moving forward even in labor areas. There are increasing numbers of non-regular employees, including part-time, temporary and contract employees and accelerating diversification in employment patterns.

The diversification of employment patterns is also making effects through the diversification of work. A clear-cut discretionary labor system is expanding due to deregulation of administered labor hours, and the

advancement of the Internet is widening the possibilities of telecommuting. We are being freed from the constraints of fixed clock-in and out times, leaving room for autonomous work to expand.

On the other hand, a merit-based system is spreading where content and performance of work is strictly assessed. Differences in pay scales are increasing as the connection between performance and compensation in short-term work becomes clear where previously vague. We are approaching the verge of departing from the ingrained notion of age-based pay scales.

Advancement of hierarchization

While it is clear that diversification of labor is advancing and work options are increasing, hierarchization is also advancing as well. The advancement of hierarchization means a social situation in which transitioning to different ways of working will become difficult, as one cannot escape from a specified social tier or group. Transitioning from part-time or temporary employee to permanent employee, or moving from a low-wage earner to a high-wage earner is becoming particularly difficult for the majority of people, even if it is still possible for some.

Furthermore, there are strengthening trends for which skill development and career development are results of individual initiative rather than reliance on the company. In the company-led approach, it is enough for an employee to participate and do their best in the course prepared by the company. In an approach led by an individual person however, one must build and initiate their own plans. Because not many people can do this, there are possibilities that hierarchization will strengthen.

It is true that vitality is enhanced in companies where choice and freedom has increased, but on the other hand it is also true that this strengthens a tendency to discard the weak. How to respond to this freedom and hierarchization are problems for both enterprises and workers. And it is here that government policy can be called upon to prevent hierarchization from going too far.

1. Circumstances leading to legalization

In 1985, the dispatching of workers was legalized in Japan. Until then, private placement agencies were prohibited in principle under the Employment Security Law, in which the dispatch of workers through placement services was not allowed to be carried out as a business. At the time the law was introduced, placements were limited to 13 specialized types of work. Three additional types of work were added three years after this law came into effect, but no major expansions were observed in the 1980s. In the 1990s however, the focus of the industrial structure of Japan shifted from the manufacturing-centric secondary sector to services-focused tertiary sector. With the progress in this so-called “service economy,” the proportion of regular employment in the labor force dropped and non-regular employment increased. Within this scenario, worker dispatching—which is one form of non-regular employment—began to show a trend towards expansion, albeit very gradually.

With the collapse of the bubble economy in 1992, and faced with prolonged economic stagnation, a large number of companies began actively using non-regular employment as part of their cost reduction initiatives. In this way the demand for worker-dispatching increased, and the opinion for an expansion of permitted type of works and liberalization of worker placement businesses became stronger among corporate management. In addition, the debate that it would be necessary to revise the traditional Japanese-style employment system in order to overcome the long-term recession began to gain ground. Taking this into account, and coupled with the fact that the government firmly emphasized deregulation as the cornerstone policy of their comprehensive economic measures, the (then) Ministry of Labour started investigating the revision of the Worker Dispatching Law from the second half of the 1990s, in the view of relaxing the rules governing worker dispatch. However, in regards to business expansion on the

management side, it was stressed that dispatching workers as a form of employment had not yet received social coinage. This made the system vulnerable to problems, with rampant illegal dispatching of workers, and consequently necessitating first the drastic revision of a legal system. Therefore, while the Ministry did start investigations, the preparations took time.

In this way, due to factors such as the establishment of the ILO Convention 181 which recognized private employment services as a business and the increasing fluidity of the domestic labor market in Japan, the Worker Dispatching Law was comprehensively revised into a “negative list system,” whereby as a rule worker-dispatching became recognized for all categories of work except for the specifically listed prohibited occupations. However, since a certain amount of time was required to lay down the terms and conditions, it was decided through a supplementary resolution that the law would be revised after three years. In the 2003 amendment to the Law, among others 1) the establishment of regulations related to temp-to-hire placements, 2) simplification of procedures related to permits and registration, 3) clarification of the responsibilities of both the dispatching party and the party receiving the placement, 4) expansion of the category of works with no limits to placement periods, and 5) expansion to include manufacturing-related occupations was stipulated, and thus the preparation of legalities concerning the dispatching of workers was more or less brought to a conclusion.

2. Summary of the current system of dispatching

The revised Worker Dispatching Law that was established in June 2003 came into effect on March 1, 2004. The following section outlines the current worker dispatching system in light of the amended law and the related regulations in the various related ministries and agencies of the government.

(1) Types of worker-dispatching businesses

The placement business is mainly two types, namely 1) Specified Worker dispatching business (for full-time regular employment) and 2) General Worker dispatching business (registration-based model). In the “regular employment” model, the dispatching company assigns only the staff that it permanently employs. To run a business on this model of dispatch requires notification to the Minister of Health, Labour and Welfare. Any model of dispatch that does not fall under the category of regular employment is referred to as the “registration-based” model of placement, and a business that dispatches, for instance, workers who are registered with it or temporary/daily-wage workers would fall under this category. In order to conduct registration-based dispatching business, the permission of the Minister of Health, Labour and Welfare has to be obtained, and this model of dispatching business is more stringently regulated than the regular-employment model.

(2) Occupation of dispatched workers

Since the amendment of the law in 1999, worker dispatch, as a rule, is recognized for all occupations. Occupations for which dispatching is currently prohibited (the negative list) include the following six categories: 1) construction, 2) port transportation, 3) security services, 4) medical or related professions, 5) professions such as lawyers, judicial scriveners, certified public accountants, certified tax-accountants, or

public consultants on social and labor insurance, and 6) work that fall under personnel management where the assigned worker becomes deemed as the direct party concerned on the user side.

(3) Period of dispatch

As a rule, the dispatching period is three years or less, but there are some businesses that do not limit the period of dispatch (see Table 18-1).

(4) Temp-to-hire placement

Temp-to-hire placement signifies a system where worker dispatching is conducted on the previously confirmed understanding that upon the completion of the contract period for worker dispatch, the said worker will sign a contract directly as a regular employee of the company to which he or she has been dispatched.

This system, which mixes both placement and employment-introduction, was long prohibited out of fear that the placement company would not carry through its responsibility as employer under this system. But in 2000, the system was finally introduced owing to the fact that many dispatched workers do look for regular work while filling up as placement workers, especially in the form of direct employment with the company they are assigned to. This system is considered to have benefits not only for the workers themselves, but also for the companies to which they are assigned, since the companies can employ the worker after having actually tested their skills and

18-1 Period of dispatch by type of occupation

Type of occupation	Period of dispatch
1) Occupations not included from 2)-7) below	Not more than 3 years (Note1)
2) Occupations that require specialized knowledge, skills, or experience (26 occupations) (Note 2)	No limits
3) Projects that have a time limit	3 years
4) Projects that have specific time limits (Note 3)	No limits
5) Workers filling for those on maternity or child-rearing leave or family-care leave etc.,	No limits
6) Manufacturing-related work	1 year until end of Feb, 2007 (Note 4)
7) Businesses that only employ middle-aged placement workers (45 year or age or above)	3 years (Note 5)

Note: The 26 occupations are: (1) Information-processing system development, (2) Machinery design, (3) Broadcast equipment operation, (4) Broadcast program direction, (5) Office equipment operation, (6) Interpretation, translation, stenography, (7) Secretarial work, (8) Filing, (9) Investigative research, (10) Financial affairs, (11) Trade, (12) Demonstrations, (13) Tour conducting, (14) Building cleaning, (15) Construction equipment operation, etc., (16) Reception desk, information desk & parking area management, (17) Research and development, (18) Business operation planning and preparation, (19) Production & editing of printed matter, (20) Advertising design, (21) Interior-design coordination, (22) Announcing, (23) OA instructions, (24) Telemarketing business, (25) Sales engineering business, (26) Sets and props for broadcast programs.

suitability, especially if the work is of a specialized nature and involves higher costs.

(5) Measures the placement companies and the receiving companies should take

Worker dispatch take the form of a very special system of employment, involving the placement company, the company receiving placement and the dispatched worker. Since this three-way relationship is not sufficiently understood, particularly by companies receiving placement, there are frequent occurrences of trouble when the worker is disadvantaged.

In order to prevent this and ascertain a stable form of employment, the Worker Dispatching Law stipu-

lates measures to be taken by both placement companies as well as placement-receiving companies. The following measures are to be taken by the placement company: 1) verifying the terms of employment through the signing of a contract with the placement-receiving company, 2) making the terms of employment clear to the worker, and 3) providing labor and social insurance. For the placement-receiving company, it stipulates 1) making work conditions such as working hours etc. as universally known and clear as possible, 2) prohibiting interviews and submission of resumes leading up to the placement, 3) securing a suitable work-environment, and 4) cooperation on worker training, education and so forth.

The most up-to-date accessible statistics on dispatched workers are found in the “Comprehensive Field Survey Results on the Diversification of Employment Patterns” released by the Ministry of Health, Labour and Welfare in July 2004. The following section will examine the current status and characteristics of dispatched workers in Japan based on the survey results.

1. Ratios of dispatched workers within companies, and of businesses hiring dispatched workers

When workers of Japan are categorized according to forms of employment, 65.4% are full-time employees and 34.6% are non full-time employees. The proportion of dispatched workers is a mere 2.0% (5.6% of non-regular workers). Among the main industries in which non-regular workers are employed, restaurant and lodging industries have the most of such workers, followed by wholesale and retail, service, and education and learning assistance industries. On the other hand, dispatched workers are mostly found in the finance and insurance industries. When the ratios are compared according to the size of business establishment, the smaller the business, the higher the proportion of non-regular workers as a whole. By contrast, the percentage of dispatched workers increases as businesses get larger. As for gender differences, male dispatched workers make up 1.0% of all company workers, while female counterparts make up three times as many, at 3.4%. Compared to the 1999 survey, the percentage of dispatched workers has nearly doubled, from 1.1% to 2.0%.

A non-regular employee represents a worker who is defined as one of the following: 1) “Contract employee” who is employed for a predetermined period of time for the purpose of exercising his/her expertise in a specific type of work, 2) “Temporary employee” who is temporarily rehired, such as a retiree from a previous job, 3) “Loaned employee” from another company, 4) “Dispatched worker,” 5)

“Temporary worker” who is hired for a term of one month or less, or is hired by the day, 6) “Part-time worker,” or 7) “Other” who is not included in the above categories.

The ratio of businesses that hire dispatched workers is 7.6%. The industries with the greatest proportion of dispatched workers are finance and insurance industries (33.6%), followed by information and communication (18.3%), and electricity, gas, heat supply and waterworks industries (13.5%). When categorized by types of business, “research centers” have the most number of dispatched workers (28.9%), followed by “Business offices” (11.7%). The percentage of dispatched workers increase as the size of the business establishment become larger. Of those working at companies with 1,000 or more employees, nearly 70 percent (68.9%) are dispatched workers. (see Table 19-1)

2. Changes in the ratio of dispatched workers compared to three years ago, and predictions for the future

When changes in the ratio of non-regular workers is compared to that of three years ago, 19.1% of businesses establishments have seen an increase in the ratio of non-regular workers, while 8.9% have experienced decreases. Among these businesses establishments, 2.6% have heightened their number of dispatched workers (13.3% of those with an increase of non-regular workers). This percentage is second largest after 12.3%-the proportion of businesses establishments which have expanded their rate of part-time workers (64.4% of those with increase in non-regular workers). When industries are compared, an increase of dispatched workers was most prominent within the finance and insurance industries (16.7%). When categorized according to business establishment sizes, a more than 20% jump was found in businesses with 1,000 or more employees (27.9%) and those with 500 or more employees (20.8%), which showed higher rates than those of

19-1 “Ratio of dispatched workers to all employees,” and “Ratio of businesses establishments hiring dispatched workers” among the main industries

	Ratio of workers				Businesses establishments with dispatched workers	Businesses establishments with part-time workers
	Regular employees	Non-regular employees	Dispatched worker	Part-time workers		
Total	65.4	34.6	2.0	23.0	7.6	57.7
Ratio based on 100 non-regular employees representing 100		[100.0]	[5.6]	[66.7]		
“1999 Survey”	72.5	27.5	1.1	14.5	5.7	44.1
Construction	85.6	14.4	1.0	2.5	5.1	21.4
Manufacturing	76.7	23.3	2.0	12.7	10.3	58.6
Information and communication	78.3	21.7	5.9	4.5	18.3	33.0
Wholesale, retail	54.7	45.3	1.4	37.3	6.4	66.5
Finance, insurance	78.3	21.7	8.7	6.2	33.6	43.0
Restaurant, lodging	29.1	70.9	0.5	62.8	1.8	89.7
Healthcare, welfare	70.2	29.8	0.8	20.7	4.6	78.7
Education, learning assistance	60.8	39.2	2.0	21.7	9.9	65.5
Service	58.7	41.3	2.2	23.6	7.7	48.7
Male	80.0	20.0	1.0	9.6	—	—
Female	44.4	55.6	3.4	42.5	—	—

other business establishment sizes.

As for predictions of future change in the ratio of dispatched workers, 3.3% of businesses establishments (16.6% of those who had predicted an increase in the past) expect it to rise. When different business establishment sizes are compared, the larger the size of the company, the greater is the percentage of those expecting an increase. Shifts in the ratio of non-regular employees according to forms of employment show that overall, part-time and dispatched workers are expected to increase. When categorized by business establishment size, small businesses establishments anticipate an increase of part-time workers, while large businesses establishments foresee a growth in the ratio of dispatched workers.

3. Reasons and issues arising from hiring dispatched workers

The top reason for hiring dispatched workers given by most, or 39.6%, of businesses establishments is “to secure human resources with readability and skills,” followed by “In order to adjust the number of employees according to economic fluctuation” (26.4%), “To cut back on wages” (26.2%), and “In order to handle specialized work” (25.9%). “To cut

back on wages” was selected by 51.7% of all businesses hiring non-regular employees, and 55.0% of those hiring part-time workers. In comparison, while a great percentage of businesses establishments hire dispatched workers for their readability and skills, a significant number of them also see the hiring of such workers as a means to reduce cost.

Some examples among the issues businesses establishments face in using dispatched workers include “Securing highly qualified personnel,” which is the most common at 46.4%, followed by “Their sense of responsibility toward work” (35.6%), and “Their ability to process work” (27.34%). In another words, these results bring to light that over half of all dispatched workers do not fulfill expectations for carrying high-level skills.

4. Job categories, age, academic background, and employment period

The most common job category for dispatched workers is “Clerical work” at 65.9%, followed by “Specialized or technical work” (11.4%), and “Production process and labor” (10.2%). This trend has changed very little since the previous survey (1999), showing that a majority of dispatched workers

are involved not in specialized jobs but in clerical work.

Categorized by age, dispatched workers in their thirties make up the largest group at 38.2%, followed by those in their twenties at 38.1%. These two groups add up to 76.3%, indicating that most dispatched workers are of ages 20 through 39, and more specifically, are concentrated around ages 25 to 35. While it is perhaps a factor that only four years (since 1999) has past since the recognized job categories were systematically and drastically expanded, compared to the part-time workers, who are mostly in their forties (27.8%), dispatched workers are generally younger in age. A majority of dispatched workers working under a registration-based model are in their thirties, while most working on a full-time basis are in their twenties.

As for the dispatched workers' educational background, most are graduates of "High school" (35.8%), while there are about the same proportions of those who have finished "Two-year college" (23.7%) and "University or graduate school" (23.6%). While this pattern is similar for regular employees and other categories of non-regular employees, what is characteristic of dispatched workers is that there is a relatively high ratio of "Two-year college" graduates. The presumable reason for this is that a high percentage of dispatched workers are females, and many of them are graduates of "Two-year colleges."

The lengths of employment of dispatched workers by companies are currently as follows: "2 to 5 years" (25.4%), "1 to 2 years" (20.5%), and "6 months to a year" (18.6%). Those working on a full-time basis characteristically tend to work for longer periods compared to registration-based employees. However, since the maximum length was expanded in March 2004 to three years or less as a general rule, future employment periods set by the same companies are expected to become longer than what was found in this survey.

5. Main source of income, calculation of wages, and total amount paid

Most dispatched workers (59.5%) rely on their "Own income" to live on, while the next largest group (26.4%) depends on their "Spouse's income." This pattern is reversed for part-time workers, at 29.6% for "Own income," and 55.5% for "Spouse's income." As

for the method in which one's wage is calculated, over three-fourth (75.9%) of the dispatched workers are paid by the hour, while a small percentage (15.0%) of them receive monthly salaries. This pattern is similar for part-time workers. Regarding average payroll (including taxes) in September 2003, 44.2% received "100,000 - 199,999 yen," and 37.2% received "200,000 - 299,999 yen." These two groups make up over 80% of the whole.

6. Number of work days per week, scheduled working hours

As for the predetermined number of work days per week at the point of September 2003, "Five days" is an overwhelming majority, at 84.9%, while the average is 4.9 days. In another words, most dispatched workers work 5 days a week, just the same as other regular employees.

The scheduled number of weekly working hours is "35-39 hours" for 45.2%, and "40 hours or more" for 38.4% of dispatched workers. These groups add up to a total of 83.6%, indicating that a majority of them work a full-time schedule of 35 hours or more per week. Furthermore, the average scheduled working hours is 36.0 hours, which is slightly shorter than regular employees, whose average is 40.4 hours.

7. Reasons for choosing to become a dispatched worker

As a reason for choosing the current employment style of dispatched workers, the majority, or 40%, answered: "Because I was unable to find a company that I could work for as a regular employee." This reason is significantly more common than others, namely, "In order to juggle work with family matters (housework, child rearing, family care, etc.) or other activities (hobbies, studies, etc.)" (23.5%) and "To avoid being tied down by an organization" (23.1%). This supports the claim that most of the dispatched workers wish to become a regular employee, which was the reason for introducing the temp-for-hire placement system. There were comparatively few persons who answered, "Because I can apply my specialized qualifications and skills" (21.1%), which was the original contributing factor in instituting the worker dispatching system.

According to the *Japanese Overseas Investment 2004* published by Toyo Keizai, the number of Japanese corporations that have invested overseas in locally incorporated companies in the year 2003 stood at 4,100. The number of such locally incorporated companies established by Japanese corporations was 19,815. When viewed region-wise, the number of locally incorporated companies ranks in the order of Southeast Asia with 4,685, North America with 3,804, China with 3,476 and Europe with 3,341 such companies, with similar enterprises also existing in such regions as Latin America and Oceania. According to Toyo Keizai, the results showed that, for the first time ever, China surpassed Europe in the number of locally incorporated companies. Investment in China also stands out noticeably when viewed in terms of investment figures. According to the “Outward Direct Investment” that was reported by the Ministry of Finance for the first half of FY 2004, the investment figures for China, which stood at 294.8 billion JPY, rose by 89.2% as compared to the figure for the same period from the preceding year. This figure is of a scale surpassing the investment of 231.6 billion JPY in the United States (73.3% lower as compared to the figure for the same period from the preceding year).

The total number of people dispatched overseas by Japanese companies was reported as 45,601. Viewed region-wise, of these 25,395 were deputed to Asia, 11,956 to North America, and 6,057 to Europe and so forth. Of these, 7,097 were deputed to China. When dispatching employees overseas, companies are required to provide appropriate prior education and training in areas other than the core overseas business—such as the study of the language, society, culture etc. of the destination country. In cases where those dispatched are accompanied by their family, it is also desirable that such opportunities for prior education be provided to family members as well.

On the other hand, in recent years there has been a rise in the incidence of Japanese companies promot-

ing the employment of local people to top positions in locally incorporated companies, these being positions that were traditionally held by Japanese employees. This is due to the fact that there is a growing sense of realization among Japanese corporations that employing local employees to these positions in large enterprises makes not only for lower personnel costs as compared to the deputation of Japanese employees, but also leads to higher morale among the local workforce. In addition to this, there still remain a number of issues where corporations must make an effort, such as providing a working environment for local employees, providing opportunities for training and education, and building a system of fair and acceptable labor-management relations. According to the Japan Overseas Enterprises Association, it is reported that problems such as temporary pullout due to legal violations, en-masse walk-outs from the workplace and a halt in production due to capital setbacks have been occurring in January 2005 in China, a country with significant penetration by Japanese companies.

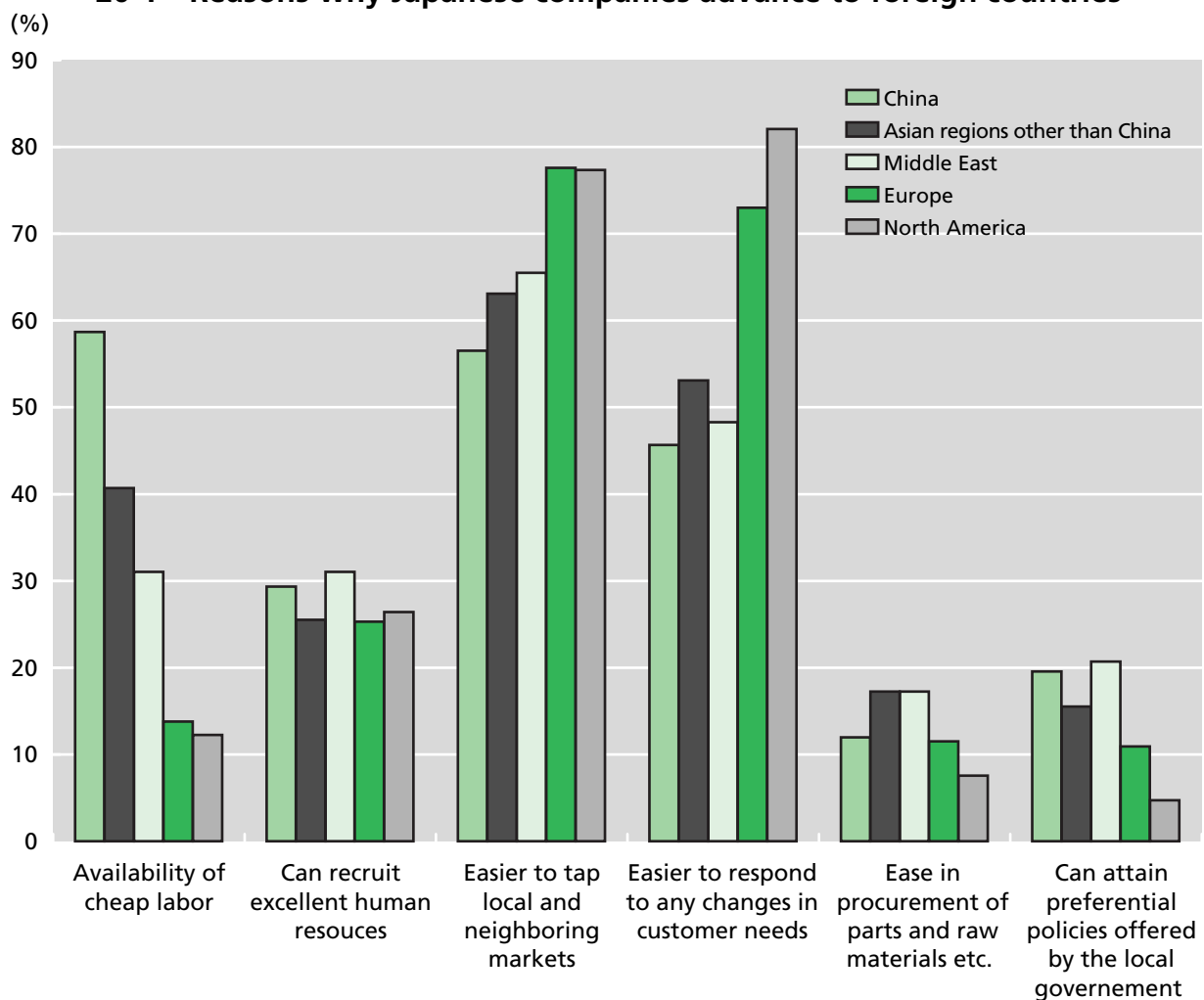
In September 2003, JILPT conducted the third Survey on Human Resource Management in Japanese Companies. This survey was conducted with the purpose of bringing to light the actual scenario of human resource and labor management in Japanese companies with overseas interests, and was based on responses collected from 861 companies located across 61 countries and regions. If the data of this survey is viewed according to the nationality of directors, middle management and general employees, it is evident that at 77.7%, the number of cases where company directors are Japanese nationals covers approximately 80%. The remaining 20% of the positions are occupied by local nationals. In the case of middle management, at 69.4%, nearly 70% of the positions are held by local nationals, making this number far larger than the number for Japanese nationals. Among general employees, 90.5% of the workforce comprises of local nationals, with

Japanese nationals and other nationalities constituting 5.2% and 3.9% respectively. The reason for the large number of Japanese at the director level can be gleaned from responses given to the question regarding why Japanese nationals are dispatched overseas (multiple responses). With 78.5% of the respondents citing “for the management of the overseas affiliated company”, and 63.9% citing “due to the fact that coordination with the main office in Japan is required,” and another 63.9% giving “there is a necessity to spread the management philosophy etc. of the parent company” as the reason, it can be concluded that the number of Japanese is large because of the communication and coordination required with the headquarters in Japan.

The advantages perceived by Japanese companies that invest overseas (multiple answers) differ accord-

ing to region (see Figure 20-1). In China, the highest response was “the availability of cheap labor” (58.7%). Apart from China, the response in favor of other parts of Asia and for Europe was “to tap local and neighboring markets” (at 63.1% and 77.6% respectively), whereas the reason cited for investment in North America was that it is “easier to respond to any changes in customer needs” (82.1%). If these same advantages are viewed according to manufacturing and non-manufacturing sectors, the most common responses for both manufacturing and non-manufacturing sectors was the same “easier to tap local and neighboring markets” (70.4% and 67.9% respectively), and “easier to respond to any changes in customer needs” (62.41% and 62.3% respectively). Thus it can be said that the advantages expected by companies vary according to region, not type of industry.

20-1 Reasons why Japanese companies advance to foreign countries



The trend in issues and problems faced from the perspective of local management is more or same across different regions (multiple answers). The top two responses provided for the case of China were “communication (between the staff deputed from Japan and the local staff)” at 51.1%, and “communication (between the head office in Japan and locally incorporated company),” at 43.5%. While the position of the responses was reversed in the case of the United States, the two primary reasons remained the same as for China (at 53.8% and 42.5% respectively). In other parts of Asia, the main responses were “lack of competence in the local-nationality middle management staff” at 39.7% and “communication (between the staff deputed from Japan and the local staff) at 37.2%, while in the case of Europe 39.7% of the respondents cited “communication (between the head office in Japan and the locally incorporated company)” and 38.5% gave “rise in personnel cost” as the main issues. For the reason behind the problem in communication between the head office in Japan and the locally incorporated company-an issue that constituted a sizeable number of the responses-the main responses stood at 38.8% for “head office does not understand the local situation” and 28.6% for “language barriers between the local staff and the

head office.” At 47.0%, “language barrier” ranked foremost as the reason for communication problems between the deputed Japanese staff and local employees. Viewed region-wise, at 65.2% the number for China stands out. On the whole, it can be said that there are a large number of Japanese firms where language issues impede proper communication.

If recruitment-related issues (separate for management level and general operational level) are viewed according to the different regions, one can understand the difficulty in recruiting people in China in particular. The responses for recruiting at managerial level can be divided as follows: “Top-class personnel do not apply” (Overall: 28.6%, China: 41.3%), “low level of responses” (Overall: 10.6%, China: 18.5%) and “severe competition with local firms over recruiting good talent” (Overall: 10.1%, China: 16.3%). Even in the case of general operational employees, the results were as follows: “Top-class personnel do not apply” (Overall: 25.3%, China: 30.4%), “severe competition with local firms over recruiting good talent” (Overall: 9.0%, China: 16.3%) and “severe competition with foreign-affiliated companies over recruiting good talent” (Overall: 9.0%, China: 13.0%).

Direct investment by foreign companies in Japan remained more or less level during the first half of the 1990s, but rose steeply from the second half of FY 1998. According to the data of inward direct investment provided by the Ministry of Finance, the value of foreign direct investment (FDI) for FY 1998 was twice that of FY 1997, and increased five-fold by FY 2000. This figure was 2.2308 trillion JPY for the first half of FY 2004, which is greater than the relevant amount for the entire FY 2003. If one views these investment figures according to region and country, it is evident that investment from developed countries is significant, with Europe constituting 30-50% of the whole and the United States averaging at 30%. Industry-wise, the manufacturing industry constitutes 30% of the total, with FDI being more conspicuous in the non-manufacturing sectors with an emphasis on communications, trade and commerce, finance and insurance, and service industries, constituting up to 70% of the whole. Of late, investment in the finance and insurance sectors has risen significantly, constituting 75% of the whole in the first half of FY 2004. At the backdrop of this sharp rise in FDI in Japan since 1998 is the progress in deregulation, with particular emphasis on the execution of deregulation in the financial markets.

M&A and stock capital investment was greater during the initial stages of this increase in investment, with prominent incidences of Japanese companies being converted to foreign-owned companies. However, at present in 2004, there has been rise in cases where foreign companies have entered the Japan market with 100% foreign-owned subsidiary companies. Naturally, the increase in investment figures is directly related to the rise in the number of foreign-owned companies in the Japanese market. According to the Ministry of Economy, Trade and Industry, the number of such companies has risen from 3,185 in 1997 to 4,351 in 2003. Simultaneously, the number of those employed by foreign-owned companies has risen significantly, which has con-

tributed to the creation of more jobs in the Japanese market. It is thought that the increase in the number of foreign companies and the jobs created as a direct result will continue to rise in the medium term.

In March 2004, The Japan Institute for Labour Policy and Training conducted a questionnaire survey to investigate the state of labor-management, labor conditions, and personnel management in such foreign-owned companies. The following are the highlights of the results that emerged from the survey regarding the characteristics of foreign companies in Japan.

Salient features of companies and workers

1. The breakup of numbers of full-time workers according to respective industries can be summed up as: Manufacturing industry -- 52.7%, wholesale, retail and catering establishments --13.4%, information and communication industry--12.6%, finance and insurance industries--5.7%.
2. On average, foreign nationals constitute 6.2% of the full-time employee workforce in these companies. Over half of such companies (59.01% to be accurate) do not employ any full-time foreign employees at all.
3. On average, foreign nationals are in 9.2% of all managerial positions in these companies. 55.9% of the companies surveyed do not employ any foreign nationals in managerial positions.
4. Of the total number of companies surveyed, 34.3% have a foreign national as president.

Salient features of labor-management relations at foreign companies in Japan

1. The percentage of companies with a labor union is on the decline, with the current figure at 8.2%. When viewed industry-wise, the existence of labor unions is comparatively more common in the transportation, finance and insurance, and manufacturing sector, while being less common in the information and communication, and service sectors. If

one views this data according to the percentage of foreign capital in the company, it is seen that companies with higher percentages of foreign capital are less likely to have labor unions.

2. The overall estimated unionization rate in Japan for 2004 is 19.2%. However, unionization rates for the category of private-owned enterprises with over 1,000 employees went as high as 50.6%. Likewise, this trend is reflected in foreign-owned companies where the unionization rate tends to be higher for companies with larger number of employees.
3. 88.9% of the companies with labor unions have concluded labor agreements.
4. The number of companies where labor disputes took place in connection with labor dispute actions was negligible at 1.5% during the two years of 2002 and 2003.
5. The points of disagreement at such labor disputes can be divided into the following categories: 60.0% pertained to (objection to) discharge and 20.0% to wage issues, with “objection to discharge” far exceeding “wages” as a point of contention in recent years.
6. 22.5% of the companies have a labor management consultation organization. The rate of occurrence for such organizations tends to increase in direct proportion to the scale of the company in terms of the number of employees.
7. The issues brought up at labor management consultation organizations can be divided into the following categories: 62.2% for working hours/holi-

days/leave, 50.0% for wages/lump-sum payments, 39.2% for basic policies of management, and 37.8% for employee welfare.

8. A large number of companies have implemented some form of employment adjustment during the two-year period between 2002 and 2003.

Salient features of personnel and labor management at foreign companies in Japan

1. The most preferred method for recruiting fresh graduates is through school interviews at 55.6%.
2. As far as lateral recruiting is concerned, the most popular method for recruiting personnel for any post—whether managerial, technical, or general—is through placement agencies, followed by referrals from known sources.
3. 66.9%, or well over half of all companies, are looking to shift the focus of their recruitment policy to lateral recruiting.
4. The reason for this shift of policy towards favoring lateral recruiting is the realization of the merits of “immediate competitive advantage” that this method bestows.
5. A large majority, comprising 61.7% of the respondents, stated that they placed “little attention” on the practice of lifelong employment.
6. 61.1% of the respondents stated “capability as the main criteria” for basing wages, with a very minor 2.4% saying that they placed “emphasis on the person’s life.”

21-1 Attitudes towards personnel and labor management



7. 60.3% responded that they implement personnel appraisals and rewards “definitively and proactively,” with a small 10.0% saying that they “do not implement the above definitely and instead emphasize on interpersonal relationships.”
8. 61.4% of companies said that their personnel and labor management is “merit-based,” a figure that is enormously greater than the 0.9% that responded in favor of “seniority basis.”
9. According to the responses, in over half of all foreign-owned companies, the Japanese side takes the initiative regarding the ultimate powers of decision-making for management and personnel.

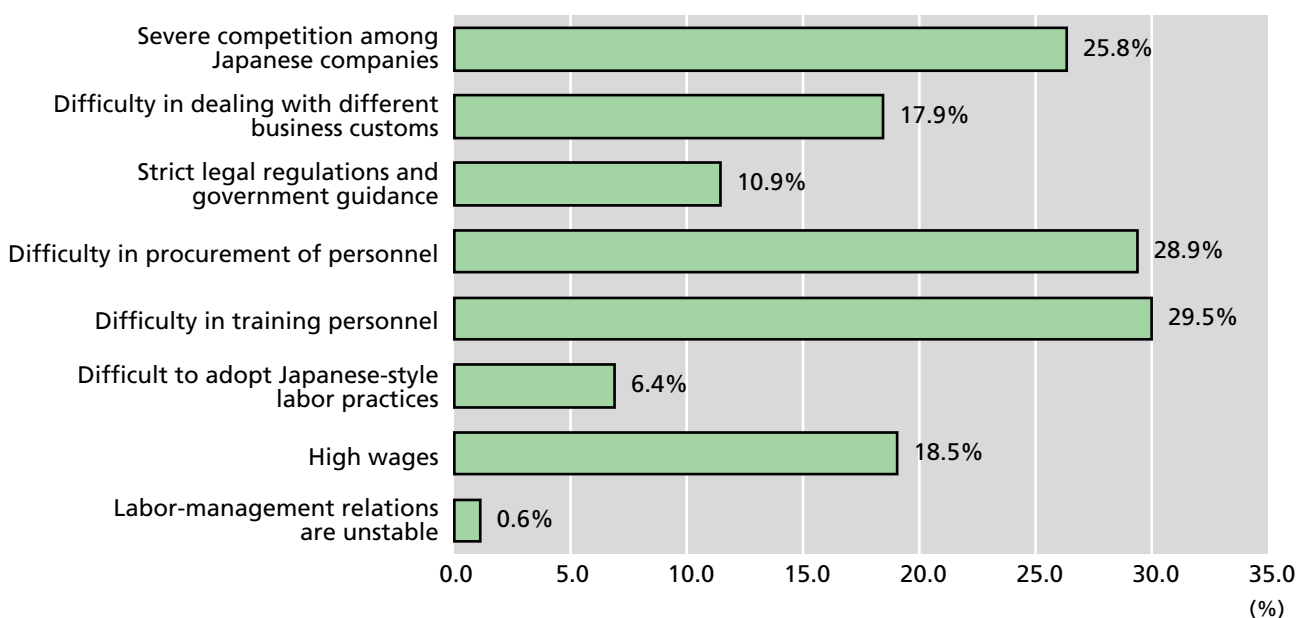
Salient features of labor conditions at foreign companies in Japan

1. The average salary for fresh graduate recruits is 213,236 JPY for men and 208,649 JPY for women, which is approximately the same level as domestic companies (which offer a fresh graduate recruit salary of 200,000 JPY - 210,000 JPY). When viewed according to industry, the finance and insurance sectors offer relatively higher salaries.
2. The average standard wage of employees recruited

as fresh graduates who are now 30 years of age is 434,771 JPY for men and 319,759 JPY for women. Among the different types of foreign-capital based companies, 100% foreign-owned companies had the highest wages for both men and women at 503,519 JPY for men and 328,541 JPY for women.

3. At 65.6%, more than half the respondents stated that the designated weekly working hours are less than 40. When compared with Japanese companies, foreign companies offer shorter working hours.
4. The total number of holidays has gone up as compared with four years ago, with 89.7% of the respondents quoting “more than 110 days” as the number of holidays in a year. The number of holidays offered by foreign companies is greater than the number provided by Japanese companies.
5. The average number of days of paid-leave awarded is 18.0 days and the average number of leave taken is 9.9 days, with the average taking rate at 55.6%. Compared with Japanese companies, foreign companies in Japan show higher figures for both annual leave as well as for taken leave.

21-2 Problems related to administration and personnel management



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19. Current Status and Characteristics of Dispatched Workers in Japan

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