

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-

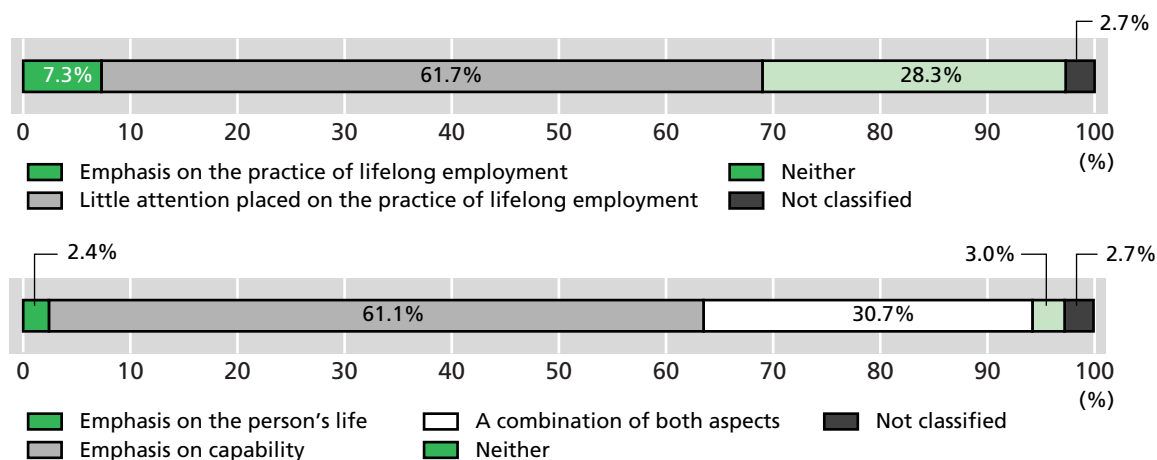
days/leave, 50.0% for wages/lump-sum payments, 39.2% for basic policies of management, and 37.8% for employee welfare.

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

