

1. What is employment strategy?

A. Definition and features of employment strategy

The term “strategy” is originally a military term and originates from *strategos*, a Greek word. The term which initially meant “a way to allocate and apply military resources for the purpose of achieving national objectives” is today often used to convey a key concept to corporate management.

In Japan, it seems to us that it is still uncommon to refer to the term “strategy” associated with “employment.” In this paper, “employment strategy” is defined as “an indicator which represents a desirable future in employment and shows a path towards desired reform.” First of all, we will start by pointing out a number of employment strategies to demonstrate what employment strategy is like.

Employment strategy is made up of a combination of basic principle, strategic objectives in a medium- and long-term perspectives based on the basic ideas, a number of policies required for embodiment of the objectives, and procedures for implementing each of the policies.

The role of employment strategy is to enhance the effectiveness of each of the policies and to more efficiently achieve the strategic objectives by clearly showing the position and directions of the policies to those in administrative jobs as well as to those working for businesses and other workers.

Working is vital to economy, and accordingly, employment strategy will cover a variety of issues. What is important is these issues are consistent in the light of objectives. Usual socioeconomic changes may lead to changes at an individual policy level, but basic principle and objectives of the strategy will remain unchanged.

What we are describing as “a desirable society” in this writing is a rich and vibrant society where everyone can achieve excellence and play a part in its development with enthusiasm. In such a society, “to

work” does mean “being employed” as well as “managing one’s own business.”

Any policies concerning “working” in a broad sense need to be consistently integrated under basic principle of employment strategy.

Since employment strategy covers a medium-to long-term period, a forecasted socioeconomic development which is initially projected when the strategy is formulated, will be different from actual development. Accordingly, depending on circumstances, we have to, regularly and where appropriate, review contents and implementing procedures of policies and try to implement them effectively. For this reason, it is essential to recognize how each policy is evaluated as well as interactive effects of different policies, and if necessary, offsetting effects of different policies as well.

In order to survive drastic socioeconomic changes that are likely to take place in the future and in order to retain our socioeconomic vitality for improving living standards of an individual, accumulating and making better use of human resources, which generate added values, and accelerating their social participation are indispensable. Accordingly, persistent efforts of an individual will be more important than ever. However, what an individual can do with a rapidly changing society is quite limited, and there is a pressing need for support for an individual from enterprises, the national government and municipalities. What is needed is employment strategy, in other words, a guideline for a wide variety of people to follow in comprehensively dealing with situations not only in narrowly-defined employment but also in approaches to areas of other policies, with due consideration given to the directions of future socioeconomic changes based on a medium-to long-term perspective.

B. Necessity of Employment Strategy

With economic globalization and rapidly developing information communication technology

(ICT), rising global competition, including those from Asian nations, has already been extended to every area including basic fields of manufacturing as well as fields which require sophisticated know-how, technology and skills. These trends will be further accelerated, resulting in more intense competition. Under such circumstances, in Japan too, a shift towards the era of diverse knowledge, which requires continuous innovation¹, will be expected.

In this regard, what we have to emphasize is the unprecedented rate and degree of the technical innovation of ICT now we are experiencing.

In addition, Japan has already entered a phase of population decrease due to a rapidly declining birthrate and aging population², and in the future, more intense resource constraint will be added in terms of labor force supply and financial resources. In particular, this will contribute to the decline of a region where the outflow of younger people is further accelerating demographic aging and of a region which has preciously been supported by resource allocation from the central government, leading to widening regional gaps.

In response to the prolonged economic slump in the post-bubble economy, enterprises have reviewed so called Japanese-style employment practices to cut costs, especially fixed expenses such as personnel expenses. This has resulted in an increase in temporary employees, mostly younger employees including new school graduates who have no choice but to unwillingly work in irregular employment. This has been widening disparity between regular and irregular employees, and regular employees have been increasingly burdened both quantitatively and qualitatively in an understaffed workplace. In addition, it is anticipated that these economic gaps will be perpetuated well into future. These difficulties start to affect people's living and life plans to no

small extent.

C. Directions and basic principle of employment strategy

The Japanese society and economy, in a medium to long run, is facing environmental changes, including rapidly developing information communication technology (ICT), intensifying international competition in various fields including knowledge and technology due to globalization, transition to an age of diversified knowledge, and tighter resource constraint in terms of labor force supply and financial resources resulting from the full-scale population decline. In order to survive the changes, the country's socio-economy should (1) allow human resources, a source of added values, to be accumulated and to be better utilized, (2) encourage people to support society by themselves instead of being supported by society, and prevent social exclusion, (3) allow people to comfortably accumulate human resources in an environment where more sophisticated knowledge and skills are being needed and at the same time to contribute to the socioeconomic sustainability, and (4) allow the country's policies as a whole to be centered on "people," because "people" themselves are the most important factor for the generation of economic vitality. It is essential to ensure the socioeconomic sustainability as well as sustainability of individual's lifestyles and job so as to facilitate a smooth transition to an age of diverse knowledge essential to survive in intensifying international competition, by responding to situations mainly in the above manners.

Accordingly, every policy operation should focus on the accumulation and utilization of human resources based on social participation as well as on ensured socioeconomic sustainability, and it is necessary to operate every policy, including

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- 1 Essential innovation in this regard includes technical innovation that will generate new demands, technical strategy, production methods, management techniques and infrastructure development.
 - 2 The total population of Japan showed the first drop in 2005 since Population Census were first conducted in 1920, with the exception of 1945. The population as of the year 2004 is intercensal adjusted by the results of 2005 Population Census. A population estimate as of October 1, 2006 was almost unchanged.) Earlier, the productive age (aged 15 to 64) has already started declining after peaking in 1995. The labour force (people aged 15 or older who are willing to work) has been on the decline after peaking in 1998. (However, the year 2005 posted an increase for the first time in seven years, and the year 2006 also recorded an increase.)

employment policies, in a manner as uniform and coherent as possible in line with a fixed strategy.

In other words, one has to place people at the center of every policy to establish “a vigorous society where everyone can enhance and demonstrate his or her ability and participate, ensuring the sustainability of one’s livelihood.” In short, it is essential to formulate employment strategy of which basic principle are seeking “an affluent and active society where everyone can work with enthusiasm and can find brilliant self-fulfillment.”

D. Strategic objectives, pillars in achieving basic principle of employment strategy

What kind of strategic objectives we should have, which are important pillars in achieving the above mentioned basic principle of employment strategy? That may be summarized as follows:

i. With future socioeconomic structural changes, such as labor supply constraint due to a rapidly declining birthrate and an aging population and a shift towards the era of diverse knowledge in the middle of intensifying international competition, the scarcity value and importance of each and every citizen in the society will grow further.

In order to vitalize the country’s socio-economy in such environments, what is required are (1) infrastructure improvement that will further encourage everyone for social participation, including employment, and for ability development, (2) empowerment of everyone with willingness and abilities to work so that everyone will be more self-reliant and can support society through job opportunities, (3) empowerment of everyone so that every citizen will play a role in society, communication throughout the nation will be encouraged, and no one will be excluded from society, and (4) independent-minded economic revitalization initiatives through an increasing number of original employment opportunities created on a regional basis.

In order to address the above issues, and to allow as many people as possible to participate in society, mainly through employment and jobs, efforts of the entire society, including the national government, local public authorities, enterprises, labor unions,

non-profit organizations and ordinary citizens, are being required.

(“Construction of society in which all participate based on employment promotion”)

ii. Improvement of environment that allows people to work with enthusiasm will provide a basic framework for expanding high-quality labor supply and for enhancing labor productivity.

Accordingly, achieving the work-life harmony, in other words, encouraging people to flexibly allocate their time so that they can pursue good health and can enrich their personal life, to further increase their willingness to work which is stemming from their feeling of satisfaction with their entire lives, is essential.

Critical issues are (1) to provide more choices on diversified work styles, (2) to utilize advantages of long-term employment practices and at the same time, to reduce disparity in pays and benefits between regular employees and irregular employees who are outside of the traditional long-term employment, and (3) to establish a new comprehensive employment system in which society as a whole offers enough vocational development opportunities and labor mobility among different working styles such as permanent employees and temporary employees.

In addition, it is essential to offer chances to try again, to redistribute national income, and to ensure the balanced treatment and public systems which take into account diversified work styles, so that excessively widening income gaps will neither take away educational and vocational training opportunities nor deprive people of willingness to work, which will lead to more rigid social stratification and undermined dynamism and stability of the society.

(“Enhancing quality of employment and incentive for work experience”)

iii. With intensifying international competition due to globalization and a transition to a knowledge-based society, in order to bring innovation and to maintain a level of the country’s international competitiveness and national living standards, we

need to enhance our “employability” (i.e. the capability required to take part in and support society). Japanese production systems have been transformed from production on a large scale to high-mix low-volume production, and accordingly, more emphasis has been put on an individual’s creativity as well as on conventional large-scale entities’ organizational capability. Therefore, the importance of human resources development that activates individuals’ ability has increased all the more. In particular, it is essential to improve relevant infrastructures in ability development, giving careful attention to non-regular employees who have not attracted much attention so far in relation to ability development.

In the past, ability development was mainly carried out by enterprises, on an assumption that skill development should be identified as a part of human resources management while an organization is paying attention to its business activities. However, for the future, ability development has to strike a good balance between specialization and cooperation by individual workers’ self-help efforts, enterprises’ assistance, mutual assistance and governmental public assistance in line with the times.

In addition, a greater share of employability enhancement is now being borne by individuals. Yet not every aspect of employability can be easily enhanced by an individual’s self-help efforts, and in the medium-to long-run, it will be essential to consider a potential legal guarantee. In this way, the concept of “right to career”³ is of a growing importance.

(“Employability enhancement and ‘right to career’”)

It is needless to say that it is necessary to secure predictability in an uncertain future and to ease people’s concerns, in order to allow people to stay proactive and comfortably work hard.

In order to relieve these public concerns, ensuring economic stability and sustainability so as to dispel uncertainty as far as possible should be regarded as fundamental objectives in economic management,

including macroeconomic policies. This is an indispensable prerequisite for employment strategy.

2. Construction of society in which all participate based on employment promotion

A. What is “society in which all participate”?

Allowing everyone can take part in society, making better use of his or her skills and making his or her life worth living will lead to more active and stable society and more sound development.

In particular, to increase the number of people taking part in employment and supporting society is essential for maintaining the country’s socioeconomic dynamism and affluence, in the face of tighter labor supply constraint and financial constraint due to the falling birthrate and the aging population with an ever-decreasing population.

Moreover, allowing everyone to take part in society in some way other than work experience is a prerequisite for construction of society in which people with diverse values participate and every member is willing to support society itself. This is also a prerequisite for stabilizing and stimulating society through sharing common awareness of problems and strengthening mutual understanding at the national level, in the face of intensifying competition due to globalization and the global spread of information and communication technology (ICT) in an increasingly complex world. Broadening communication throughout the entire society will serve as a foundation for independent-minded efforts made by an individual member of society, including the central government, municipalities, enterprises, labor unions, nonprofit organizations and ordinary citizens, to resolve difficulties concerning employment and jobs.

B. Things to keep in mind when trying to invigorate the country’s socio-economy

i. Employment as a fundamental form of social participation

In society in which all participate, employment is

3 “right to career” will be described later.

considered as a fundamental form of social participation.

This is because society can be considered as a collective entity or a community made up of interacting and interconnecting people, and in order to make society work well and maintain society as it is, every member of society earning his or her own living (in other words, every member in employment) is seen as a basic element.⁴ In such a society, everyone is required to be willing to work, more job opportunities have to be provided from both quantitative and qualitative aspects and smooth labor supply and demand has to be adjusted.

ii. Employment and employees as the most important source of economic growth

Situations in Japan surrounding employment, in particular from the late 1990s to the beginning of the 21st century, have been economically difficult, with the disposal of non-performing loans in increasing economic globalization and rapidly developing information communication technology (ICT) that have further intensified global competition after the collapse of the asset-inflated economy. Under such circumstances, because every sector including government offices and other public offices and private enterprises have adopted management policies which place top priority on a fixed expenditure reduction, including a cut in personnel expenses, and due to people's changing attitude toward work, employment structures have radically changed and forms of employment and working arrangements have become increasingly diversified.

Then, lasting economic recovery has led to a record high level of business earnings and corporate sales in fiscal 2005 and the active job opening to applicant ratio for fiscal 2005 recorded above 1.0. However, partly due to changes in employment structures, the effective ratio of job openings/application ratio for permanent employees and middle aged and older job-seekers has accounted for only about half of the total. Furthermore, an increase in those who are ill-equipped for the working world,

mainly in younger generations, those in status of so called "Neets" (not in employment, education and training) and an increasing number of "Freeters" (part-time jobbers including part-time applicants), especially those who are involuntarily living as non-regular employees, are being considered as socially problematic.

In addition, recently, as a means of enhancing and maintaining international competitiveness, employers have been putting more emphasis on ensuring competitiveness through cost reduction, including payroll cost reduction which employers, traditionally keen to secure a stable source of manpower for maintaining organizational efficiency, were previously reluctant to get involved in. Furthermore, with an increasing ratio of foreign stockholders, and with widespread shareholder sovereignty which has been considered as a U.S.-style global standard, private businesses are putting more emphasis on earning higher profits in a short term perspective and on increasing stock dividends and upgrading stock prices.

Under such circumstance, at the beginning of the century, while the wage level of almost all companies decreased, all of dividends as well as salaries and bonuses for directors of large-sized businesses increased dramatically.

However, employees and retired employees are also consumers, and it should be remembered that they are being important players in private consumption in domestic markets which account for more than 50% of the country's GDP. In addition, there are concerns that foreseeable social polarization made up of a handful of high-income earners such as corporate managers and a vast number of poor people could lead to inactive consumption and downsized domestic markets due to skewed distribution of wealth, a decline in labor productivity and in economic efficiency due to a declining overall willingness to work and social destabilization.

If social polarization becomes the accepted norm, and as a result if, in especially among lower classes, due to unclear economic outlook, many lose

4 Since the 1960s, Swedes, who implement active labor market policies, have adopted the concept that "employment is a key to supporting a normal lifestyle."

willingness to develop their vocational ability, and if so-called working poors, those who have jobs but earn less than the minimum living costs, become the accepted norm, they could lose willingness to work and hope for the future. Then, there is a fear that the quality of employment achievement would be degraded, resulting in a decreasing labor-force participation ratio and increased public burden concerning social security benefits, such as welfare payment, due to a decline in the number of people supporting society. In this way, in various aspects, this could have negative impacts on the country's macroeconomic framework. Accordingly, in addition to retaining and fostering a thick layer of middle class citizens, by securing working conditions that allow even non-skilled job workers and low-income earners to earn a decent living and by allowing wage growth achieved by employment to increase the net income after tax, policy management and corporate management have to enhance people's willingness to work.

Taking the above mentioned points into consideration, we should not place more importance on international cost competitiveness. Instead, we have to fully recognize that both people in jobs and those not in jobs are playing critical roles as a source of economic growth by stimulating consumption through their entire lives, and at the same time, by supplying high-quality products and services in the country. Moreover, in the first place, Japanese companies and governments have to always keep in mind that people themselves are the foundation to stand on and are a source of a vigorous nation. Recognizing the above and considering how capital markets work, we are required to develop employment strategy which allows every job seeker with employability to take part in workplaces, and gives them hope and a desire to work so as to ensure a decent quality of employment and lifestyles.

In doing so, we have to fully understand that smaller income disparity and traditional high-quality and uniform social security services have so far contributed to the formation of a thick layer of

middle class people, and we also have to appreciate a foundation of the country's positive socioeconomic features such as well-maintained public peace⁵ and good public health represented by people's longevity, as well as a mechanism that underlies the foundation.

C. Challenges and courses of action for realizing society in which all participate

i. Encouraging social participation through employment

A prerequisite for encouraging social participation through jobs is appropriate working conditions which allow people to acquire necessary vocational skills and to work in accordance with their willingness and skills.

Accordingly, the principle for encouraging social participation through employment should be, based on ensured working conditions with which people are encouraged to enhance their willingness to work and to develop their vocational skills, improvement of the infrastructure which is open to everyone for developing his or her vocational skills. The principle should also include an enhanced ability to adjust labor supply and demand, including the upgrading of external labor markets, in parallel with the strengthening of the function to evaluate workers' and job-seekers' ability properly which will make it possible to provide appropriate information concerning a required level or quantity of vocational ability that enables an individual to be engaged in a job in accordance with his or her willingness and ability.

When trying to enhance ability to adjust labor supply and demand, it is necessary, in a labor supply and demand-coordinating institution and in corporate sections, to establish a system which appropriately evaluates job-seekers' vocational ability. Accordingly, vocational ability evaluation systems should be enhanced so that labor supply and demand adjusting agencies can more accurately evaluate job seekers' skills. For enabling a more effective matching between job-seekers and employers, the quality of related parties has to be also upgraded.

5 In the United States, the security in urban areas was improved during the economic recovery in the late 1990s. Allegedly this is because of economic circumstances in which people tended to feel that working is better than committing a crime.

With progressing economic globalization and a shift toward the era of diverse knowledge, in order for everyone, who is willing to and skilled enough to work, to achieve economic independence by earning his or her living by himself/herself and to support society as a whole, it is necessary to minimize uncertainty concerning the future employment and living and to ensure that everyone has human resources development opportunities as occasion demands, and at the same time, it is essential that every job-seeker can obtain job opportunities in accordance with his or her willingness and ability.

For this reason, in addition to infrastructure improvement for human resources development such as support for human resources development tailored to fit the needs of an individual and assistance to employees' ability development which will serve as a source of corporate differentiation, it is important to enhance the labor supply and demand adjusting function, coupled with strengthening of workers' vocational ability evaluating function for allowing every job-seeker to be engaged in a job in accordance with his or her willingness and skills. In other words, what is required is the labor supply and demand adjusting function which can make better use of an appropriate combination of assistance by public bodies and mutual assistance, both of which have been traditionally respected in the area of human resources development, together with self-help.⁶ In addition, the supply-demand adjusting function capable of contributing much to the satisfaction of both organizations and individuals is also required.

Meanwhile, due to the decreasing working-age population, the country's labor force has already declined, and since 2005 Japan has entered a phase of population decrease, facing a full-fledged population decline. So called "baby boomer generations" have started reaching the age of 60 since 2007⁷ (and will reach the age of 65 in 2012) and the country will face

a declining population coupled with an aging society. Accordingly we are required not to let tighter labor supply constraint negatively affect socioeconomic dynamism. For this reason, it is necessary to carefully improve the country's environment and to support people in accordance with regional features and individuals' attributes in order to allow all of those who are able to work, to work with enthusiasm, live independently and support society. In doing so, basically we should promote people's willingness to work by ensuring appropriate working conditions, in particular, for younger generations, women and elderly persons that are more likely to provide additional labor supply (Refer to Table 3-1).

Moreover, a number of systems, including the taxation and social security (benefits and burdens) that could influence labor supply and demand activities and other factors affecting labor supply and demand are required to work as a means to encourage employment so that both the demand and supply for workforce will increase in both quantitative and qualitative senses.

In order to promote social participation through employment, as above mentioned, it should be noted that not only labor supply-side efforts such as enhancement of willingness to work and vocational ability, but also labor-demand side efforts, including improvement of working conditions as well as public-sector efforts should play significant roles. The public sector should improve labor supply and demand adjusting functions and undertake institutional design by reflecting the viewpoint of employment promotion, and should make other upgrading efforts concerning labor markets and relevant systems.

a. How to respond to those who require some sociopolitical approaches

From sociopolitical viewpoints, bringing those facing difficulty in finding employment, including the

6 "Assistance by public bodies" in this paper means public-sector vocational ability development and public sector agencies' (Administrative agencies') support to vocational skill valuation conducted by private corporations or individual workers. "Mutual assistance" includes in-house vocational skills development provided to employees, corporate support for employee's vocational skill development and in-house vocational ability evaluation. "Self-help" includes individual-initiated vocational ability development.

7 Baby-boomers born from 1947 to 1949. So called "Dankai no Sedai (literally means "mass generation")" named after the title of Taichi Sakaiya's novel.

Table 3-1 Transition of employment rate by age group

(%)

		1993	94	95	96	97	98	99	2000	01	02	03	04	05
Grand	Total	62.2	61.8	61.4	61.4	61.5	60.7	59.9	59.5	58.9	57.9	57.6	57.6	57.7
total	15-64	69.5	69.3	69.2	69.5	70.0	69.5	68.9	68.9	68.8	68.3	68.4	68.7	69.3
	15-19	16.9	16.3	15.6	15.8	16.3	16.1	15.5	15.5	15.6	15.1	14.6	14.4	14.7
	20-24	71.3	70.8	69.9	69.7	69.5	68.6	66.3	66.6	65.5	64.1	63.2	62.6	63.5
	25-34	75.9	75.8	75.9	76.7	76.8	76.1	75.8	76.1	76.1	75.8	76.2	77.0	77.3
	35-59	80.2	79.8	79.5	79.7	80.2	79.5	78.8	78.6	78.4	77.9	78.0	78.2	78.6
	60-64	54.6	53.6	53.4	52.6	53.1	52.5	52.0	51.0	50.7	50.6	50.7	51.5	52.0
Male	Total	76.1	75.6	75.2	75.1	75.1	74.1	73.2	72.7	71.7	70.6	70.1	69.8	69.9
	15-64	82.3	81.9	81.8	82.1	82.4	81.7	81.1	81.0	80.5	79.9	79.8	80.0	80.4
	15-19	17.5	16.8	16.1	16.5	17.2	16.4	15.7	15.8	15.6	15.4	14.4	14.3	14.7
	20-24	71.9	71.1	69.9	70.0	70.3	68.8	66.2	65.7	64.6	64.1	62.9	61.5	62.2
	25-34	95.0	94.5	94.1	94.3	94.0	92.8	91.9	91.9	91.1	90.1	89.9	90.0	90.0
	35-59	95.7	95.2	95.0	95.1	95.1	94.3	93.7	93.5	92.9	92.2	92.3	92.4	92.5
	60-64	71.0	69.6	69.3	68.5	68.3	67.3	66.5	65.1	64.6	64.0	64.7	65.4	65.9
Female	Total	49.0	48.7	48.4	48.3	48.6	48.1	47.4	47.1	46.8	46.1	45.9	46.1	46.3
	15-64	56.5	56.5	56.4	56.8	57.5	57.2	56.7	56.7	57.0	56.5	56.8	57.4	58.1
	15-19	16.3	15.8	14.8	14.9	15.3	15.7	15.2	15.0	15.6	14.7	14.9	14.5	14.9
	20-24	70.7	70.5	69.8	69.2	68.9	68.4	66.7	67.3	66.1	64.5	63.4	63.6	65.0
	25-34	56.2	56.8	57.3	58.5	59.2	59.1	59.4	59.7	60.7	61.1	62.0	63.5	64.1
	35-59	64.7	64.4	64.1	64.4	65.3	64.7	63.9	63.9	64.1	63.5	63.8	64.1	64.7
	60-64	39.3	38.6	38.7	38.0	38.8	38.8	38.5	37.8	37.7	37.5	37.5	38.4	39.0

Source: Ministry of Internal Affairs and Communications Statistics Bureau, "Labour Force Survey"

long-term unemployed, unemployed youths, persons with disabilities who are long-term unemployed and a part of welfare recipients and others who have employability yet have lost willingness to work, back into workforce is one of the important challenges. In this context, fine-tuned support for both labor supply sides and labor demand sides, including vocational ability granted to job seekers, is required.

ii. Ensuring and creating job opportunities

Just enhancing people's willingness and ability to work and increasing labor supply will not lead to more people in jobs and a higher employment rate. Social participation encouraged through employment can be achieved only by labor demand matching aggregate labor supply. In addition, it is desirable that

the workforce demands should be ensured in both quantitative and qualitative terms.

Furthermore, in order to ensure the sufficient workforce demand in both quantitative and qualitative terms and to ensure sustainability of people's living, including their jobs, enhancing added values of the country's entire industry as well as realizing stable economic growth will be required. In this context, personnel costs, which is recently often labeled as "wasteful fixed costs traditionally considered as a sanctuary for no reason," must be once again recognized as "basic requirement to ensure sustainability of people's living and costs essential for encouraging sound development of the country's vigorous socio-economy."⁸

Accordingly, whether a business or an individual,

⁸ Like in the most recent economic recovery since January 2002, there are concerns that private consumption will remain weak due to slow income growth in spite of prolonged business recovery and that the economic structure will be more dependent on unstable and unsustainable factors such as foreign demand and equipment investment.

the entire nation is required to free itself from a deflation-oriented mind-set that places the top priority on pursuing a further price reduction mainly by additionally downsizing payroll costs, in an economic climate where everyone makes efforts to offer extremely low priced products and services. In addition, we should consider jobs essential to supporting the smooth operation of country's socio-economy as sectors on which tax revenue as well as public-sector efforts should be focused from the standpoint of society as a whole, instead of the standpoint of a business.⁹

In order to encourage social participation by creating job opportunities, top priority should be given to improvement of the employment rate by enhancing job satisfaction and inspiring job-seekers' willingness to work.

However, a questionnaire survey on corporate employees conducted by The Japan Institute for Labour Policy and Training¹⁰ shows that both permanent employees and non-permanent employees indicate low satisfaction, as low as approximately 40%, with their "jobs in general." While permanent employees indicate higher satisfaction with "job security" and "a steady income," non-permanent employees show higher satisfaction in terms of "the substance of work," "working hours" and "job-related anxiety and troubles and job stress." While both permanent and non-permanent employees show low satisfaction with their jobs as a whole, in particular, we should take note of the fact that permanent employees, who are responsible for core corporate activities, have lower satisfaction than non-permanent employees with the substance of work and working hours. The above data can be interpreted to point out problems with the workforce demand in qualitative terms (apart from quantitative terms) that may negatively affect

willingness to work and productivity.

Accordingly, when securing and creating job opportunities in the future, it is hoped that, by making job experience more attractive for as many people as possible by enhancing the satisfaction of people in jobs not only in quantitative terms but also in qualitative terms, the sustainability of the country's socio-economy will be enhanced.

Meanwhile, when considering the workforce demand accompanied by changing economic structures, in order to promote social participation through employment, we believe that the importance of ensured job opportunities, for example by encouraging business start-ups, will grow all the more, and that more pressure such as intensifying international competition and shorter cycles of technological innovation is likely to shorten the life of a business itself.

The basic direction of employment policies also shifted from "employment stability" and "labor mobility without unemployment" based on traditional long-term employment practices to policies based on "job creation" and "smooth labor mobility" during an economic structural transition at the end of 20th century when the working-population began to decline. Furthermore, in employment policies, as indicators of labor supply and demand, the employment rate, which indicates the number of working people as a percentage of the total population, as well as the total unemployment ratio, has come to be considered as a useful measure.¹¹

Accordingly, employment maintenance and more job opportunities through existing industries' structural switch, scale expansion and development of new business fields should be emphasized as before, at the same time for achieving a higher employment rate, it is increasingly required to make more

9 For example, the government has accepted the introduction of foreign workers to make up for a national shortage of labor for nurses and care workers. However, these sectors are often criticized as "in spite of sufficient domestic labor supply, the labor demand cannot be met because of constraint concerning working conditions, such as working hours and wage levels." Accordingly, in sectors that are social necessity, it should be effective to establish working conditions when needed, so that people underutilized in the country will be encouraged to join the workforce.

10 The Japan Institute for Labour Policy and Training (2006n)

11 *Rodo Seisaku Kennkyu Kai* (2005)

proactive measures by putting more emphasis on job opportunities other than employees. The measures include support for business start ups, including creation of self-employment, as a part of the government's employment policies.¹² (Refer to Table 3-2)

In addition, with changes in the industrial structure due to productivity growth in the manufacturing industry and the sophistication of socioeconomic structures, the importance of efforts to further stimulate demand and to enhance productivity in some sectors, where the ratio of people in jobs has increased, will further grow for ensuring and creating job opportunities.

While the population and percentage of people working in the tertiary industry have increased, many of those engaged in the tertiary industry are working in low-productivity sectors. However, in the future, first, highly productive sectors with international competitive edge will be required to generate added values for the country as a whole. Then, in addition to productivity enhancement in the tertiary industry including service sectors that will upgrade people's living standards and convenience, the construction of a cycle is required in which the added values generated are allocated to the consumption of the

tertiary industry's products and services. Such a cycle would enable people to maintain high living standards regardless of occupation, and would achieve a more appropriate economy (Figure 3-3).

In order to realize such an economic structure, what is needed are demand stimulation by differentiating and innovating products and services offered by service sectors and other tertiary industries, productivity enhancement in terms of added values, and infrastructure development that will enable the demand stimulation and enhanced productivity. This would further upgrade the quality of employment and increase the workforce demand through demand growth in the industry. Furthermore, the improved quality of employment in a sector with an increasing labor demand could facilitate labor mobility from other sectors.

iii. Development of new safety nets for employment and job security

Ensuring and providing appropriate job opportunities is a prerequisite for encouraging social participation through job experiences, and at the same time for remaining economically independent as far as possible even when one loses his or her job. It is also essential for taking on new challenges.

Table 3-2 Start-up and closing rate of establishments in Japan

(% / year)

Year	Increase of establishments	Start-up rate	Closing rate
1975-78	2.8	6.0	3.2
1978-81	2.3	5.9	3.5
1981-86	0.7	4.3	3.6
1986-91	0.1	3.7	3.6
1991-96	-0.1	3.1	3.2
1996-2001	-1.2	3.2	4.4

Source: "Statistic Survey of Institutes and Companies," Ministry of Internal Affairs and Communications, Statistics Bureau

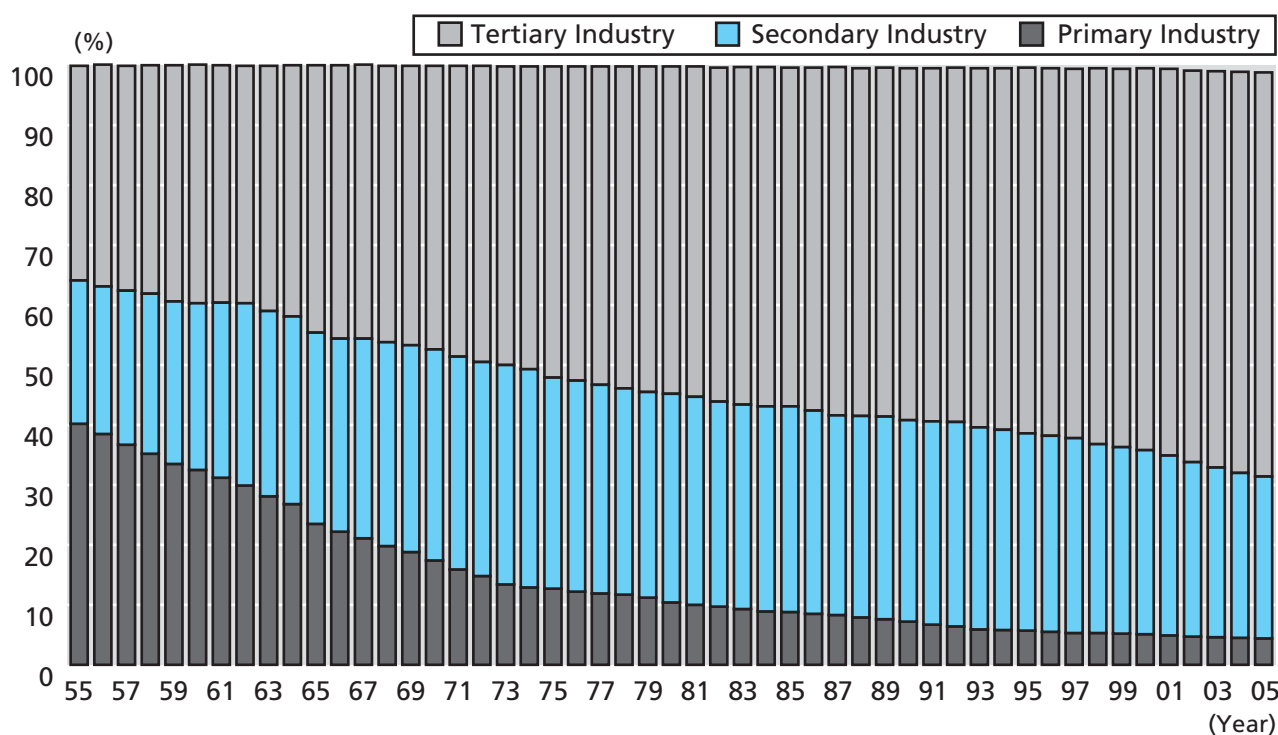
Note: Establishments start-up rate=Number of establishments opened during the investigation period/Number of establishments identified during the previous period

Establishments closing rate=establishments start-up rate-Increase of establishments

The figures for year 1991 are made up of data on privately owned establishments excluding Shimabara city and Fukaecho, Nagasaki Prefecture.

¹² At present Ministry of Health, Labour and Welfare subsidizes new business start-ups which will provide new employment opportunities, through the subsidy for business start-ups by those eligible for unemployment insurance benefits, the subsidy for business start-ups by three or more elderly persons that create job opportunities, and the subsidy for business start ups for regional economy revitalization. In particular, the subsidy for business start ups for regional economy revitalization is designed to support priority industries identified by municipalities as regional-contribution projects.

Figure 3-3 Number of people in the primary industry, the secondary industry and the tertiary industry



Source: Ministry of Internal Affairs and Communications Statistics Bureau, "Labour Force Survey"

Accordingly, basically, any and every job-seeker should be given easy and unrestricted access to employment and work experiences.

In the age of economic globalization and the era of diverse knowledge, it is believed that due to intensifying competition in various aspects and accelerated changes in technologies and clients' needs, there will be more pressure to shorten the life of a business and faster changes both in the industrial structure and in knowledge and skills necessary for jobs. In addition, on an individual business level, there will be an increasing number of non-regular employees for which an employer is more reluctant to invest in human resource development. Furthermore, with more diversified ways of thinking, labor mobility is likely to be higher. For these reasons, it will be more difficult to construct a conventional safety net for employment security based on traditional so-called corporate "lifetime employment."

Accordingly, even in the case of labor mobility, the need of upgrading a safety net is growing, which is designed mainly to maintain practical employment,

avoid joblessness as far as possible and shorten a jobless period if any. In particular, ensuring job security and improving the employment rate by enhancing an external labor market and by connecting external and internal labor markets will be essential. For this reason, developing a system for an external labor market to function properly, as well as enhancing labor supply and demand adjusting functions in accordance with the system development will be extremely important for making better use of human resources.

Therefore, in order to shorten a jobless period accompanied by labor mobility and retain and upgrade vocational skills, what is essential are (1) development of an infrastructure capable of explicitly showing an individual's vocational ability and vocational skills needed in workplace based on objective criteria, (2) provision of opportunities for developing vocational ability that will lead to upgraded vocational skills in the age of increasing labor mobility, (3) provision of accurate information on labor market (or job openings) to everyone, and

(4) enhanced labor supply and demand adjusting functions accompanied by an appropriate perception of job seekers' willingness and vocational skills, with an increasing number of options resulting from development of an external labor market.

That is, for safety nets in "the era of diverse knowledge," a function capable of enhancing and making better use of the quality of human resources such as human resources development and vocational ability evaluation will be of increasing importance more than ever.

iv. Everyone being engaged in society and society-wide communication

Ensuring society-wide communication is a basic prerequisite for the formation of society-wide shared awareness and mutual understanding. Ensuring such communication will serve as a foundation for promoting a variety of social participation including one through job experience, and essential for the smooth operation of the socio-economy.

In years to come, in the socio-economy in the era of diverse knowledge, society-wide diversification, including a variety of views on employment and jobs, is expected to further intensify. Under such circumstances, in order to ensure the smooth operation of and stability in society, what is important is response which places special attention to smooth communication among the national government, local authorities, enterprises, labor unions, non-profit organizations and each citizen and on the formation of society-wide shared awareness.

For every ordinary citizen in each community, it may be important to let everyone connect to society through smooth communication, for example by revitalizing local communities (or places where people foster mutual understanding through conversation) at each municipality. In this case, promoting communication concerning various issues through regional activities as well as making better use of non-profitable activities conducted by volunteers and non-profit organizations and community businesses will be also effective.

Education at schools and in-company will be expected to show model cases that allow one to recognize the necessary of social participation and

job experiences through smooth communication, for example, at a workplace or at school, in particular for younger generations who are often facing trouble in being involved in an organization and society, and then, by following these practices, others will also appropriately respond to these issues at each stage.

Communication has to be encouraged, at a business, between employees and employers and, in society between the central and local governments, businesses, labor unions, non-profit organizations, volunteer organizations and ordinary people.

Effective communication ensured at every stage in society will achieve close collaboration in taking precautions against possible social problems and stabilize the socio-economy, by raising shared awareness and common problem consciousness among people at every stage on a society-wide scale and by enhancing public recognition. This will also serve as a foundation for facilitating social participation at various stages and for appropriate response to challenges.

v. Local employment strategy

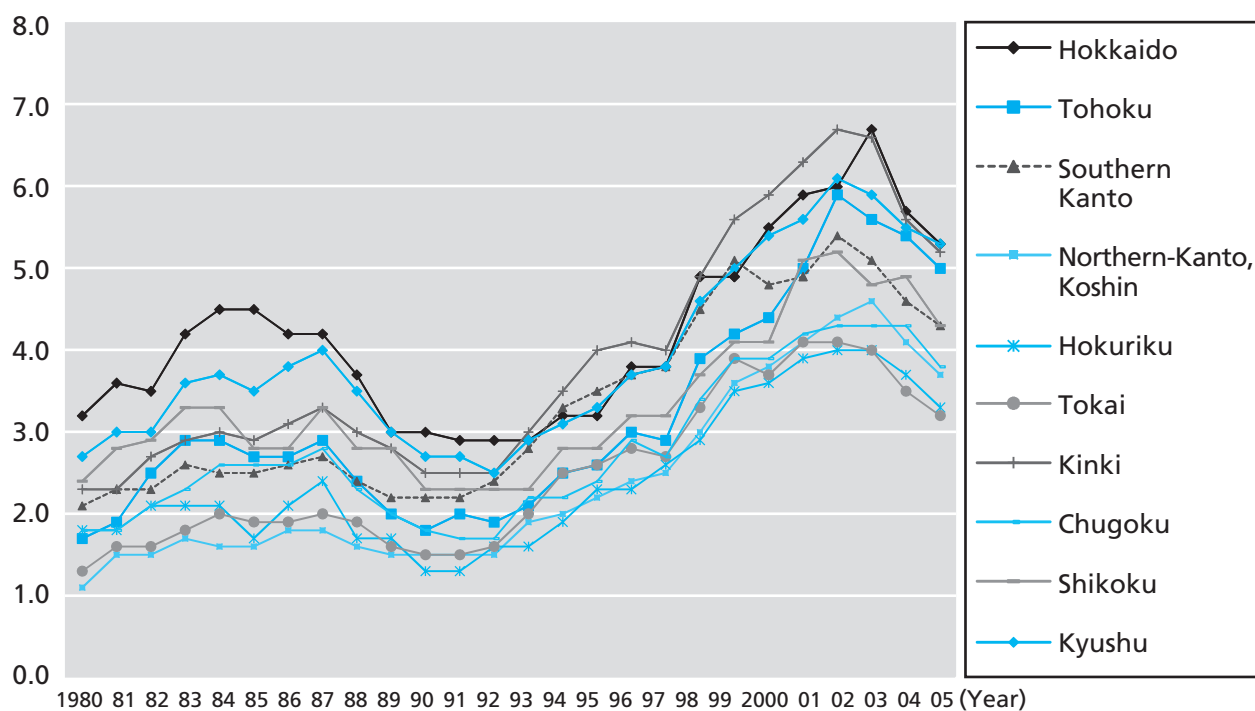
At present, with tighter fiscal constraint at the central government due to a slowdown in economic growth as well as decentralization now being promoted, the income transfer from the central government to municipalities through the implementation of public work projects has been reduced, and this has been deteriorating economic and employment conditions in a region which has few industries capable of providing employment opportunities or having strong competitiveness, and slowing down the improvement of employment conditions during an economic recovery. (Refer to Figure 3-4)

In particular, in a rural environment which lacks job opportunities, it should be noted that, such conditions will increase pressure on municipalities' finances not only through the lack of job opportunities but also through declining regional vitality, and in the medium to long run, this may widen regional disparities in economic and employment conditions, and further could contribute to the devastation of the country.

In the face of the environmental changes, at each

Figure 3-4 Trends in unemployment rate by region

(%)



Source: Ministry of Internal Affairs and Communications, Statistics Bureau, "Labour Force Survey"

regional level, building a society in which people can feel affluence and comfort and nurturing distinctive and vibrant local communities are required. With increasing resource constraint, for achieving these goals in all parts of the country, we have to stimulate regional society and economy basically by revitalizing local residents' everyday lives in a manner consistent in the medium to long-term, and by setting the following three goals:

First, we should provide sufficient job opportunities and ensure the quality of employment. This will allow more people to support a local society by encouraging social participation through employment, and will also allow people to really feel comfort and affluence.

Secondly, a local community itself should play a major part to revitalize its economy so as to secure job opportunities in terms of both quality and quantity that will serve as a foundation for local residents to feel comfort and affluence.

Thirdly, we should establish a foundation which will help everyone to take part in society by facilitating community-wide communication.

3. Enhancing quality of employment and incentive for work experience

A. Necessity of enhancing quality of employment and incentive for work experience

i. Necessity of enhancing quality of employment and incentive for work experience

a. Ensured "quality jobs" essential for workers, enterprises and society

For a business, it is necessary to empower its employees to generate higher added values, for the purpose of achieving technical innovation and upgrading the industrial structure. Accordingly, developing working conditions that will foster workers' willingness and ability in order to enhance corporate performance and productivity will be critical for a business. Workers require jobs worth doing at every workplace, reflecting changes in mindset about job experience. Working conditions that can enhance workers' willingness and ability and offer satisfying work will be important for both businesses and workers. Then, corporate productivity improved through better working conditions will also

contribute to socio-economic revitalization.

In order to retain socio-economic dynamism in the face of a declining population and decreasing labor force, it is essential to increase the workforce by encouraging those who have willingness and ability to work to land jobs and take part in society. In addition, how to make better use of hard-to-find workforce and how to enhance productivity by drawing out willingness and creativity from each worker and by enhancing his or her ability are equally essential. In particular, utilization of women, elderly persons and younger generations who have willingness and ability to work but have been underutilized in the past will be important for businesses and society.

Accordingly, efforts to improve working environment that will enhance workers' willingness to work, satisfaction, and ability, or in other words, efforts to enhance the "quality of employment" are important.

This will serve as a factor attracting job applicants (quantitatively securing labor supply), and at the same time, will contribute to labor productivity enhancement through improved willingness to work, and through demonstration of initiative and creativity. In this way, we can say that this will contribute to the upgrading of job quality and income.

b. Necessity of "quality of employment"

ensured in accordance with stages in the life

What is important is job opportunities that allow everyone to land a job in accordance with their willingness and ability as well as stages of his or her life (for example, graduation from school/university, job placement and employment, job change, mandatory retirement age and retirement) and lifestyle, so that each job applicant can land a job, demonstrating his or her abilities at a position which needs his or her potential, feeling content through job experience and finding self-fulfillment.

We can define efforts to improve workplace

environment for achieving the above mentioned targets as ensured "quality of employment" and enhancing workers' willingness and ability to work as "work incentive enhancement." Ensuring "quality of employment" and enhancing work incentive are goals of labor policies and they will achieve maintained socio-economic dynamism and sustainable growth.

In addition, for allowing every worker to demonstrate his or her willingness and ability through his or her life and find self-fulfillment, ensured "quality of employment" is necessary not only in internal labor markets covering only corporate employees, but also in diversified work styles including entrepreneurial experience, self-employment businesses, home working, as well as volunteer activities, local community participation and other social participation and in an external labor market.

Accordingly, each of individual workers and job seekers, businesses and authorities are required to develop appropriate response. For example, would-be-workers are now required to autonomously and voluntarily land a job, and make efforts for vocational development.

c. Ensured quality of employment and life and "quality of employment"

We can say that what is important for workers are rewarding job experience (social cognition and self-fulfillment) and job satisfaction as well as job security and peace of mind.¹³ In addition, an increasing number of people are seeking better balance between work and personal life,¹⁴ and enjoying life outside work (family life, local community) and discovering values in activities outside job experience are essential for affluence of workers. Furthermore, allowing workers to enjoy higher living standards through enabling them to land jobs which meet reasonable working conditions, or ensuring a decent quality of life (and improving living standards) is one of the most important

¹³ Cabinet Office, "Opinion poll on people's living" and the NHK Broadcasting Culture Research Institute, "Attitude survey of Japanese people"

¹⁴ The NHK Broadcasting Culture Research Institute, "Attitude survey of Japanese people"

challenges for labor policies, and a prerequisite for ensuring decent “quality of employment.”

ii. Features of “quality of employment”

“Quality of employment” seems difficult to be defined. For example, we cannot simply say that any job which pays above a certain wage level is a job “of good quality.” However, it may be possible to define the concept of “quality of employment” by considering the following working conditions. In addition, setting policy objectives for each point to be checked, including development and upgrading of an external labor market, seems to be possible.

From the standpoint of economy as a whole, ensuring “quality of employment” would refer to efforts to ensure an increasing number of better jobs. In this sense, we can say that this also means efforts to achieve full employment in terms of both quality and quantity.

a. What is “quality of employment”?

Here is a list of key features of working conditions and working environment that can be used to identify “a good quality job.”

- (1) A sufficient number of employment opportunities are maintained.
 - (2) to (8) below are mainly concerned about an internal labor market.
- (2) (Of course in compliance with labor relation related legislation) fundamental and minimum working conditions are being ensured.
- (3) Workers are able to make better use of their willingness and ability and feel job satisfaction in accordance with their ability and life stages, in terms of working conditions (wages, working hours, safety and health, welfare programs), job content, overall personnel and labor management (including ability development opportunities, and career assistance)
- (4) Harmony between work and personal life (work-life balance) is being maintained.
- (5) Ability development opportunities and career assistance have been provided in accordance with an individual’s willingness to work and job status
- (6) Equal treatment and balanced treatment are being ensured in accordance with willingness and

ability to work and job status, and diversification of employment status (diversified work styles) is also being ensured.

- (7) Fair, transparent and persuasive evaluation and treatment are being ensured.
- (8) Communication between labor and management and workplace communication have been enhanced and good labor-management relations have been established.

iii. Productivity, corporate performance and quality of employment (A good cycle of productivity and quality of jobs)

a. Workers’ ability development and realization of one’s potential essential for productivity growth

In the face of a declining population, the falling birthrate and the aging population, productivity enhancement is also essential for maintaining socio-economic dynamism. The key to increase in productivity are workers’ ability development, creativity through enhanced willingness to work, and realization of one’s potential. What is important for realization of workers’ potential are corporate human resource development and employment management efforts. In other words, upgrading of quality of employment will be required.

b. Mutually complementary relationship among productivity, corporate performance, workers’ willingness to work and quality of employment

What is important for enhancing productivity of the country as a whole are revitalization of each corporate activity and productivity enhancement. Then, for achieving productivity growth at each company or sector, equipment investment is important, and enhancement of total factor productivity (TFP: a productivity measure that focuses on technical progress, corporate management, streamlined capital allocation, and quality enhancement of production factors) is still more important. Accordingly, development of human resources that will be in charge of technical innovation, quality of equipment investment, efficiency enhancement, improvement of corporate

structures and job structures, technical innovation as well as realization of their potential are important. Corporate efforts both in employment management that will enhance workers' willingness and ability to work and will develop human resources and in the accumulation of human capital, better labor mobility inside and outside of a corporate structure and appropriate staff deployment will equally lead to productivity enhancement, corporate performance improvement and more productive human resource investment. Creating this kind of a productive cycle, made up of "productivity" and "quality of employment," is essential. Enhancing both "the quality of employment" and "the quality of workforce" is being required. We might refer this kind of situation as a win-win model for both businesses and workers.

Even at present, a business actively developing employees' ability and a business creatively devising employment management systems enjoy good corporate performance and competitive edges, when seen from the eyes of other businesses.¹⁵ We can also attribute their active efforts in human resource development and improvement of employment management to their better corporate performance. Yet, we can conclude that proactive human resource development and efforts in improving employment management systems will surely contribute to productivity enhancement. In addition, those at a workplace which has achieved high labor productivity have also higher willingness to work and higher job satisfaction. An employer who has achieved improved labor productivity and higher ratio of ordinary profits to sales also enjoys a longer average year of continuous employment. And it would appear that, this contributes to realization of workers' potential and labor productivity enhancement. If this also contributes to corporate profits, it could be said that, workers will be more likely to feel job satisfaction and stay in the same job longer.

When considering the co-relationship among workers' willingness to work and job satisfaction and corporate activities and performance, first of all,

workers' willingness to work and job satisfaction are closely related to the content of a job, and also linked to treatment including wages, and working hours.

Businesses have made various efforts concerning wages and treatment systems. Indeed, at a enterprise adopting a system that respects workers' own will (by letting workers have a say), at a workplace introducing a persuasive performance appraisal system for enhancing ability development and at a workplace paying special attention to improvement in workplace communication, workers have higher willingness to work and job satisfaction. Those working for a business achieving improved business results have higher willingness to work and job satisfaction, and we can say that enhanced willingness to work and corporate performance have positively influenced each other. A business which has achieved improved business results has made active efforts in improvement of employment management systems, ability development and in-house human resource development, introducing an increasing number of systems that will facilitate work experience such as flexible working hours, and a system that helps workers to balance their work and family. Consequently, we can say that enhanced willingness to work and development of workers' potential have contributed to better business results.

In addition, a business in which female workers have autonomy and handle responsibilities and a business making efforts to realize female workers' potential have better corporate performance, according to an analytic survey. In addition, appropriate treatment, ability development and job transfer systems provided by an employer have also enhanced non-permanent employees' willingness to work and job satisfaction. It is expected that employment management systems and welfare programs will be also amended so as not to discourage workers' willingness. (For example, income limitation for benefit receivers of the spouse allowance should be abolished.)

c. How to enhance productivity

In order to enhance productivity of Japan as a

15 Ministry of Health, Labour and Welfare (2004a), "Basic Survey of Human Resources Development for Fiscal 2005"

whole, what is necessary is appropriate resource allocation to sections with higher productivity or higher added values as well as productivity enhancement at each workplace. Accordingly, environmental improvement (including human resource development), which allows change of business to promising sectors or sectors with higher productivity and more flexible labor mobility, is needed. In addition, a comprehensive view of promising sectors and jobs, and coordinated efforts among industrial policies, regional policies and employment policies are equally important. At the same time, it should be noted that, not all of the sectors with high employment demand are enjoying high productivity.

d. New challenges in human resource development

With issues concerning how to retain and develop those in charge of corporate strategies and sophisticated human resource, with issues concerning ability development, employment management, development of skilled workers who play supporting roles in manufacturing and technology transfer from retiring baby boomers to younger generations, and with rapidly developing ICT, retention of middle-ranking workers who have been supposed to constitute core strength of Japanese businesses as well as general improvement in lower ranking workers would be new challenges in human resource development for years to come.

2. Necessity for ensuring more diversified work styles

In the face of the falling birthrate and an aging and declining population, the trend toward service economy, shift to the era of diverse knowledge, increasing use of ICT, globalization, intensifying inter-corporate competition, and increasingly value-

added products and services, effective utilization of human resource and enhanced “ability for human resource development” are required more than ever. In addition, an increasing number of women and elderly persons are making up of the labor force, and workers’ attitudes and needs for jobs and lives have been increasingly diversified. In addition, businesses are trying to place right persons for right jobs, utilizing diverse human resources.¹⁶ In this way, “working styles” are increasingly “diversified.”

“Increasingly diversified working styles” include diversification of employment status and work styles, individualization, diversification and increasing autonomy in permanent employees’ and other workers’ treatment (including individualization and diversification of wages and personnel systems such as diversified promotion in rank and treatment [specialist systems and in-house staff recruitment systems included] and more flexible working hours) as well as diversification in terms of working hours and workplaces, such as entrepreneurial experience, self-employment businesses, and home working, as well as volunteer activities, non-profit organization activities, local community participation and other social participation.

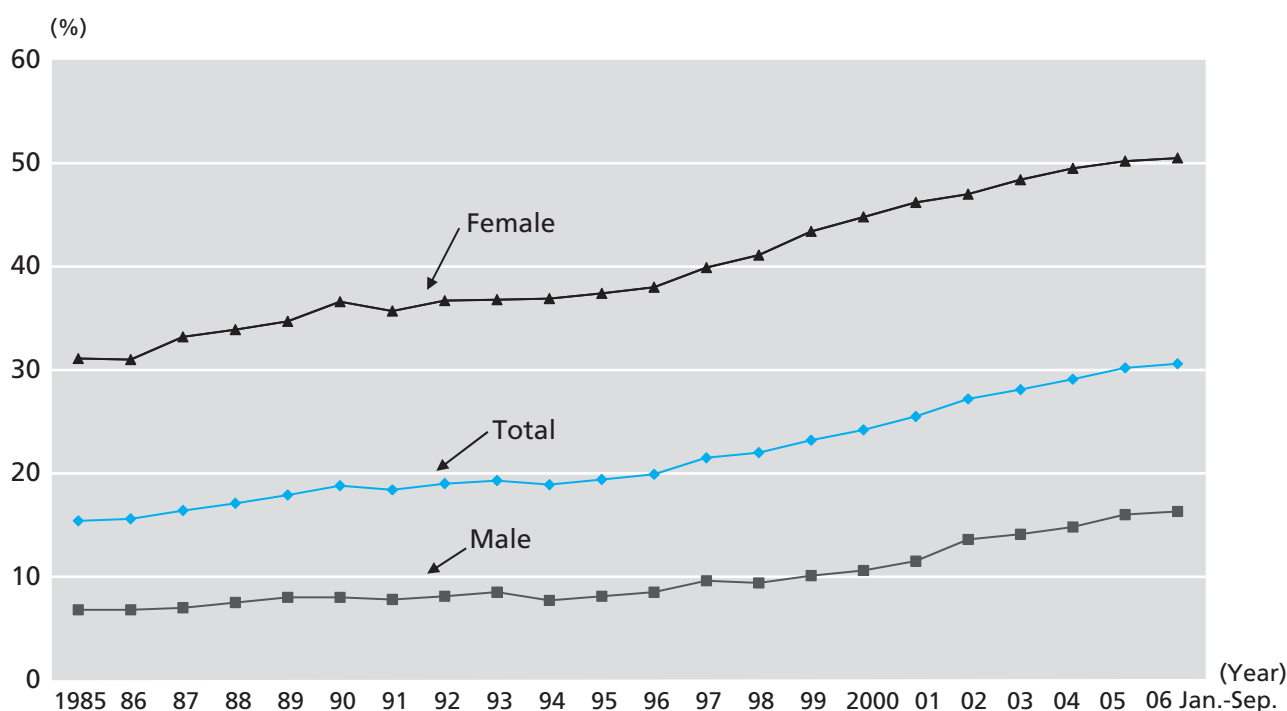
This kind of “increasingly diversified working styles” is likely to expand in years to come due to individualization and diversification of employers’ and workers’ needs for employment, while the diversity is also attributable partly to cost reduction efforts in particular since the economic stagnation in the 1990s. In addition, more recently, as one of features of the latest diversification of employment status we can point out an increasing number of non-regular employees, mainly in younger generations, due to economic downturn. (Refer to Figure 3).¹⁷

An increasing number of non-regular employees are often seen as a controversial issue concerning diverse working styles, because of an increasing

16 Recent development concerning workers and corporate activities is summarized in Footnote 1, as well as in The Japan Institute for Labour Policy and Training (2005b), (2005f), (2006p) and Ministry of Health, Labour and Welfare’s (2003), (2004a) and (2006d).

17 Current circumstances, problems and remedies concerning the diversification are described in details in The Japan Institute for Labour Policy and Training Project Research Series, “Study on working conditions and safety nets which allow diverse working styles: final report” and The Japan Institute for Labour Policy and Training (2006 j), Ministry of Health, Labour and Welfare (2003) and (2006d).

Figure 3-5 Changes of percentages of non-regular staff/employees in total persons in employment



Source: Ministry of Internal Affairs and Communications Statistics Bureau "the Special Survey of the Labour Force Survey " (conducted in every February from 1985 to 2001), and "Labour Force Survey detailed Tabulation" (Annual average from 2002 to 2006)

Note 1: Percentage in the total persons in employment including executive of company or cooperation

Note 2: Non-regular staff/employees include part-time workers, albeit's temporary workers, dispatched workers, contract workers, entrusted workers and other non-regular workers. Their employment type is according to how they are called at their workplaces.

number of those having no choice but to work as irregular staff, unaddressed disparity in treatment between regular and irregular employees, and difficulty for irregular employees to find permanent jobs, though temporary employees are sometimes treated as core workforce. At the same time, with regular employees' longer working hours and increasing diversity in attitudes toward jobs and working styles, some have pointed out problems concerning the diversification, including an increase in individual labor-management disputes.

It is important to realize a society where a variety of individuals can adopt diverse working styles (a society where diversified work styles are ensured) in accordance to their willingness and ability to work, recognizing diversity and heterogeneity in people.

3. Necessity of harmony between work and personal life in wage-earners' lives

A. Necessity of harmony between work and personal life

i. Current circumstances and challenges concerning harmony between work and personal life

With diversified work styles and polarization in working hours (increases in both short-time workers and prolonged-time workers), at present, long working hours have caused some negative effects, including an increase in overwork and job stress as well as reduction in hours spent in study and personal life. The negative effects also include an increasing number of recipients of workers' accident compensation

insurance benefits who have suffered from illness attributable to job experience, which may lead to death from overwork, including brain or cardiac diseases or psychiatric disorders (depression included), as well as disparities in job opportunities and treatment between regular workers and non-regular workers, difficulties in maintaining a balance between work and personal life (work life conflicts), difficulty of combining family life and career, and lack of ability development opportunities. In particular, an increasing proportion of permanent male employees in their most productive years are working more than 60 hours a week. It is feared that overworking employees may negatively affect job sustainability.¹⁸

Meanwhile, it is also feared that individual workers have only limited and fixed options concerning working styles, and workers' realization of their potential and creation of corporate added values may be, therefore, constrained. Accordingly, what is important is that each worker can comfortably choose a well-balanced work style, by combining a variety of "jobs" and "activities other than jobs" (including family life, local community, activities and study) at each stage of his or her life-career. In other words, achievement of "harmony between work and personal life" is important.¹⁹

ii. Merits of harmony between work and personal life

Achievement of harmony between work and personal life will need additional cost burden on employers in the short run, but it will offer significant merits for both workers and businesses. The harmony will allow workers to select their own working styles with peace of mind and satisfaction, so as to allocate their working hours, living hours and ability development efforts by giving consideration to their own life stages. This will surely enhance their sustainability in their living and working and facilitate realization of their potential both physically

and mentally. On the other hand, employers will also be able to expect productivity enhancement through making the best use of workers' willingness and ability, and this will contribute to corporate vitality enhancement. This will contribute to society as a whole, by enriching family life and revitalizing local communities, leading to sustainable growth and support to the fostering of next generations. This will further contribute to dealing with the falling birthrate and the aging population, and, in the face of a declining population, to realization of a society in which all participate as well.

4. Necessity of establishing a new employment system

A. Features of Japan's employment system

It has been said that features of Japan's employment system include long-term employment, a seniority system (and an company-based labor union). Advantages of the employment system are that, from a viewpoint of economy as a whole, it mitigates fluctuations in employment and stabilize economy as a whole, controlling costs of unemployment benefits paid. At the same time, it may also prevent a smooth conversion of the industrial structure.

For businesses, Japan's employment system has the advantage that they can conduct development and evaluation of their employees' vocational ability from a longer viewpoint, and the system itself contributes to employees' morale improvement, deepens their cooperative close relationship, improves efficiency through information sharing, deepens employee's sense of belonging to their employers and morale enhancement, allows flexible staff reshuffling, and controls costs concerning recruitment, employment and vocational training. On the other hand, it may also hinder flexible corporate management or change of business capable of timely responding to changing

18 For current circumstances and negative effects concerning long working hours, refer to papers prepared by The Japan Institute for Labour Policy and Training (2005a). For workers' accident compensation insurance, refer to Ministry of Health, Labour and Welfare "Compensation for industrial accidents concerning brain disorders and cardiac diseases".

19 The Japan Institute for Labour Policy and Training Project Research Series "Study on working conditions and safety nets that allow diversified work styles" final reports also refer to current situations and challenges concerning permanent employees' working styles (working hour's management).

economic climates, and may also increase wage and salary costs with the advent of an aging society, if a seniority system remains unchanged.

The Japan's traditional employment system provides workers with employment security which stabilizes their livelihood and allows them to easily design lifelong living plans. Yet under such a system, employees' skills have often been tailored to in-house needs, which makes their job-changing and outplacement more difficult. The system also plays a role in maintaining long working hours and company-oriented lifestyles, and is often disadvantageous for women and elderly persons who are difficult to adapt to long-term employment practices. In addition, it should be also noted that a rapidly increasing irregular employees have been excluded from long-term employment practices.²⁰

However, Japan's employment system has been established so far through long-term labor and management steady efforts, and it is believed that we should inherit many of its advantages, in particular, employment stability under a long-term employment system, human resource development from a long-term viewpoint, and smooth cooperative work through fine-tuned workplace communication.

B. Reform directions of Japan's employment system

According to an analytic survey²¹ on evaluation and reform of Japan's employment system, many of corporate policies concerning employment still maintain long-term employment systems, and many of workers also want the maintenance of the status quo. Yet, employers have already reviewed a seniority system and introduced performance-based wage and treatment systems.

With changing corporate governance, businesses have already enhanced collaboration between personnel strategy (human resource management) and management strategy, and at the same time have also used outside personnel. (Development of personnel resource portfolio strategy)

The greatest number of the businesses surveyed aim at introducing a combination of a long-term employment and a pay-per-performance system, and the second largest number prefer a combination of a long-term employment and a non-pay-per-performance system. Among them, businesses adopting a combination of a long-term employment and a pay-per-performance system enjoy good business results and employees' high job satisfaction. This probably indicates the importance of long term employment in system reforms to be conducted in future. In addition, we can point out the importance of in-house human resource development, which is suggested by the fact that employers putting emphasis on vocational education and training for all employees have enjoyed employees' enhanced morale. Meanwhile, there has been difference in awareness toward human resources management policies between labor and management.

In years to come, in the face of the changing socio-economy, it will be essential to establish a new system that allows diversity in workforce, including workers such as women and elderly persons who have diverse needs for employment beyond traditional employment system frameworks as well as non-regular workers who are not covered by traditional long-term employment, by making the best use of advantages of the traditional system such as long-term job security and human resource development.

5. Disparities and treatment

A. Current circumstances concerning disparities

i. Disparities in income, consumption expenditure and assets, and people's awareness

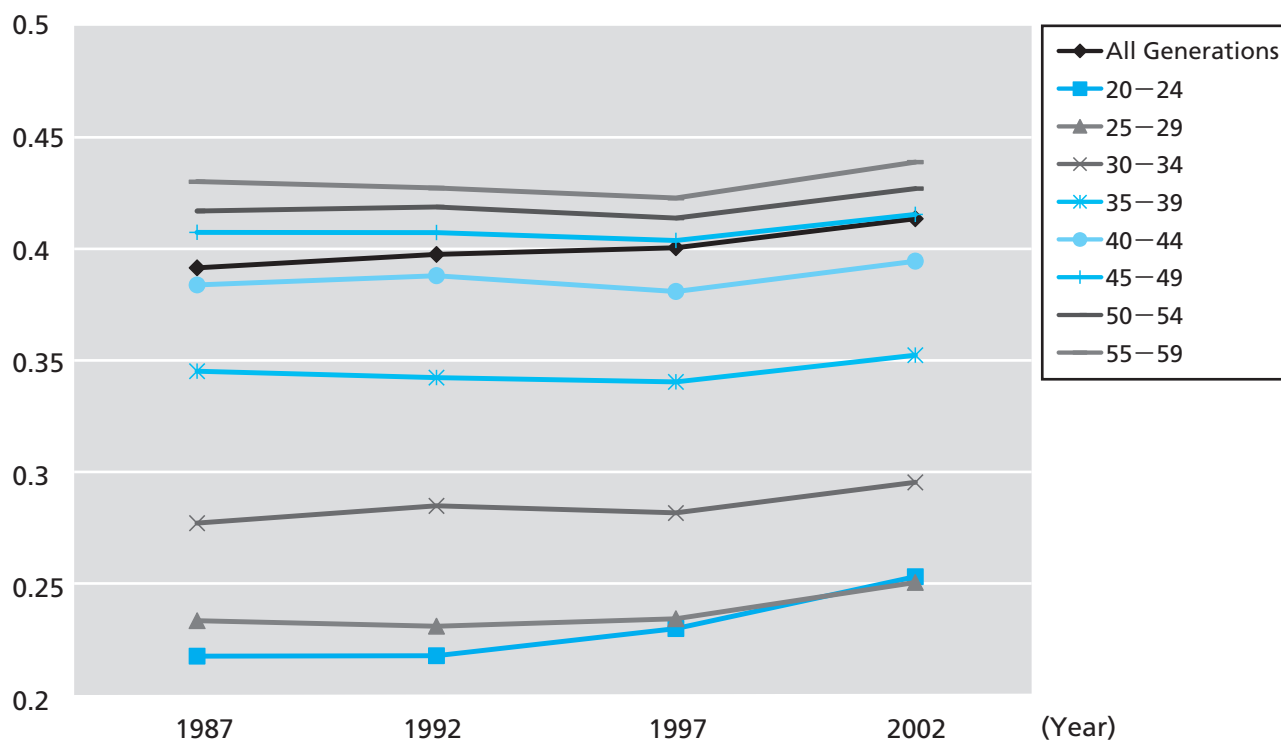
a. Disparities in income, consumption expenditure and assets

In the long run, income disparity among households have widened, mainly due to an aging

20 The advantages and disadvantages of Japan's employment system listed above are presented in Ministry of Health, Labour and Welfare (1999).

21 The Japan Institute for Labour Policy and Training (2005b), (2005e), (2005f), (2006g) and Ministry of Health, Labour and Welfare (2003), (2004a), (2005) and (2006d).

Figure 3-6 Changes in Gini coefficients of labor income



All generations, Aged 20 to 24, Aged 25 to 29, Aged 30 to 34, Aged 35 to 39, Aged 40 to 44, Aged 45 to 49, Aged 50 to 54, Aged 55 to 59
 Source: Ministry of Internal Affairs and Communications Statistics Bureau, "Basic survey on employment structures" specially edited by Cabinet Office (Cabinet Office "Annual Report on Japanese Economy and Public Finance 2006")

society and changes in household composition, and other increasingly influential factors. However, in our immediate surroundings, there has been a slowdown in the income gap expansion. When adjusted by size of household, the data indicates a slowdown in the income gap expansion compared to the pre-adjusted figures. When focusing on attributes, we can notice that the income gap is widening in younger generations and narrowing in old generations. Among low income earners, a drop in income is being observed. Due to economic slowdowns and an aging society, the percentage of low income households is recently increasing. The number of public assistance recipient families is also on the rise.

According to the panel data of the Institute for Research on Household Economics, the boundaries between economic strata have been increasing fixed.

While the consumption expenditure disparity has been expanding, it has been widening among younger generations and narrowing among elderly people. The asset disparity is greater than the income disparity.

Real asset disparity, including disparity in terms of real estate values, have been shrinking since the collapse of bubble economy. Disparity in financial assets have been widening, especially among younger generations, probably due to succession of property. At the same time, the proportion of households that have no saving at all is increasing.

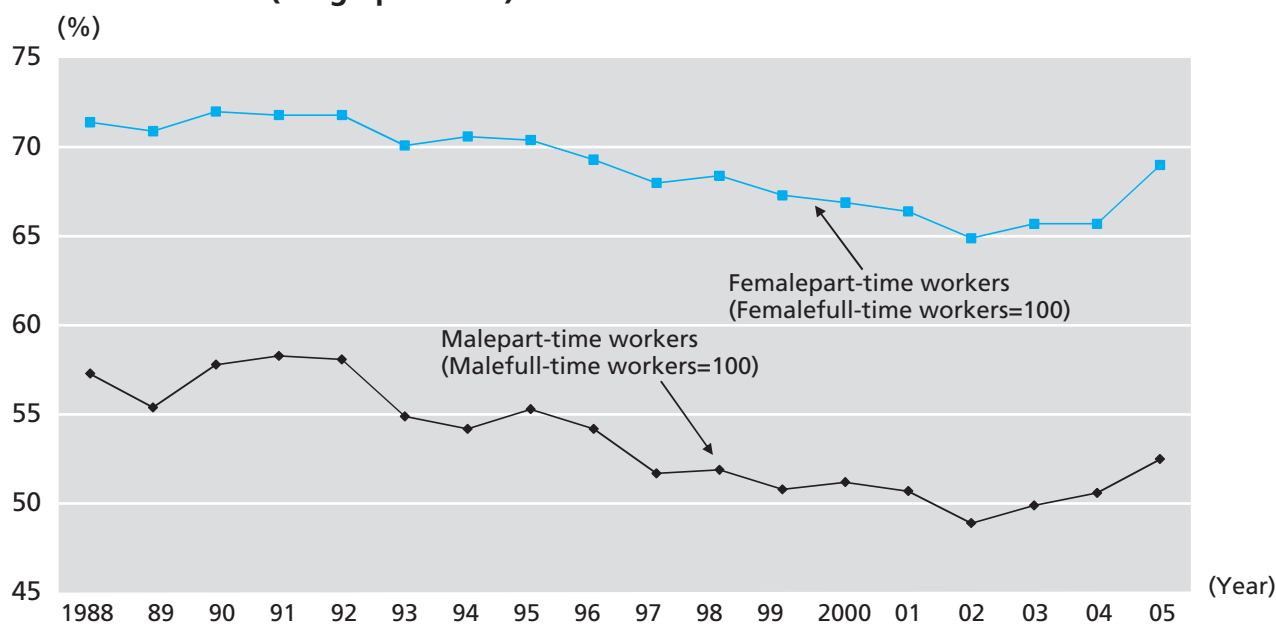
b. Awareness about disparities

People's awareness and dissatisfaction toward income and asset disparity are on the rise. There has been no significant change in the proportion of people who claim to belong to the middle class in terms of living standards. There have been generational differences in attitudes towards disparities.

ii. Wage disparity

Generally, wage disparity have been widening, especially among young people. (Refer to Figure 4). This is mainly due to two factors: an increasing

Figure 3-7 Wage disparity between part-time workers and full-time workers (Wage per hour)



Source: Ministry of Health, Labour and Welfare "Basic statistic survey on wages" (Prepared based on published values)

Male part-time workers (The wage of male full-time workers is assumed to be 100.)

Female part-time workers (The wage of female full-time workers is assumed to be 100.)

Note: Part-time workers refer to workers whose daily scheduled working hours are shorter than those of full-time workers, or workers whose weekly scheduled working days are shorter than full-time workers even if their daily scheduled working hours are equal to those of full-time workers.

proportion of low-income non-regular workers and widening wage disparity between regular and non-regular workers. Many of younger generations in low-wage occupations who are on the rise are living with their parents. Accordingly, at present it is believed that this will not directly lead to widening income disparity among households.

Wage disparity between regular and non-regular workers are widening.

The cause of the wage disparity is thought to be differences between attributes and job types (non-regular workers are more likely to be engaged in low-wage occupations, and indeed, the number of non-regular workers has noticeably increased in these occupations), lack of evaluation of non-regular workers in terms of their length of service, and differences in their job duties and roles. It is believed that employment adjustment has played a role as

well. It should be noted that, non-regular workers are more diverse in job status, attitudes towards jobs, and life stages, and that not all of non-regular workers who are being engaged in autonomous jobs or jobs equivalent to those of permanent employees are rewarded by balanced treatment in line with their work.²²

Disparity among permanent employees are slightly widening, especially among male white-collar workers in their middle age and older generations. This is probably due to introduction of a pay-per-performance wage system.

On the other hand, regarding workers' attitude toward "the principle of allocation," the largest proportion of them is willing to support the effort-based principle, followed by the performance-based principle.

²² Japan Institute of Workers' Evolution "Survey of part-time workers" (2005), and The Japan Institute for Labour Policy and Training (2006b),(2006n).

B. How to respond to disparities and other problems

i. Attitudes toward disparities

Realization of a society capable of offering equal opportunities for life, in which people who fail can have chances to try again, is essential from the view point of “employment strategy,” in order not to fix social disparities and in particular, not to hinder work incentives. In addition, we have to take appropriate steps so as not to cause excessive disparities. Either fixed social disparities or excessive disparities may fuel social unrest (social destabilization), a declining willingness to work and reduced socio-economic vitality. In addition, a solid layer of middle class people itself is essential to social stability.

ii. Policies in appropriately responding to disparities

For appropriately responding to disparities, it is important to build a mechanism which ensures chances to try again for those who fail, prevent impoverishment of people, improve general living standards of impoverished people, and develop and ensure appropriate employment conditions.

For this purpose, provision and improvement of safety nets including social security system, ability development and employment service, ensured equal opportunities, fair treatment (balanced treatment) in accordance with an individual’s willingness to work and working styles, improvement of a mechanism which fairly evaluates performance, and implementation of income redistributing policies are important. In addition, functional reinforcement of the minimum wage system will be also considered as a part of safety net improvement. For cultivating entrepreneurship, support for entrepreneurial experience will also be needed. Development of a fair and efficient labor market in which everyone can make the best use of his or her willingness and ability is required. Achieving both efficiency and fairness is important. One can take part in society, take a risk and make better use of his or her willingness and ability only when adequate safety nets are being provided. In addition, the government, management and labor unions have to promote together social

integration of low-income earners and those difficult to land jobs, encouraging the shift from welfare to work.

In particular, the development and improvement of human resources development opportunities is important. Enhancing vocational ability is improving employability, which is in a sense, the greatest safety net for an individual. Particularly for non-regular workers and those not in labor force (including post child-rearing women seeking jobs) who have relatively fewer human resources development opportunities, those facing difficulty in finding employment including persons with disabilities, younger generations for whom acquisition of vocational ability, including basic skills, is essential, those who need occupational conversion in the face of changing industrial structures and unemployed persons as well as for regular employees, development and provision of human resources development opportunities are essential. In addition, since more and more people work at older ages, support to human resources development for elderly people is required. In addition, the implementation of a tax system generated by policy designed to facilitate individuals’ human investment may be preferable.

We still have to examine how social safety nets will function for businesses, governments, individuals, citizens’ organizations and schools. Anyway, development and improvement of safety nets sponsored by public responsibility will be needed more than ever.

In addition, for improvement of working conditions and for correction of disparities, it is important to ensure appropriate macro-economic management, demand stimulation, and mitigate anxiety about the future. It is believed that in a brisk economy, business start-ups are more frequent, and labor-related structural adjustment is easier to be achieved. In addition, it is believed that both businesses and workers will find it easier to make an active move when there is less anxiety about the future. Indeed, shrinking income disparity have been observed in many countries when their economy is booming. On the contrary, a lingering recession may prolong the unemployment period.

C. Courses of action of support for non-regular workers and low-income earners

i. Enhancing “quality of employment” for non-regular workers

In order to correct disparities in job opportunities and treatment between regular and non-regular workers and upgrade “quality of employment” for irregular workers, in particular, the following steps must be carried out, including those already mentioned:

- a. Developing a mechanism that allows changes of work styles both in-house and inter-firm. For this purpose, in addition to more flexible corporate employment management (including a system that gives part-time workers full-time status, short-time regular employee system, and fine-tuned working hour systems that take account of the individual worker’s family needs), enhancement of safety nets that non-regular workers can easily access, such as public human resources development and employment services, as well as development and improvement of an ability evaluation mechanism, are required.
- b. Achieving balanced treatment among different work styles, with consideration given to reasonability. For this purpose, governments, those concerned with public interest, workers, and employers need to continuously and seriously discuss what is supposed to be “balanced treatment,” and we have to consider possible development of vocational ability evaluation and establishment of principles for balanced treatment, including relevant legislation.
- c. Ensuring career development of non-regular workers through efforts of society as a whole, including businesses. In particular, vocational ability is the most reliable safety net for an individual, and is particularly important for non-regular workers who have fewer in-house human resources development opportunities. In addition, in terms of job satisfaction and persuasiveness, society as a whole need to make efforts to find solutions so that non-regular workers, especially those in younger generations, can set a course toward their career development, without reaching

a psychological deadlock.

- d. Reviewing how to establish treatment for non-regular workers, and making them more reasonable and persuasive. Workers’ job satisfaction and confidence in jobs partly depend on how each worker has been treated as a member of a corporate society, or as “a colleague at a workplace.” Accordingly, it will be unavoidable to review the existing system for establishing working conditions so that the system will well represent the interests of various workers that constitute a workforce.

ii. Upgrading of social security policies

In addition to helping public assistance recipients to become financially independent (employment promotion), it is important to assist persons with disabilities and fatherless families (employment promotion) to become financially independent, so as to encourage the shift from welfare to work, and to upgrade social security-based safety nets, for example by expanding the coverage of employees’ pension plans.

iii. Support for low-income earners and review of income redistribution functions

With the falling birthrate and the aging population coupled with a declining population, the number of low-income earners has been on the rise, and there is growing concerns about disparities between social segments and those in educational opportunities. Accordingly, it is necessary to achieve a society in which even low-income families can live and raise children in decent conditions, to prevent excessive disparities, prevent the expansion and preservation of disparities based on family backgrounds, and ensure equal opportunities. From these viewpoints, what is important are:

- a. Providing inexpensive high-quality housing for rent, and upgrading and increasing housing policies including expansion of tax breaks for housing.
- b. Upgrading and increasing policies concerning the child support allowance system and other social welfare services.
- c. Upgrading and increasing education policies,

including improvement of scholarship programs, upgrading of public education (in terms of quality as well), and support for preschool-aged children.

- d. Reviewing the income redistribution function of the taxation (including progressive tax rates and inheritance taxes which are relevant to distribution of wealth to future generations) and of social security systems.

These policies will make up parts of “employment strategy”.

4. Employability enhancement and “right to career”

A. Factors behind the need for employability enhancement

Japan’s labor force has been on the decline, and empowering and revitalizing human resources is the key to retention and enhancement of the country’s economic vitality. Before anything else, it is hoped that everyone is willing to enhance his or her vocational ability and establish an environment in which every worker can work with enthusiasm.

In this chapter, the ability necessary to take part in society and support society itself is referred to as “employability.” We assume that “employability” includes vocational skills actually required to land a job, and also the ability to enable and facilitate the landing of jobs in future. Accordingly, education also plays a major role in employability enhancement.

Employability enhancement is a great challenge for social economy as a whole. As factors behind this, this chapter points out a declining population and the following two moves. First, with globalization, economic competition especially among Asian nations has been intensifying. As a result, fluctuations in business environment surrounding businesses become larger and faster. Accordingly, in order to maintain international competitiveness, it is useful that each employee uses his or her ingenuity to bring innovation.

Secondly, the world is showing more signs of the

advent of the knowledge-based society. Compared with the age when mass production generated much of added values, ingenuity, knowledge and sensitivity are of greater importance and will serve as sources of wealth in the knowledge-based society. In other words, the relative tendency is that people will generate wealth and services and enhance added values, rather than people will be required in accordance with wealth or services.

B. Present circumstances concerning employability

i. Poor academic performance and lack of willingness to learn

“Academic performance” plays an important role as a foundation which allows an individual to bring competitive advantages to businesses, and international competitiveness to the country as a whole, and as a foundation that enhances added values in the age of knowledge-based society. For example, reading comprehension, the ability to understand, use and digest a written text, enables us to effectively deepen our knowledge. However, according to the international education survey conducted by OECD²³, while in terms of academic performance, Japanese students (though relatively highly ranking from international standards) scored lower, especially in reading comprehension, than those who took the test in the past, and remained near the OECD average level. In addition, Japan ranked sixth in mathematical skills, down from first in the previous survey.

In addition, we cannot conclude that grown-ups in general are highly motivated to learn. A survey on full-time employees’ efforts to learn during the latest month shows that only 16.9% of the surveyed claimed they have made efforts.²⁴ Moreover, two out of three who made somewhat efforts spent only less than 30 hours a month for learning. We believe that the necessity of re-learning is high in order to properly carry out one’s responsibility required by society, in the face of rapidly changing and

23 The OECD Program for International Student Assessment (OECD PISA) in 2003, which covered first-year high school students from 41 countries and regions.

24 Recruit Works Institute “Survey on working persons” (2004)

increasingly complicated economy and society. In addition, it is believed that the longer one works, the more opportunities one will have to re-learn. However, according to the results of the survey, the percentage of those making efforts to learn is low, and the percentage itself peaks at the age of 30 to 34, and plunges for those aged 50 or older. Many have already pointed out the lack of academic performance and of vocational ability among young people. In addition, the statistics above alarm us that middle-aged and older persons also lack employability, as represented by lack of willingness to learn.

ii. What inhibits self-motivated learning? Lack of free time is the sole significant factor?

An individual will voluntarily learn when he or she has decided to explore a career path as well as when he or she has decided to acquire knowledge or skills necessary for his or her job. However, in reality, only less than half of those surveyed have experienced self-motivated learning, and in general, those in older generations are less likely to learn voluntarily. According to findings from the survey, the largest percentage of people cited lack of free time as a major challenge in self-motivated learning. Many also pointed out too much expenses and lack of in-house evaluation of learning outcomes as problems²⁵.

iii. Poor investment in vocational training

In the light of international standards, investment in vocational training in Japan has been poor. In relation to GDP, Japan's education and training investment lags far behind Germany, and remains low as in the United States.

Then, how businesses respond to vocational training investment? In Japan, traditionally, businesses have played major roles in human resources development, mainly through on-the-job training. This is because, educational policies have

placed less focus on vocational education than on general education, and because in-house staff training has been stressed since the first oil crisis in 1973 which caused relative emphasis on in-house employment maintenance. However, from a chronological perspective, the percentage of corporate-sponsored vocational training implemented (planned on-the-job training and off-the-job training included) has been on the decline in the long run, probably because businesses are more willing to hire work-ready skilled persons.

iv. Poor vocational training investment for non-regular workers

There are disparities in vocational training experience between regular and non-regular workers. While off-the-job training and systematic on-the-job training carried out for permanent employees during fiscal 2004 were 60.1% and 48.9% ,respectively, off-the-job training and systematic on-the-job training carried out for non-regular employees during the same period were only 17.4% and 18.3%. (Refer to Figure 5.)

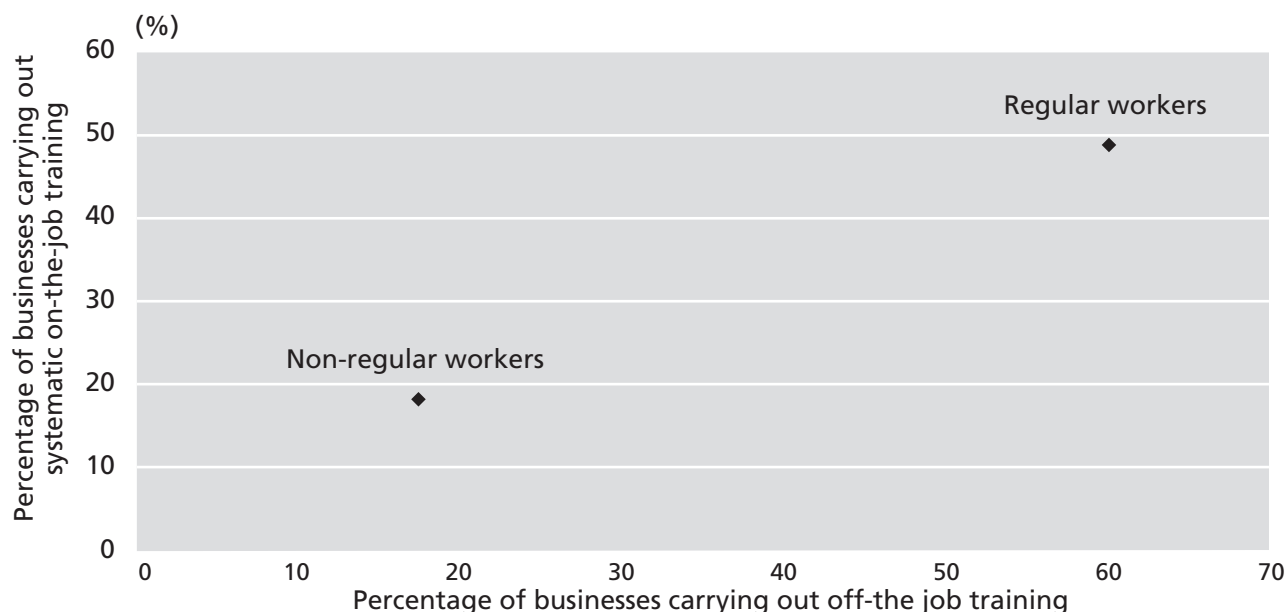
In addition, regular employees have longer hours for ability development and actually spend longer hours for ability development, compared to non-regular employees.²⁶ The percentage of one's income allocated to one's own training and education is higher for non-regular workers than regular workers, but the amount of money spent for the purpose is greater for regular workers. In addition, non-regular workers more frequently depend on employers' associations which offer inexpensive training services and public educational facilities, and not rely on private-sector education and training institutions, compared to regular employees.

In some sectors, how far non-regular workers' potential is realized is the key to corporate competitiveness. However, in general, non-regular workers are seldom subject to employability

25 According to Ministry of Health, Labour and Welfare "Basic survey on ability development for fiscal 2005." The percentage of those making some self-development efforts (activities to voluntarily develop and enhance his or her own vocational ability) during the last one year: 46.2% for "permanent employees," and 17.0% for "part-time workers, albeit's temporary workers, commissioned workers and contract workers."

26 The description in this chapter is based on findings by The Japan Institute for Labour Policy and Training (2006d) and (2006e).

Figure 3-8 Off-the-job training and systematic on-the-job training carried out by employment status type



Source: Ministry of Health, Labour and Welfare, "Basic survey on ability development for fiscal 2005"

enhancement. Accordingly, non-regular workers may often fail to accumulate vocational skills and may find harder to explore career options.

C. Who should take initiative in enhancing employability?

i. Employability enhancement in which an individual takes initiative

Who will then take initiative in enhancing employability? While not much emphasis has been put on vocational education, businesses have played major roles in human resource investment for a long time. However, with the growing importance of external labor markets, human capital investment by businesses has been on decline, and conventional corporate-driven vocational education and training have been gradually transformed.

With drastically changing economic circumstances and increasing labor mobility, in order to upgrade employment safety nets, it could be said that an individual is required to enhance his or her skills and employability, instead of depending solely on employers to provide vocational education opportunities. An individual's independent-minded capacity building will lead to creation of added

values, by actively getting engaged in jobs as well as by doing jobs as instructed, and will generate originality, ingenuity and new challenges.

Then, can we conclude that it is enough to leave employability enhancement efforts solely to individuals? To conclude, we can say that though an individual should take initiative, businesses and governments should be given important roles as well (mutual assistance by businesses and assistance by public bodies.)

ii. Employability enhancement also beneficial for businesses

Businesses will continuously offer opportunities for many individuals to cultivate their vocational ability through job experiences. Vocational ability is often refined through interaction with one's customers, supervisors, co-workers, and subordinates, and accordingly, it is difficult to realize vocational ability enhancement, without taking into account one's workplace or a company for which one works. For years to come, businesses will continuously play a central role in taking actions for vocational education and training. In addition, even if an individual tries to voluntarily enhance his or her

vocational skills, he or she will face a number of difficulties where a uniform labor system with clear subordinate relation prevails. Voluntary capacity building is possible only when an employer provides an environment and a system which accept individual workers' self-motivated ability enhancement.

In this way, we can say that, from an individual's standpoint, corporate-sponsored education and training and employers' support to individuals' capacity building efforts are meaningful. Then, from a company's standpoint, are there enough incentives for employers to provide vocational training? In order to encourage the implementation of costly education and training, it is meaningful to prove that these experiences will surely upgrade corporate performance. However, usually it takes a lot of time for the effect of education and training to become visible enough, and accordingly, it is difficult to verify the effect based on outputs. In addition, the effect of vocational education and training alone is difficult to be identified, and an observed increase in productivity may not be the result of the training. This is because a workplace originally high in productivity may tend to actively provide education and training opportunities.

Instead of the constraint, however, various approaches have been so far taken to identify the effect of corporate vocational education and training. According to what research findings indicate, we can imagine that, in general, the more an employer spends for human investment, the higher its productivity will be.

iii. Shift to policies placing more stress on non-regular workers

Government efforts are required for employability enhancement, from the viewpoint of assistance by public bodies, in order to ensure fairness and efficiency in resource allocation. For ensuring fairness, employability enhancement should provide minimum qualifications to "economically disadvantaged persons" including the long-term unemployed, welfare recipients, low-income earners and physically-disabled. On the other hand, from the viewpoint of ensuring efficiency, government-

sponsored employability enhancement will keep asymmetry of information, imperfection of capital markets and the existence of externalities from negatively affecting the efficiency in the market resource allocation. In addition, workers' skills can be roughly classified into two categories: company-specific skills which are unique to an individual company's workplace, and general skills that will be assets in any workplace. It proves difficult to clearly distinguish an individual worker's company-specific skills and general skills. Accordingly, it is all the more difficult to decide which of the two, an employer or a worker, should pay for vocational education and training, which makes them reluctant to pay for vocational education investment. As a result, investment in human capital is often left under-financed. This is why we believe that governments should be responsible for vocational education and training.

In Japan, non-regular workers (maybe not all of them) have been left educationally disadvantaged in terms of employability enhancement.

However, for non-regular workers, vocational education and training opportunities are slim, compared to those for regular workers. Moreover, it seems that once in non-regular work, it is increasingly difficult to get back to regular employment. Accordingly, a non-regular employee finds it harder to expect his or her skill enhancement, compared to regular employees, even if he or she makes efforts to enhance vocational ability through job experience. In these circumstances, we can say that it is useful that assistance by public bodies will take initiative in employability enhancement. The labor market as a whole appears to be made up of a number of different labor markets including a labor market for regular employees, the one for non-regular employees and the one for others in a mosaic-like manner. Until recently, vocational ability enhancement has placed emphasis mainly on regular employees. However, today we are required to allow everyone to shine in his or her job experience role, we can say that the shift of vocational ability enhancement toward more emphasis on non-regular workers is quite noteworthy.

D. Directions in human capital infrastructure improvement

With an increasing necessity to respond to changes to survive intensifying global competition, people's wisdom will create highly-appreciated added values. Then, precisely, what is being required from human capacity enhancement? This chapter focuses on the two challenges: how to enhance "capacity to learn" of everyone including middle-aged and older persons, and how to increase human resource investment mainly for those who have attracted relatively less attention such as non-regular workers.

i. Efforts in elementary and secondary education : Fostering "capacity to learn"

It would appear that one's attitudes toward learning in elementary and secondary education will profoundly affect one's willingness to learn after he or she starts working as a member of society.

We can say that allowing children to enjoy learning and fostering their desire to learn are the essence in fostering "capacity to learn" during elementary and secondary education. Experience-based education and problem-solving learning will enhance children's motivation to learn by themselves and help them find joy in learning, making them more likely to feel fulfilled.

In addition, group learning as well as fine-tuned guidance for each student is of great significance. Interaction with other children promotes learning of communication skills and ability to care about other people. Then, by "encountering" different values and reviewing one's own way of thinking, one will improve judgment.

It is hoped that in years to come that enhancement of elementary and secondary education will increase students' "capacity to learn" and further upgrade their academic performance.

ii. Efforts in companies: Employability enhancement for everyone and support for an individual's self-motivated skill development

We can say that company-based human

investment is in adverse conditions. After the so-called "ten lost years," Japanese businesses still cannot afford to invest in human resources and more willing to hire work-ready skilled persons. In addition, existing corporate governance with more emphasis on shareholders could also hinder spending on employees' skill development. However, continuous efforts for developing human resources in the mid-term to long run is the key to upgrading its business results, even when it takes a little while for human resource investment to produce tangible results.

For this purpose, a company has to play two important roles: a company itself should get involved in employees' vocational education and training, and a company should develop an environment which encourages each employee to voluntarily learn.

iii. Public human resources development: Infrastructure improvement conducted keeping in mind people from all across the social spectrum

The role of public human resources development includes enhancing vocational education, which has so far paid little attention to non-regular workers and those other than regular-employees, in terms of both quality and quantity, to develop and improve vocational training opportunities for everyone. In order to achieve this, one has to review and modify the resource allocation policy. Originally Japanese government spending on vocational education investment has been quite limited by international standards, and accordingly, there is still room to consider how to upgrade related government expenditures.

E. Focus to "right to career"

i. Employability enhancement and a career

For an individual willing to re-learn for adapting to changing socio-economic climates, what is important are a corporate workplace which presents an environment encouraging and facilitating workers' re-learning and governmental efforts to develop and improve the basis for vocational education and training. If one cannot continue his or her learning well into middle age and beyond, in this

rapidly changing environment, one will find it difficult to feel one's own personal growth or to seek self-fulfillment because an individual will be unable to smoothly accumulate job experience or work record.

Situations are even more difficult for non-regular workers and those not in labor force. Those working for a long term as part-time workers or other non-regular staff find it difficult to build enough vocational capacity, and they may find it impossible to land jobs which correspond with their own values and allow them to capitalize on their strengths, and as a result, they may end up in positions disadvantaged in terms of wages and other working conditions.

How to allow an individual to voluntarily enhance and demonstrate his or her abilities is the key to either of the challenges. The responsibility of learning for employability enhancement now depends more on an individual. However, it is difficult for an individual to enhance his or her abilities by himself or herself. Discussing legal collateral in the medium to long run is essential to employment enhancement, and the concept of "right to career" including the above mentioned issues is now being proposed from the legal viewpoint.²⁷ Before discussing right to career, we would like to consider what "a career" is.

This chapter refers to "a career" as "a series of job experiences at a workplace operated based on one's entire life and a process in which the significance of these experiences is being recognized deep within oneself." If one can cultivate his or her "capacity to learn" to adapt to changes and develop his or her own abilities, one will be more likely to feel his or her own personal growth and confidence and more likely to achieve personal fulfillment when he or she looks back on own job experiences. Since it is more difficult for non-regular workers and for those not in labor force to enhance their skills, they are more likely to end up unable to shape their own careers. Accordingly, if more vocational skill development opportunities are developed for them and vocational development leads to better treatment, they will be more likely to build their careers, and consequently,

society as a whole will have more human resources.

Originally, the above mentioned two concepts, "employability" and "a career," are being interrelated. "Employability" is, in a sense, a result of a series of careers. In addition, it can be said that a career is a process in which employability is being enhanced through a series of job experiences.

a. Overview of "right to career"

<Definition of "right to career">

"Right to career," in principle, can be categorized into two: the one in a broad sense and the one in a narrow sense. The former is designed to conceptualize a life-long pursuit of careers as a legal right, based on Article 13 of the constitution of Japan which respects individuals' initiative and the rights to the pursuit of happiness. On the contrary, the latter focuses on a life-long pursuit of careers, especially concerned with occupations, and tries to legally conceptualize them. This is a concept of rights integrated from the viewpoint of occupational careers, including the rights to the pursuit of happiness, the right to live, the right to work, free choice of employment, and the right to education, provided by Articles 13, 25, 27, 22 and 26 of the constitution of Japan. The section below refers to the latter as "right to career," which is, we can say, in other words, "the right which underpins and comprehends the reality of a series of one's job experiences, (including the preparation for a career as well as the start, development and termination of a career) so as to facilitate their progress as a whole.

Right to career, which will legally identify occupational careers, is a new concept for facilitating independent-minded career development, giving attention to environmental changes surrounding workers. Yet, we have to distinguish "right to career" as the principle and that as the baseline, when considering its nature and effects. In addition, the concept of right to career is a mere program rule in the foreseeable future, and this requires that the national government should, through political measures, pay attention to every worker's

²⁷ "Right to career" has been proposed by Professor Suwa of Hosei University. The description below is largely based on Suwa (1999), (2003), and (2004) and (2005a).

occupational careers, but it will not immediately generate a right to claim specific measures between private individuals.

b. Issues concerning right to career

<Efforts in the front line as a key component concerning right to career>

Since the decision making role concerning career development is transferred from an organization to an individual, it is hoped that, in order to standardize the concept in details, further clarification, elaboration and discussion of the concept of “right to career” will take place, as the concept to support new development of human resources development policies and employment policies and as the concept for resolving issues concerning individual workers and their career development. Establishment of “right to career,” which highly respects both an individual’s initiative and free will, allows an individual worker to comfortably cultivate his or her abilities to enhance his or her employability.

In the future, legal interpretation and jurisdiction as well as labor policies and legislation will be required to pay attention to the concept in order to facilitate career shaping and development.

<How to foster right to career>

Autonomous control both by workers and employers, which shapes the essence of right to career, has not been developed enough. As above mentioned, investment in human resources remains weak, and there have been special concerns about the accumulation of employability of non-regular workers and unemployed youths. Though they are actually able to develop their vocational abilities through job experiences day by day, they will often find it difficult to land a job in regular employment or just to land any job once they lost their jobs.

Recommendable courses of action with consideration given to the above include multilevel support from businesses and society for individuals willing to build careers and cultivate abilities. Smooth career development and employability enhancement can lead to enhanced corporate performance and eventually can lead to more active socio-economy. When thought is given to its considerable influence

over individuals, businesses, communities and the country, the multilevel support is meaningful enough. With the generous assistance, an individual can comfortably devote himself or herself to career designing or career re-designing and employability enhancement even in rapidly changing environments. This will surely enhance safety nets for individuals.

Shaping and fostering the essence of right to career, through support from businesses and the national government for an individual willing to learn, and through focus on support in career and vocational development for non-regular workers and those not in labor force, are expected to allow everyone to realize his or her potential, and will vitalize our society all the more.

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Concerning the Final Report

The Japan Institute for Labour Policy and Training (JILPT) conducted “Study on Employment Strategy in Japan” as a part of the project study.

We investigated and analyzed employment strategy of OECD and EU, which set precedents, and held a series of meetings with Employment Strategy Study Group by inviting external researchers, to examine and focus on employment strategy in Japan, when carrying out the study. We completed the report, based on findings from the examination and analysis, adding analysis achievements and external researchers’ discussion on employment strategy.

The section below gives the composition and outline of the final report. The report is made up of three parts. This manual summarized Part I of the report.

Summary of Part 2 and Part 3 of the Report

Part 2 “Analysis data on employment strategy,” we review various analyses and existing study findings in order to connect our discussion and strategic objectives examined in Part 1 with realistic policy discussions.

Chapter 1 “Relation among Quality of Employment, Workers Willingness and Ability, and Productivity (Verification examples),” we point out effectiveness of improved quality of employment, citing research findings showing that an employer with better corporate performance or higher productivity is active in improving employment management and investing in human resource and enjoying workers’ higher willingness and job satisfaction.

Chapter 2 “Discussion on the Work-Life Balance: Focus on Reality and Ideal concerning Working Hours” points out that those who feel overworked as well as those actually work for long hours suffer from work life conflict, and that permanent employees are more likely to feel overworked than non-regular workers, indicating the need for reviewing permanent employees’ way of working.

Chapter 3 “Equal Treatment of Permanent Employees and Non-Permanent Employees” analyzes factors behind wage disparities between full-time workers and part-time workers, citing the wage growth rate per age-year for the former far exceeding that of the latter as a main factor, and indicating that wages of the former and the latter are being decided based on different principles. This will serve as a reference for discussion on treatment of permanent employees and part-time workers.

Chapter 4 “Concept of Policy Evaluation and Current Situations in Developed Societies” points out the need of comparison with counterfactual assumptions in policy evaluation (comparison between situations assumed not to be subject to a policy and the reality [those subject to the policy]), indicates that easy-going performance evaluation may negatively affect on-site morale and productivity, and notes that developing a system for collecting and disclosing data is an issue of urgency. We can say that developing and improving data and carefully and sustainably conducting evaluation studies are essential.

Part 3 “Implication concerning Employment Strategy: Discussion from Individual Viewpoints” deepens discussions on individual issues incorporated in the study on employment strategy, by integrating findings by external researchers taking part in Employment Strategy Study Group concerning response to a population decline, international trends, the work-life balance, and policy resource allocation.

Chapter 1 “Employment Strategy in the Face of a Population Decline” points out the need of both “compliance strategy” (i.e. creating a society adaptable to changing population structures) and “control strategy” (i.e., trying to stop a further decline in the birthrate) for addressing a population decline coupled with a decreasing birthrate and an aging society, and that employment is the key to the both strategies. The “compliance strategy” will encourage elder persons and women to take part in the labor market, local communities to create job opportunities and employers to hire elderly people. The “control strategy” will emphasize the review of ways of working.

Chapter 2 “Employment Strategy in Developed Nations: Shift of Employment Strategy Focus from

Unemployment Relief to the Employment Rate Improvement” points out that employment strategy in OECD and EU nations mainly pays attention to the Employment Rate Improvement (full employment), employability enhancement (improvement of education and vocational training) and participation of women and elderly people in the labor market. For example, in France, employment policies are turned into political issues and remaining inconsistent, yet making a contribution to employability enhancement and improvement in the work-life balance.

Chapter 3 “Local Employment Strategy for Improving Work-Life Balance” points out the need of achieving the good work-life balance, for correcting existing problems in the labor market (such as widening disparities in income, polarization of working hours and widening regional disparities) and for responding to a long-term issue concerning a shrinking population of labor power due to a population decline. This section discusses the roles of the national government, municipalities, employer’s associations, workers’ organizations, businesses and individual persons needed to achieve the work life balance by promoting regional employment strategy.

Chapter 4 “Employment Strategy, Self-help, Mutual Assistance, and Assistance by Public Sectors” indicates that construction of a new model is needed for collaboration among the planner, the practitioner and other parties concerned of employment strategy. The chapter points out the need of continuously seeking good collaboration, specialization and cooperation among self-help (an individual), mutual assistance (a corporate organization), and assistance by public sectors (the national government), with consideration given to changing environmental conditions and the degree of maturation of each party concerned.

The final chapter

“Conclusion” summarizes the report, suggesting the ways a policy initiative, resource allocation and political management should be practiced, and also refers to items to be considered when employment strategy in Japan becomes more concrete.

In addition, in the introductory chapter at the beginning (i.e. this chapter), we briefly introduce research findings achieved up to now in our research project. In an appendix at the end, we present revised employment strategies in OECD and EU and introduce the outline of both domestic and international symposiums.