

## 1 The Long-Term Employment System

### The “Lifetime Employment System”

The employment system of Japanese companies is remarkable in the tendency of management to favor long-term in-house training of personnel, and is reflected in management actions such as the development in-house, or within the corporate group, of existing business and the fostering of new business. The long-term employment system of Japanese companies placing importance on in-house training is generally referred to as the “lifetime employment system.”

### Background of the Long-term Employment System’s Establishment

The long-term employment system was established at most companies during the period of high economic growth of the 1960s. Companies found that to increase their ability to adapt to the shifting economic base and technological innovations, they needed to arm their employees with a high level of broad skills and techniques through in-house training. Stable, long-term employment was suited to accomplish these goals. Employees, in turn, welcomed a system that provided long-term job security as well as employment habits that made possible continued promotion and salary increases. Additional societal factors contributing to the establishment of the long-term employment system include labor unions’ strong emphasis on job security and court precedents restricting dismissals.

Also behind the establishment of the long-term employment system is the fact that its actual operation is not rigid, but rather it has been employed very flexibly to a certain degree. Businesses that have fallen into slow times, rather than carry out large-scale layoffs over a short period as U.S. companies

would, can effectuate personnel adjustments over a considerably longer period of time by in-house limitation of overtime hours, reassignment of employees, and restraint in hiring new employees. Corporate groups can also loan or transfer employees to another company within the group. When excess staff still have not been reduced, as a last resort, personnel adjustments may be accomplished through a system of early retirement incentives or by recruiting candidates for voluntary retirement.

### Labor Shifts without Unemployment

Intra-group loans and transfers—in a sense a subsystem of the long-term employment system—help corporate groups shift the workforce yet avoid laying off their employees, and are responsible for much of the system’s inherent flexibility. When employees are transferred they often remain on the payroll of the company that originally employed them while working at another company within the group. More of these transfers have been seen recently due to the development of management diversification, an unfavorable economic climate, and the aging of Japanese society. Young or “backbone” (middle-age employees forming the core of the enterprise) transferees in many cases return from the transfer destination company to their transferring company at some point. For older workers, however, the majority of transfers are usually permanent, involving a move also of payroll and other information to the transfer destination.

Regardless of this sort of flexibility in human resource management, only about 20% of all workers serve continuously at the same company from youth until age 60. In small and medium-sized companies,

the number of long-term continuous workers is largely dropping across the ranks of young and middle-aged employees for reasons such as resignation for personal reasons and company bankruptcy. At large companies, on the other hand, the number of long-term continuous workers aged 45 and over is rapidly dropping due to middle-age and older workers draining out of the company through loans, transfers, and the like. In this way, the “lifetime employment system” is becoming a fairly flexible system, such that the reality is not so many employees serve continuously at a specific company until retirement.

### Argument over Reform of the Long-term Employment System

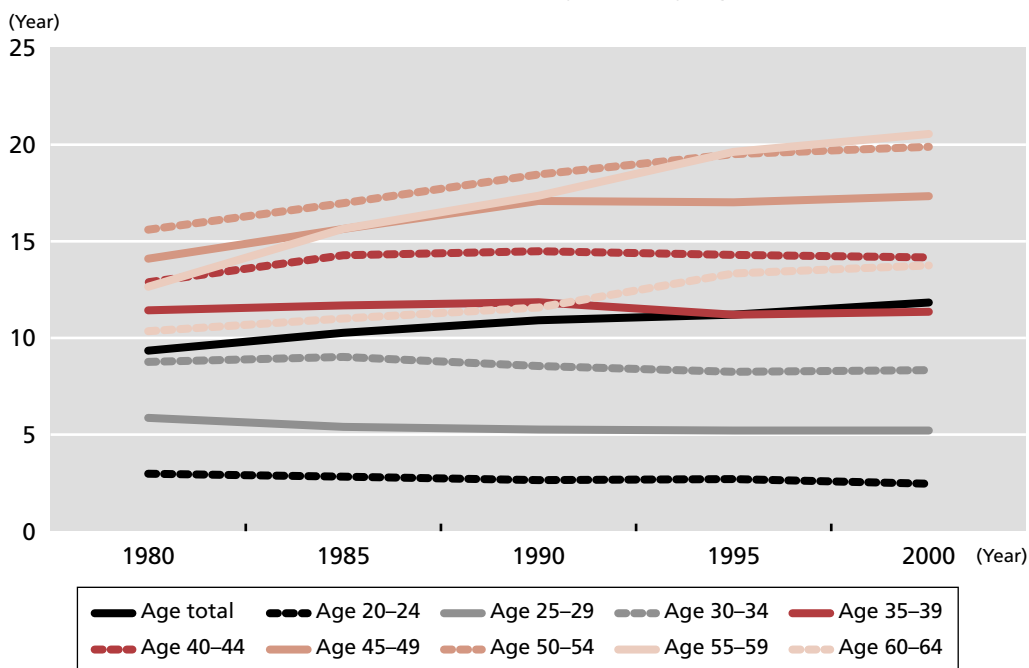
In recent years a debate has begun over the reform of this long-term employment system, affected by changes in the management environment such as the aging of society and poor prospects for sustained corporate growth. However, only a minority favor the complete dismantling of the long-term employment system; most proponents of reform are of the opinion that the system should continue in its current

incarnation while revisions are made.

According to the “Survey of Corporate Practices” conducted by the Economic Planning Agency in 1997, traditional hiring guidelines, e.g. the long-term employment system, are still the norm at the majority of Japanese companies. Furthermore, most respondents reported that at their companies, “hiring practices geared toward long-term continuous employment would become more prominent” during the five year period between 1998 and 2003 (III-4).

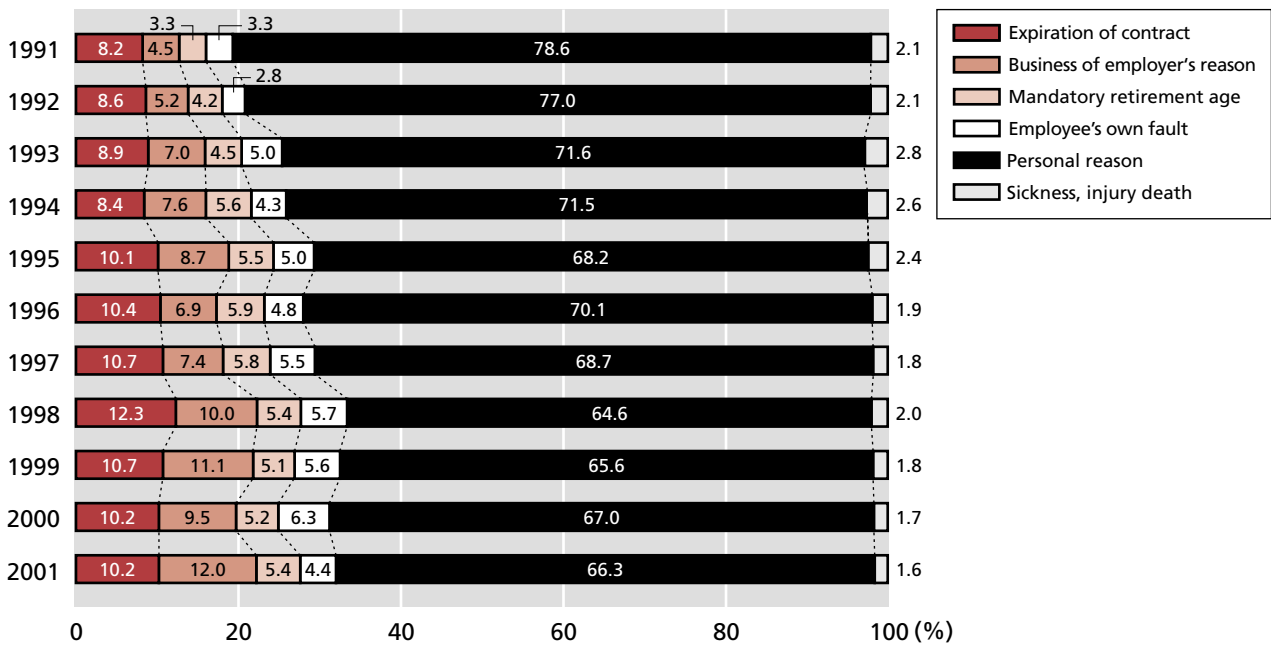
Another report entitled “Japanese Management for a New Era” (Japan Federation of Employers’ Associations, 1995) divides human resources into three main categories: (1) those who accumulate abilities over a long period, (2) those with highly specialized skills, and (3) those who can be employed flexibly. The report made recommendations such as the domain of the long-term employment system be limited to those employees whose work requires skills accumulated over a long period of time. At any rate, while changes such as set revisions or restrictions in range of application may be inevitable, the long-term employment system will most likely persist.

III-1 Years of Employment by Age



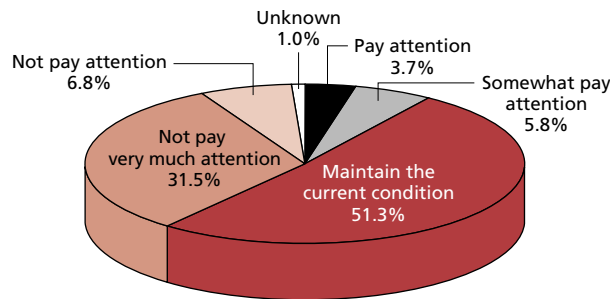
Source: “Basic Survey of Wage Structures,” Statistics and Information Department, Minister’s Secretariat, MHLW

### III-2 Trends in Ratio of Separated Employees by Reason for Separation



Source: Survey on Employment Trends, Ministry of Health, Labour and Welfare

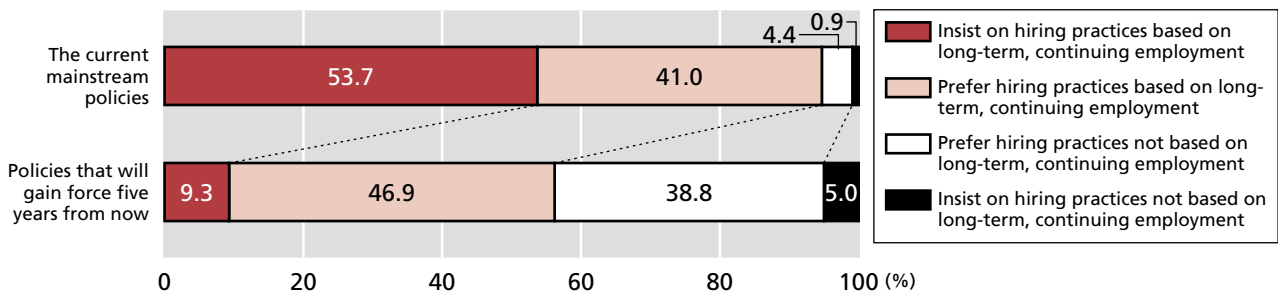
### III-3 Awareness on the Practice of Lifetime Employment



Source: "Survey on Personnel Management in Performance Focused Age and on the Investment for Education and Training (Commissioned by the Ministry of Labour in 2000)." The Japan Institute of Labour

Notes: 1) Subject companies: 3000 companies with a large employee population registered in the company list of Teikoku Databank.  
2) Respondent companies: 591 companies from the 3000 indicated above.

### III-4 Current Hiring Policies and Directions for the Future



Source: Survey of Corporate Activity, Economic Planning Agency, 1997

## 2 Recruiting and Hiring

Because Japan's labor market can be divided into a new graduate market and a mid-career job seeker market, or into large enterprises and small businesses, there are accordingly great differences in recruiting and hiring.

The collective hiring of a group of new graduates (e.g. university) immediately upon graduation is one of the characteristics of hiring activities in Japan. However, looking at Table III-5, we see that it is in great part the large enterprises hiring new graduates,

and that as the size of company decreases, the rate of hiring new graduates also decreases. On the other hand, for mid-career hires, this difference based on company size is not as large as with the new graduates; in particular, the rate of hiring mid-career workers in non-clerical positions is higher at small-scale businesses.

### Methods of Recruiting and Hiring

The hiring of university graduates in the humanities and social sciences is generally carried out in the

**III-5 Current Ratio of Hiring for New Graduates (multiple responses)**

(%)

	Clerical	Technical, Research	Non-clerical
<b>High school graduates</b>			
Total of all companies	4.7	2.8	12.9
5,000 or more employees	27.1	10.9	42.4
1,000–4,999 employees	14.4	6.3	31.9
300–999 employees	11.8	4.7	31.0
100–299 employees	7.0	4.6	22.3
30–99 employees	3.0	2.0	7.8
<b>College (including graduate school) graduates</b>			
Total of all companies	7.9	9.2	7.0
5,000 or more employees	76.2	56.8	27.4
1,000–4,999 employees	57.5	46.0	28.5
300–999 employees	33.5	36.9	22.4
100–299 employees	13.1	17.0	11.6
30–99 employees	2.5	3.2	3.6

Source: *Survey of Employment Management*, Ministry of Health, Labour and Welfare, 2001

**III-6 Current Ratio of Hiring for Mid-career Workers (multiple responses)**

(%)

	Management	Clerical	Technical, Research	Non-clerical
Total of all companies	10.4	28.1	16.1	52.9
5,000 or more employees	20.0	51.5	43.5	38.8
1,000–4,999 employees	24.2	49.2	30.3	48.8
300–999 employees	21.5	45.6	26.3	53.6
100–299 employees	16.1	37.1	21.6	59.5
30–99 employees	7.3	23.2	13.0	51.0

Source: *Survey of Employment Management*, Ministry of Health, Labour and Welfare, 2001

following way. First, the hiring process starts with a request for materials from the company; some students begin requesting these materials as early as the end of their junior year. The company will then hold a seminar or information session for the students who looked at the company materials, and proceed on to the written exam and interview stages. Ordinarily, conditional job offers are decided upon after 2 or 3 interviews. While this occurs between May and July in many cases, the decision period covers a long span of time (“Hiring of College Graduates and Human Resources Management in a Period of Reform,” Report No. 128, Japan Institute of Labor, 2000). The hiring of university graduates in the natural and physical sciences often takes the form of either an

introduction and recommendation by the student’s academic advisor (i.e. university professor), or a request to the advisor from the company for introduction of a student.

With the increasing popularity here of the Internet over the last several years, the job search process for university students (in the humanities) has been changing drastically. They seek organizational information not from company-made brochures, but on the company’s homepage. E-mail has become the standard method for registration, admission, and so on for events such as company information sessions. Nevertheless, while usage of the Internet at large enterprises has topped 90%, we can see that there are also small- and medium-sized businesses that are not

### III-7 Use of the Internet in Hiring Activities

(%)

	Yes	No	No Response
<b>College (including graduate school) graduates</b>			
Total of all companies	13.0	61.0	25.9
5,000 or more employees	94.1	4.4	1.5
1,000–4,999 employees	76.7	18.9	4.4
300–999 employees	48.1	43.0	8.9
100–299 employees	21.9	58.8	19.4
30–99 employees	5.2	64.7	30.1
<b>Mid-career hires</b>			
Total of all companies	9.3	80.3	10.4
5,000 or more employees	52.4	32.1	15.6
1,000–4,999 employees	38.8	43.2	18.0
300–999 employees	26.1	53.9	20.0
100–299 employees	14.0	72.1	13.9
30–99 employees	5.4	86.3	8.2

Source: *Survey of Employment Management*, Ministry of Health, Labour and Welfare, 2001

### III-8 Methods of Recruiting New College Graduates and Mid-career Hires (multiple responses)

	First	Second	Third
College (including graduate school) graduates	Introduction or recommendation by teachers, etc. at school 38.4%	Company, etc. hosts a job fair or seminar 32.9%	Job search info-zine or job search website 29.8%
Mid-career hires	Public Employment Security Office, etc. 59.6%	“Help Wanted” advertisement or flier in the newspaper 31.3%	Personal connections 22.9%

Source: *Survey of Employment Management*, Ministry of Health, Labour and Welfare, 2001

using the Internet (see Table III-7). Over half of large enterprises use the Internet even for the hiring of mid-career workers, while the percentage of small businesses not using it is predictably high (III-7).

Figure III-8 shows the general methods of recruiting and hiring. For recruiting college graduates, methods such as “introduction or recommendation by professors, etc. at school,” “company, etc. hosts a job fair or seminar,” and “job search info-zine or job search website” are widely used. On the other hand, for mid-career hires the most common methods are “public employment security office, etc.,” “‘help wanted’ ad or flier in the newspaper,” and “personal connections.”

### Points Taken Seriously in Hiring, and Reasons for Practicing the Hire of Mid-Career Workers

Table III-9 looks at the points considered important when hiring new college graduates. For each of the three job categories—clerical, technical/research, and non-clerical—the number one consideration is “enthusiasm and ambition.” However, large differences can be seen in the number two and number three choices. For clerical positions, importance is attached to “general common knowledge, well educated and cultured” and “cooperative spirit and sense of balance”; “technical knowledge and skills” are seen as crucial for technical/research positions;

and for non-clerical work “drive and executive ability” are viewed as assets.

Looking at points considered important when hiring mid-career workers (points with a rate over 50% in III-10), “job experience” is the top consideration for both management and clerical categories. “Technical knowledge and skills” and “job experience” rank high for technical/research positions, and for non-clerical workers the most desired attributes are “enthusiasm and ambition” and “good health and stamina.”

As reasons for practicing the hire of mid-career workers, “to make use of ready skills and abilities” was the most widely given reason for both management and technical/research candidates. Clerical and non-clerical mid-career workers are often hired “to fill vacancies left by retirees.”

The results of several surveys have shown that, as far as hiring directors for companies are concerned, the weight of new graduates in the job market will decrease in the future and more emphasis will be attached to hiring mid-career workers. However, looking at the actual numbers (“Survey of Employment Trends,” Ministry of Labour), although the hire of mid-career workers has undoubtedly increased slightly over the last 25 years and the hire of new graduates has dropped slightly, this increase and decrease is only to an extent of 10% over the 25 years—a very slow change (FY2000 “White Paper on Labor”).

**III-9 Points Considered Important when Hiring Recent College Graduates  
(up to 3 multiple responses)**

	First	Second	Third
Clerical	Enthusiasm, Ambition 74.0%	General common knowledge, Well educated and cultured 39.5%	Cooperative spirit, Sense of balance 39.2%
Technical, Research	Enthusiasm, Ambition 66.7%	Technical knowledge, skills 51.1%	Understanding, Judgment 33.6%
Non-Clerical	Enthusiasm, Ambition 76.5%	Drive, Executive ability 46.6%	Good health, Stamina 38.3%

Source: *Survey of Employment Management*, Ministry of Health, Labour and Welfare, 2001

### III-10 Points Considered Important when Hiring Mid-career Workers (up to 3 multiple responses)

	First	Second	Third
Management	Job experience 60.3%	Drive, Executive ability 45.3%	Technical knowledge, skills 43.9%
Clerical	Job experience 50.2%	Enthusiasm, Ambition 40.4%	Cooperative spirit, Sense of balance 31.3%
Technical, Research	Technical knowledge, skills 69.9%	Job experience 57.2%	Enthusiasm, Ambition 40.3%
Non-Clerical	Enthusiasm, Ambition 59.7%	Good health, Stamina 58.7%	Job experience 37.8%

Source: *Survey of Employment Management*, Ministry of Health, Labour and Welfare, 2001

### III-11 Reasons for Practicing the Hire of Mid-career Workers (multiple responses)

(%)

	Organizational, Management-related				Personnel Management			
	Expansion of existing business	Extension into new business or new field	Attempt to vitalize the organization by making the most of a variety of experienced persons	Request by parent company or affiliated company	Fill vacancies left by retirees	Compensate for lack of recent graduates hired	Remedy an imbalance in staff composition	Make use of ready skills and abilities
Management	19.0	10.8	44.9	13.0	23.5	0.0	3.0	53.7
Clerical	11.6	5.2	12.2	3.4	68.6	2.5	4.7	30.6
Technical, Research	23.2	10.4	26.3	4.3	39.1	4.4	3.9	56.3
Non-clerical	18.3	6.3	10.6	3.4	69.2	2.7	6.5	40.5

Source: *Survey of Employment Management*, Ministry of Health, Labour and Welfare, 2001

## 3 Assignments and Transfers

### Employment System Focused on Recent Graduates

Japanese companies have come to place great importance on the regular hire of recent graduates when hiring new employees. Behind this practice is the human resource management policy that, under the long-term employment system, in-house training of workers having a high level of broad skills and techniques is best suited for business development. Managers are also strongly influenced by the philosophy that new graduates who are trained in-house are more likely to fit into the corporate culture.

However, the employers capable of such regular hiring of recent graduates are the large and mid-tier corporations. Young recent graduates have a strong tendency to seek employment at these large and influential mid-sized companies, where the possibility of something like bankruptcy is low, management is stable, and wages and other working conditions are relatively high. Therefore, small and medium-sized companies have considerable difficulty in regularly hiring new graduates and so—compared with large and influential mid-sized companies—are increasingly looking to workers in mid-career. Naturally, with the recent IT boom and other rapid developments in technical innovation, large enterprises too are unable to prepare the necessary human resources through in-house training, and are quickly coming to strengthen this trend of hiring mid-career experienced workers.

### Human Resource Development through Broad Rotation

New graduates are typically trained by experiencing different types of work in several departments within a company or corporate group. Most high-school graduates are posted to factories or other non-clerical departments where they gain experience in a variety of related functions and they become more versatile workers. University graduates experience a broad variety of departments and functions, which may even include being loaned to a group company; through such broad rotation, companies can evaluate employees' perform-

ance and determine the type of work for which they are best suited.

These assignments and transfers are carried out in conjunction with the management of promotions. New graduates are categorized by their academic backgrounds and the year in which they were hired. In terms of promotions, no significant difference exists among employees hired in the same year who have worked for a company for five years; it is only after 10 years that differences among employees with the same career length begin to emerge, but employees are rarely promoted ahead of colleagues who have greater seniority. Management-level positions, e.g., section chief, generally are given to university-educated employees at large companies between the ages of 35 and 40. From around this age, however, the number of workers promoted above their seniors gradually increases.

### Seniority-based Promotion System

This type of promotion management is known as the seniority-based promotion system in which promotions are granted based on the order in which employees entered the company. It is not as mechanical as it seems since it allows for careful evaluation over time of an employee's abilities and achievements, and encourages long-term competition for promotion among employees. However, the recent trend toward earlier promotions is prompting an increasing number of companies to adopt a more rapid advancement system.

More companies are now introducing procedures that give serious consideration to employees' wishes when making assignments or transfers in connection with the long-term human resource training system. For instance, in the double-track personnel system, an additional course for the training of specialists in a particular field is being added to the management track that formed the heart of the old personnel system. The system of in-house solicitation of applicants enables companies to recruit from within the personnel they need for business expansion and new ventures, and allows for the selection of the most appropriate candidate from the employees who applied.



## Assignment, Transfer, and Employee Motivation

This method of assigning and transferring employees differs from the existing system in its consideration of employees' wishes, rather than solely on company needs. From the company point of view, this system makes it easier to unearth hidden human resources, at the same time having the merit of serving as a motivational measure for employees.

Because an increasing number of companies is

using the Internet to implement in-house recruitment systems emphasizing employee initiative, the number of recruitment opportunities and transfers is also rising. The number of companies introducing in-house venture systems that provide opportunities for establishing new businesses based on plans proposed by their employees is also rising. In addition to traditional company-initiated career development, independent career development attentive to employees' wishes is also becoming firmly established.

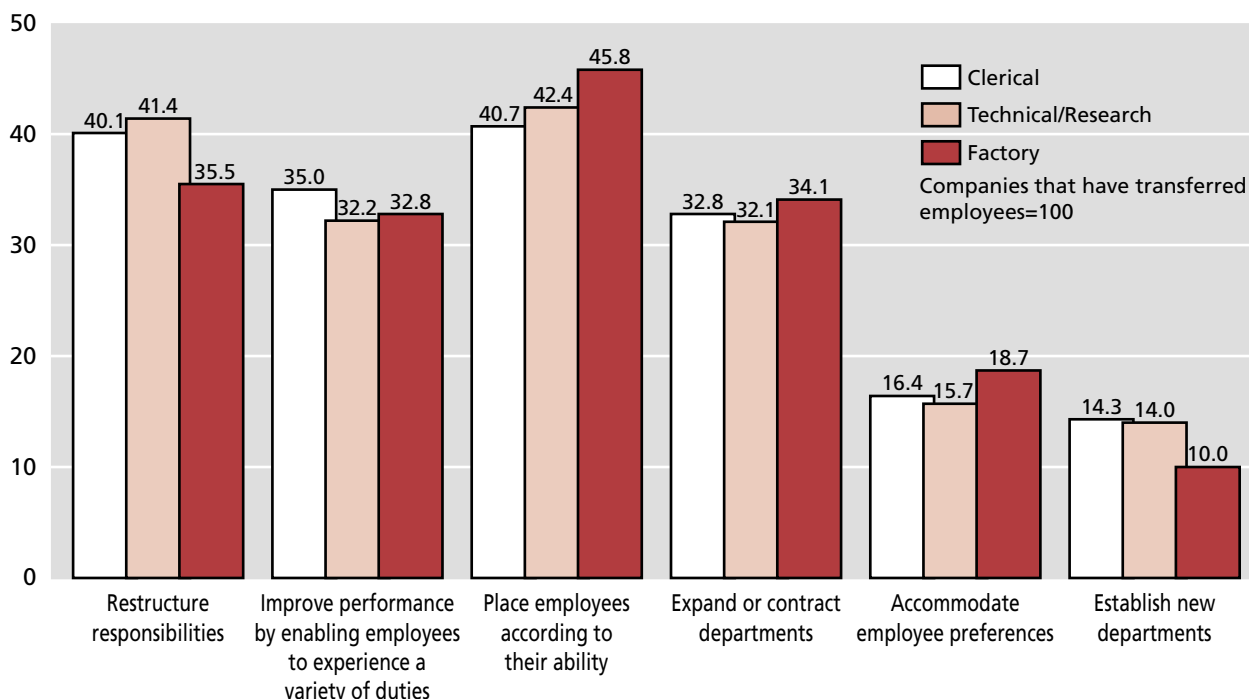
### III-12 Hiring Trends (recent graduates and experienced workers)

(%)

	Percentage of companies hiring new graduates				Percentage of companies planning to employ mid-career workers		
	High-school graduates (clerical work)	High-school graduates (factory work)	College graduates (clerical work)	College graduates (technical work)	Management	Clerical	Technical
Total	4.7	12.9	7.9	9.2	10.4	28.1	16.1
Over 5,000 employees	27.1	42.4	76.2	56.8	20.0	51.5	43.5
1,000–4,999 employees	42.3	31.9	57.5	46.0	24.2	49.2	30.3
300–999 employees	11.8	31.0	33.5	36.9	21.5	45.6	26.3
100–299 employees	7.0	33.5	13.1	17.0	16.1	37.1	21.6
30–99 employees	3.0	7.8	2.5	3.2	7.3	23.2	13.0

Source: *Survey of Employment Management*, Ministry of Health, Labour and Welfare, 2001

### III-13 Reasons for Transferring Employees



Source: *Survey of Employment Management*, Ministry of Health, Labour and Welfare, 2002

Note: Respondents were permitted to provide up to three answers

## 4 Wages

### Seniority-based Wage System

Wage systems that base remuneration on age or years of service are not unique to Japan, but it is said that these are characteristic of Japanese wage systems. This type of wage system is called a seniority-based wage system; but salary increases are not awarded based on age or years of service with total disregard of performance and ability. A merit rating is used to evaluate employees resulting in wage levels that reflect differences in performance or ability, even among employees with the same seniority.

The seniority-based wage system first appeared in Japan in the 1920s. Although considerable debate abounds regarding the reasons for its establishment, the seniority-based wage system was certainly a strategic move on the part of management who wanted to attract and retain employees. By staying at one firm, workers acquired skill with their employers' proprietary technology. Employers, in turn, used promotions to reward workers for their skill development. Additionally, the tendency of the cost of living to increase as employees aged further justified linking wages to seniority. Thus, promotions following skill improvement and increases in cost of living were connected to longer years of service, and the seniority-based wage system was established to raise wages with advancing age and years of service.

The wage profile by age (and by years of service) charts the status of seniority-based wages by plotting wages for different age groups (and years of service). One characteristic of the Japanese wage profile is the phenomenon called "the white-collarization of blue collar workers" (however, this only applies to male workers). The phenomenon of the white-collar workers' wage profile rising with age is observable not only in Japan, but in Europe and the U.S. as well. However, the situation for blue-collar workers is completely different. In other nations, the wages of blue-collar workers rise a little with age, but these wage increases are all but invisible after age 30. In Japan, however, even though the wage profile for blue-collar

workers does not rise as sharply as that of white-collar workers, the two curves are similarly shaped, indicating that wages increase as workers age (III-14).

### Bonus System

Another distinctive aspect of the Japanese wage system is the bonus system. Japan is certainly not the only nation in which bonuses are paid, but the peculiarity of Japan's bonuses is said to be in their large size. Companies pay biannual bonuses equivalent to several months' salary in the summer and winter. They are not legally required to do so, but after World War II the practice of providing bonuses to all employees became customary at most companies.

### Performance-related Salaries

Another aspect of Japan's Performance-related Salaries come to the fore recently is the introduction of a annual salary system linked to performance. With the heightening of competition due to globalization and predictions of the further aging of Japanese society, companies have become concerned about the burden imposed by the high salaries paid to the growing ranks of middle-aged and older employees. To create a better balance between those employees' salaries and their productivity, and to further motivate workers, an increasing number of companies—mainly large corporations—are adopting a salary system based on annual performance for managers. Unfortunately, it is not easy to evaluate performance, and it is not clear whether this system of paying wages on a performance-related basis will gain momentum. Companies will need to set fair evaluation standards before performance-based wage systems can successfully improve efficiency.

### Wage Composition

Incidentally, the wage composition is another unique element in Japan's wage system. The wage composition refers to a series of wage items that composes the total salary paid to a worker. Normally, the wage composition consists of base pay (compensation for labor) plus

various additional allowances, such as a family allowance, commuting allowance, and housing allowance. The term “wage composition” became popular after its coinage under the Wage Control Ordinance during World War II. The “electrical power industry type of wage composition” acquired by the Council for Electric Power Industry Unions in 1946 opposed the pre-war wage pattern based on management’s internal class system. The Council forced management to adopt a unified pay scale for white collar and blue collar workers. This is well-known as a wage composition based on factors such as workers’ living conditions (age, years of continuous employment, family structure and commuting distance), and served as the foundation for dissemination of subsequent wage compositions.

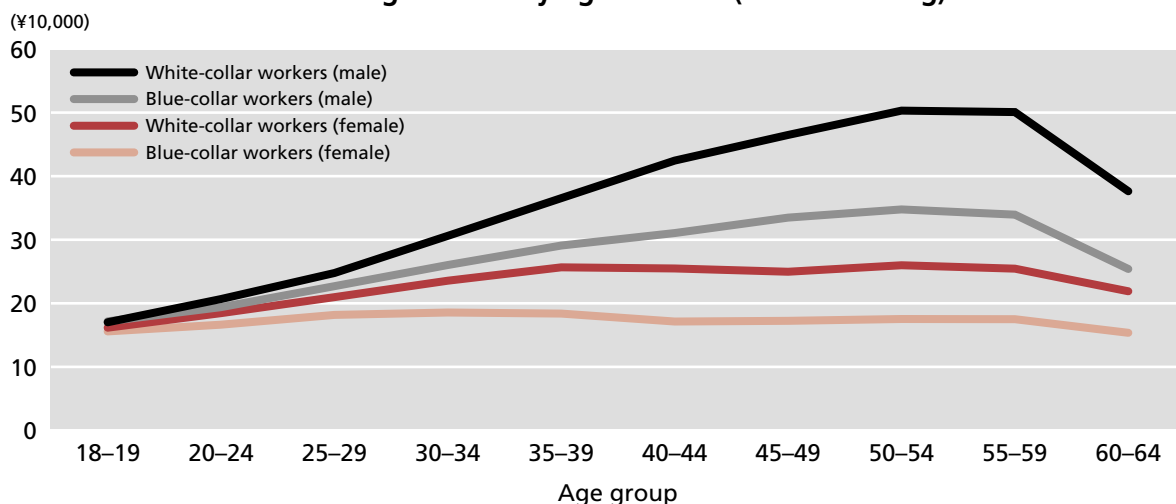
### Retirement Benefits System

Finally, mention will be made of the retirement benefits system, which provides to employees either a lump-sum allowance upon retirement or pension, and is a major pillar of enterprise welfare measures. Retirement

benefits are paid in proportion to the number of years of service at a specific company, but the scheme is such that differences in the payment amount arise depending on the reason for retirement. The amount paid is lower for those who retire for their own convenience, but higher for those who retire at the mandatory age after long service, or for those who retire at the companies request (such as during a period of recession). Thus, retirement benefits have become a factor promoting long-term continuous service by Japanese employees.

Until recently, the lump sum retirement allowance has been a large amount, and many workers have received this substantial benefit when retiring at the mandatory age. However, in recent years the percentage of workers receiving a retirement pension has been rising. Behind this development is the fact that the cost burden for companies has increased as the aging of employees leads to larger payments of lump sum retirement allowances. Added to that are the benefits of converting retirement benefits to a pension system, such as the advantages a company may receive through tax codes.

III-14 Wage Profile by Age and Sex (manufacturing)



Source: *Statistical Survey Report on the Wage Structure*, Ministry of Health, Labour and Welfare, 2001  
 Note: Figures are based on fixed monthly wage payments.

## 5 Working Hours

### Japan's Working Hours Legislation— 40 Hours

Japan's working hours legislation is provided in the Labor Standards Law, which has been in effect since 1947. Because the shortening of working hours became a big policy issue in the latter half of the 1980's, the traditional 48-hour workweek set by the law was gradually shortened since 1988. Now, aside from the 46-hour weeks served by workers at commerce, motion picture and theatre, health and hygiene, and service and entertainment workplaces of fewer than 9 employees, the workweek across all industries and business sizes has become 40 hours long.

Comparing the estimates of annual working hours for 1999 in Table III-15, Japan is just a little shorter than the U.S., and just a little longer than the U.K., but 300 to 400 hours longer than Germany and France.

### Annual Total of Hours Actually Worked

Looking at Figure III-17, annual working hours shortened by about 400 hours from the 1960's, when the GDP growth rate was high, through the first half of the 1970's. After the oil crisis of the 1970's, working hours hovered at about the same level; but they began shortening gradually once again when the 1980's came to a close. It can be considered that the effect of shortening the working hours set by law played a large role in this decrease in working hours after the end of the 1980's.

### Annual Non-scheduled Hours Worked

Figure III-18 shows quarterly fluctuations in overtime hours. It is said that overtime hours in Japan increase and decrease in proportion to business fluctuations. This illustrates that businesses make use of overtime hours as a primary means to adjust employment in the face of fluctuations in production demand. That is, rather than taking on new hires during times of prosperity, overtime hours for existing employees are increased; on the other hand, without immediately resorting to measures such as layoffs when business is slow, the condition is dealt with through a reduc-

tion in overtime hours. At present, an annual maximum of 360 overtime hours per worker is prescribed by the Labor Standards Law; within this range, upper limits are set for fixed periods, such as 15 hours per week, 45 hours per month, and 120 hours per 3-month period. Further, the increment of extra pay for these overtime hours is 25% in ordinary cases, 25% for graveyard shift, and 35% for holidays. For those working graveyard hours that also happen to be overtime, the increment is 50%; and it is 60% in the case of a graveyard shift worked on a holiday.

### Annual Paid Vacation

Table III-16 examines the number of days of annual paid vacation given and taken, and, with those figures as denominator and numerator, the percentage of vacation days taken. According to the Labor Standards Law, 10 days vacation shall be granted to those workers with an 80% or greater attendance rate and at least 6 months of continuous service with a business, and 20 days shall be given upon reaching 6 years and 6 months of service. But unfortunately the average number of vacation days taken throughout Japan in 2000 was 8.9. So, in actuality, only half of vacation days given were consumed.

### Variable Scheduling System

Aside from that, the Labor Standards Law also provides a variable scheduling system. All within this system are: a system of monthly variation, a system of annual variation, flextime, and a free-style system of weekly variation. In the monthly and annual variation systems, the weekly scheduled working hours will be increased to over 40 hours for, respectively, a specified week(s) or specified month(s); all other weeks/months will be shorter. Therefore, this system can be applied to situations such as a manufacturing industry for which the exceptionally busy periods vary with season, and the corresponding clerical fields. For the annual variation system, it has been possible since April 1999 to plan scheduled working hours flexibly for a period

greater than one month, but maximums have been set at 10 hours per day and 52 hours per week. Flexitime is a system allowing workers self-management over their comings and goings to and from the workplace during a one-month settlement period. The free-style system of weekly variation was designed for types of businesses such as retail shops, restaurants, and Japanese-style inns, where business may slow down greatly on certain days of the week. This system provides for advance changes (made by the end of the previous week) in the scheduled working hours for a particular

day or days, keeping the weekly scheduled hours at a fixed constant. In 2000, 15.5% of businesses adopted the monthly variation system, 36.3% the annual variation system, and 5.6% had accepted flexitime (General Survey of Working Conditions, Ministry of Health, Labour and Welfare).

### De-Facto Working Hours System

In addition, the Labor Standards Law provides for a “de-facto working hours.” To begin with, in the case of mining work, the working hours are deemed to cover

### III-15 International Comparison of Working Hours (production workers in manufacturing industries: 1999)

(hours)

Working Hours	Japan	U.S.	U.K.	Germany	France
Annual Working Hours	1,942	1,991	1,902	1,517	1,672
Scheduled Working Hours	1,787	1,752	1,751	1,449	—
Overtime Hours	155	239	151	68	—

Source: Estimates made by the Working Hours Department of the Ministry of Health, Labor and Welfare's Labor Standards Bureau based on reports issued by the EU and each nation mentioned above.

- Notes: 1) Size of workplaces surveyed: Japan, 5 employees or more; U.S., all sizes; Others, 10 employees or more  
 2) Includes regular part-time workers.  
 3) Scheduled working hours and overtime hours for France were unavailable  
 4) Data for Germany is from 1997; for France, from 1998

### III-16 Percentage of Annual Paid Vacation Days Consumed (2000)

(days, %)

Industry, Size of Company	Annual paid vacation per average worker		
	Days given (A)	Days taken (B)	Percent Consumed (B/A)
Overall Total	18.0	8.9	49.5
Businesses with 1000 employees or more	19.4	10.6	54.6
Businesses with 100–999 employees	17.6	8.2	46.5
Businesses with 30–99 employees	16.4	7.3	44.6
Mining	18.0	10.5	58.3
Construction	17.7	6.2	34.9
Manufacturing	18.7	10.6	56.6
Public utilities	19.7	15.5	78.7
Transportation and Telecommunications	17.4	10.1	58.2
Wholesale, Retail, Food and beverage	17.3	6.4	37.1
Finance and Insurance	18.4	8.0	43.6
Real estate	16.8	7.8	46.5
Service industries	17.6	8.4	48.0
(Reference) Industry Totals			
1990	15.5	8.2	52.9
1995	17.2	9.5	55.2

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

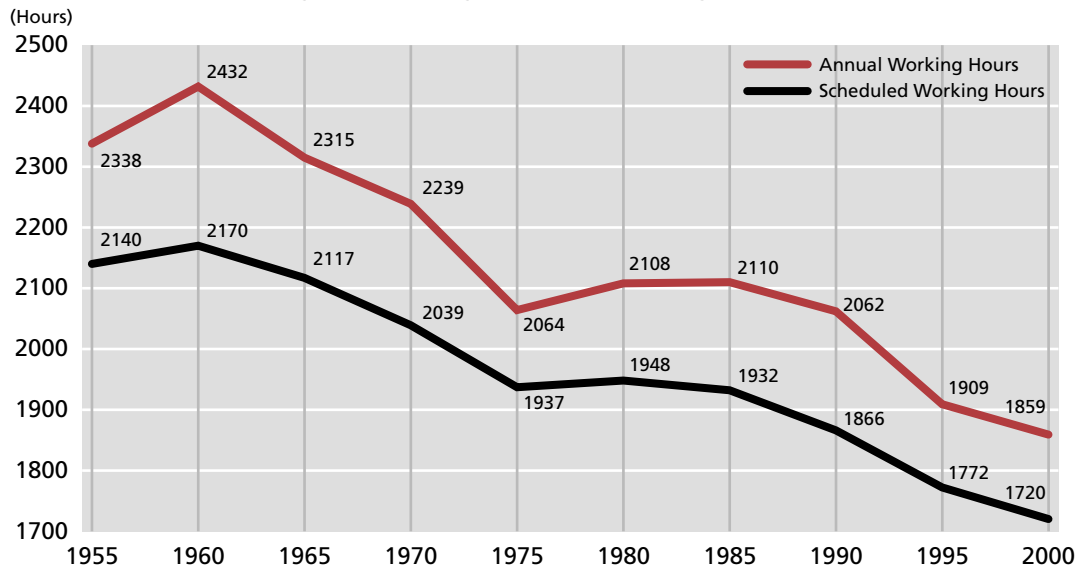
Notes: 1) Annual Paid Vacation is the “Vacation” mentioned in Article 39 of the Labor Standards Law

- 2) Annual paid vacation days given, taken, and percent consumed per average worker are those from 2000, and do not include any days carried forward from the previous year.

the entire time—including breaks—from the moment a worker enters the mine until that worker leaves the mine. Secondly, this system applies to “jobs for which calculation of working hours is difficult because work is done outside of the workplace and without specific command or supervision,” such as the sales and reporting (or information gathering) fields. Thirdly we have what is called a discretionary scheduling system.

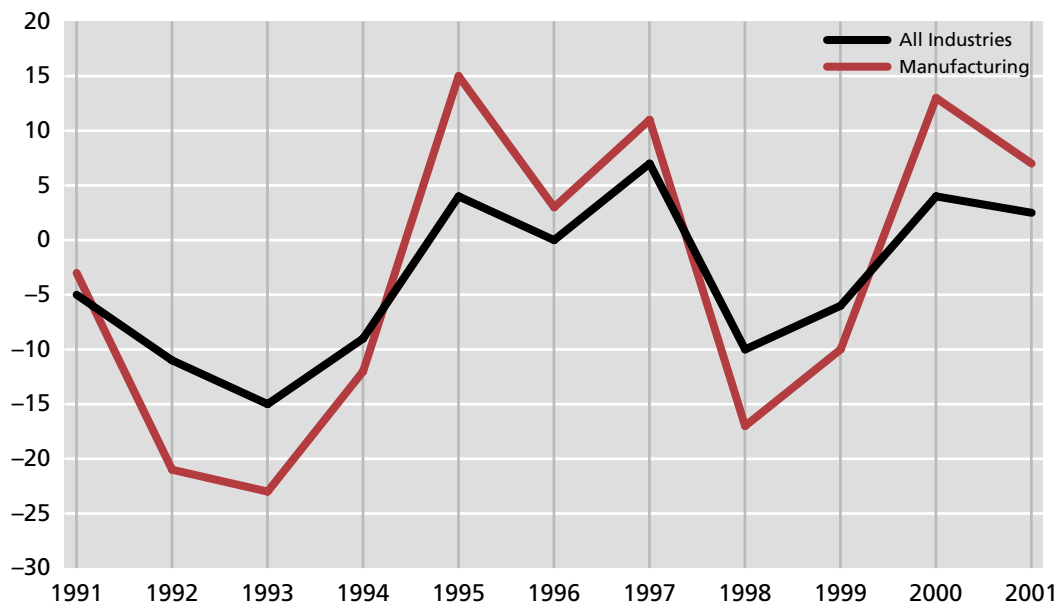
This is divided into a “discretionary scheduling system for specialized work” aimed at specialized work areas such as research and development, computer programmers, editors in mass communications, broadcast and movie directors, and designers; and a “discretionary scheduling system for planning work” aimed at those who are engaged in planning work (such as project planning) in white collar areas.

**III-17 Changes in Average Annual Working Hours per Worker**



Source: *Monthly Survey of Labor Statistics*, Ministry of Health, Labour and Welfare (former) Ministry of Labour  
 Note: Study limited to businesses of 30 employees or more.

**III-18 Percentage Fluctuations in Overtime Hours**



Source: *Monthly Survey of Labor Statistics*, Ministry of Health, Labour and Welfare (former) Ministry of Labour  
 Notes: 1) Study limited to businesses of 5 employees or more  
 2) Fluctuations recorded on a quarterly basis

## 6 Company Benefits

### Labor Cost Structure

Looking at the makeup of labor costs in Table III-19, wages occupy an 81.2% portion in Japan, and the U.S. and U.K. are at about the same level. On the other hand, wages take up a relatively low percentage in Germany and France, so that the percentage of labor costs aside from wages is high. In terms of these labor costs aside from wages, Japan's compulsory benefit costs are 9.5%—a little higher than the U.S., but lower than Germany and France. Costs for retirement benefits, etc. in Japan are 5.5% of total labor costs. The percentages for this item in the U.K., Germany and France are low; conversely, the portion of non-compulsory benefit costs in these countries is high.

### Social Insurance Premium Rates

Table III-20 compares the social insurance premium rates in each country. In Japan the insurance premium rate is about 22% of total pay. This is a little higher than the rate in the U.S., and about the same as that in the U.K., but lower than that in Germany, France and Sweden. The breakdown of Japan's 22.16% is as

follows: medical insurance, 7.43%; pension insurance, 13.58%; and unemployment insurance, 1.15%. However, there is a further cost that only employers pay—the system of compensation for accidents at the workplace.

### Compulsory Benefit Costs' Structure

Figure III-21 shows the composition of the average compulsory benefit costs per month per regular worker in 1998. Health insurance premiums are 30.7%, and employees' pension insurance premiums are 55.2%, so that these two compose about 86% of the compulsory benefit costs that organizations are paying out for employees. Labor insurance premium occupies 12.9%, broken down as 6.6% for unemployment insurance and 6.3% for workmen's compensation insurance.

### Retirement Benefits System

The cost for retirement benefits, etc. in Japan is split into lump sum retirement allowances and retirement pensions. Retirement benefits are paid in proportion

III-19 Comparison of Labor Cost Structures by Cost Item (manufacturing)

(%)

Cost Item	Japan (1998)	U.S. (2001)	U.K. (1996)	Germany (1996)	France (1996)
Total labor costs	100.0	100.0	100.0	100.0	100.0
Total wages	81.2	81.9	83.8	73.7	65.0
Wages, salary therein	] (81.2)	(75.1)	(73.7)	(62.7)	(57.2)
Wages for vacation days and other paid days off		(6.8)	(10.1)	(11.0)	(7.8)
Total of other labor costs	18.8	18.1	16.2	26.3	35.0
Compulsory benefit costs therein	(9.5)	(7.8)	(8.5)	(15.9)	(21.8)
Non-compulsory benefit costs	(2.9)	] (10.2)	(5.0)	(7.6)	(7.4)
Cost of retirement benefits, etc.	(5.5)		(0.0)	(0.6)	(1.8)
Wages paid in kind	(0.3)		(2.7)	(0.1)	(0.2)
Vocational training expenses	(0.2)		(0.1)	(1.5)	(1.8)
All others	(0.2)		(0.0)	(0.7)	(2.4)

Sources: *General Survey of Wages and Working Hours Systems*, (former) Ministry of Labour  
*Employer Costs for Employee Compensation*, Bureau of Labor Statistics  
*Labour Costs 1988-1999*, Eurostat

Notes: 1) All workers at companies employing 30 or more persons in Japan, 1 or more in the U.S., and 10 or more in the EU.  
2) Numbers inside ( ) are a breakdown of figures

to the number of years of continuous service at a specific business, but differences exist based on the reason for retirement. The rate of payment for workers who retire for their own convenience will be lower, while this rate increases for those who retire at the mandatory age after long-term employment, or for workers who retire at a company's request, such as during a recession. For this reason, retirement benefits have become one factor in the perpetuation of long-term employment for Japanese workers.

Until recently, the lump sum retirement allowance has been a large amount, and many workers have received this substantial benefit when retiring at the mandatory age. However, in recent years the percentage of workers receiving a retirement pension has been rising. Behind this development is the fact that the cost burden for companies has increased as

the aging of employees leads to larger payments of lump sum retirement allowances. Added to that are the benefits of converting retirement benefits to a pension system, such as the advantages a company may receive through tax codes.

In addition, we are also proceeding with a gradual switchover to what is called the Defined Contribution Pension Plan, sometimes referred to as the Japanese edition 401k. This was triggered by the problems with the conventional corporate pension (Employees' Pension Fund or Qualified Retirement Pension). In the old system, pension disbursement amounts were planned for the future (in the form of defined payments) and, because of low interest, etc. over long periods, investment profits dipped below planned levels and reserve funds were insufficient. In contrast, the Defined Contribution Pension Plan gives the

### III-20 Social Insurance Premium Rates (workers)

(%)

	Insurance Premium Rate	Portion Paid by Workers	Portion Paid by Employers	Breakdown
Japan (April 1999) <sup>2</sup>	22.16%	10.89%	11.27%	Medical insurance (government-managed health insurance) 7.43% (standard salary monthly portion 8.5%, bonus portion 0.8%), Pension insurance (employees' pension) 13.58% (standard salary monthly portion 17.35%, bonus portion 1%), Unemployment insurance 1.15%
U.S. (1999) <sup>3</sup>	15.30%	7.65%	7.65%	Old age/survivors/disability pension (OASDI) 12.4%, Medicare 2.9%
U.K. (April 1997)	20% maximum	10% maximum <sup>4</sup>	10% maximum <sup>5</sup>	National insurance (retirees pension, job-hunters benefits, benefits for those unable to work, etc.)
Germany (1998)	42.20%	20.95%	21.25%	Pension insurance 20.3%, Illness insurance (average) 13.6%, Nursing care insurance 1.5%, Accident insurance 0.3% (average), Unemployment insurance 6.5%
France (January 1998) <sup>6</sup>	41.58%	9.61%	31.97%	Illness insurance 13.55%, Pension insurance 16.35%, Widows' insurance 0.1%, Family benefits 5.4%, Unemployment insurance 6.18%
Sweden (1998)	35.53%	6.95%	28.58%	Pension insurance 20.38%, Medical insurance (sickness benefits, parent benefits, etc.) 7.93%, workmen's compensation insurance 1.38%, Unemployment insurance 5.42%, Others 0.42%

Source: *White Paper on Health and Welfare (1999)*, (former) Ministry of Health and Welfare

Notes: 1) Basically insurance premium rates are based on total salary. In Japan's case, the premium rates for medical insurance (government-managed health insurance) and pension insurance (employees' pension) use values calculated on the basis of total salary including bonuses. Figures are shown in ( ) in the case of standard salary base.

2) In addition, there is also compensation for accidents at the workplace, but the insurance premium differs with type of business

3) In addition, there are "social insurance" programs managed at the state level—unemployment insurance and accident compensation insurance—but the premium rates differ by state

4) Insurance rates differ with income. The insurance premium rates in the figure are those applying to any weekly pay over 64 Pounds.

5) Insurance rates differ with income. The insurance premium rates in the figure apply in cases when weekly pay is over 210 Pounds.

6) In addition, there are insurance premium rates paid by employers for compensation for industrial accidents and occupational diseases, but they differ by enterprise (4.0% on average). Premium rates for unemployment insurance differ with income. Also, in terms of expenses borne by workers, there is a general social contribution (7.5% of income) outside of the insurance premium paid. This is a kind of tax used specifically for illness insurance and family benefits.



responsibility of investing premium to the subscribers themselves, and the pension amounts receivable in old age change depending on the results. For companies, because they do not promise future disbursement amounts beforehand, no reserve fund insufficiencies or other additional burdens come about.

### Diversification of Company Benefits

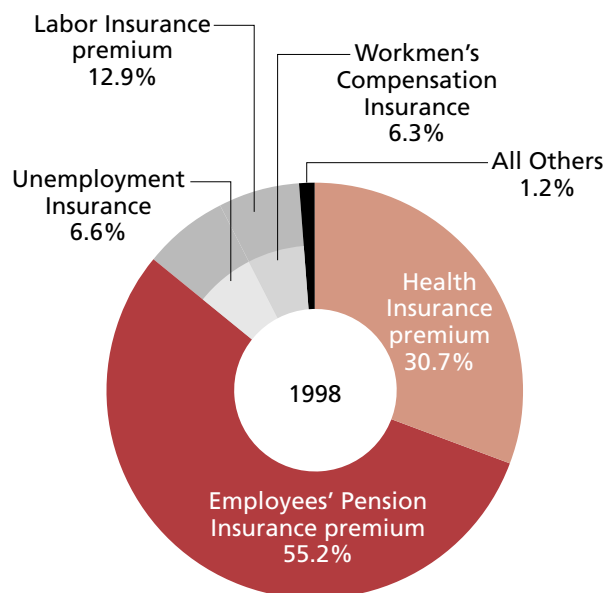
Lately, changes in corporate welfare have rested on matters like the increase in companies' cost burden for public welfare—and the diversification of employee needs—as well as the development of the social security system. Some new mechanisms are currently being introduced: 1) a retirement benefit pre-payment system will add the former welfare portion of labor costs to wages paid to individual workers; 2) a point system in retirement benefits can be combined with a merit-based wage system; and 3) a stock option system is being popularized, allowing workers the choice of purchasing stock in their companies at a price fixed in advance. According to

the 1999 General Survey of Wages and Working Hours Systems by the former Ministry of Labour, 4.0% of companies with 1000 or more employees have introduced stock options, and it can be expected that the introduction of this system will continue in the future, focused on large-scale enterprises.

In addition, to mitigate the welfare cost burden and to satisfy the diversifying needs of employees, arrangements are being made for a variety of welfare choices, and a cafeteria-style plan that will allow employees to use features according to their needs is being gradually disseminated.

Furthermore, a “Family-Friendly Company” award has been created. This is to commend businesses with personnel management systems giving consideration to the household conditions of workers through such efforts as the creation of a vacation/leave system for child care and family care, and the establishment of a daycare center. The Ministry of Health, Labour and Welfare began honoring such enterprises in 1999.

### III-21 Breakdown of Average Compulsory Benefit Costs per Regular Worker each Month



Source: *General Survey of Wages and Working Hours Systems (1998)*, (former) Ministry of Labour

## 7 Career Development through In-house Training and Education

### OJT: Practical Training Predicated on Long-term Employment

A feature of professional education and training in Japan is that, predicated on the assumption that employees will stay at one company throughout their careers, in-house development of human resources at Japanese companies takes place over a long period. In-house training—central to this development—consists primarily of OJT (on-the-job training) which gives employees the opportunity to develop their skills through actual business experience. OJT fulfills an important role in educating both blue- and white-collar workers. In factories, for instance, OJT is used not only to teach personnel about the production process, but also to enable them to repair malfunctioning machinery and perform maintenance work. Clerical workers in accounting and other departments learn through OJT how to combat unreliability by, for example, analyzing divergences between budgeted and actual results.

### Two Types of OJT

Because OJT often overlaps with the execution of everyday work, it is difficult to gain an understanding beyond surface appearances; however, we can divide OJT into two types—formal and informal. Formal OJT generally involves assigning instructors to train employees, and setting post-training evaluation standards. These points separate formal OJT from informal OJT.

### Long-term Informal OJT Builds High-level Talent

The primary distinguishing features of human resource development in Japan are as follows.

- (1) Informal OJT performs a considerably greater role than formal OJT, which is given to newly hired workers to develop low-level skills, and does not extend beyond the initial skill improvement period following introduction to the company.
- (2) Informal OJT is widely used in Japan, but informal OJT carried out over the long-term is indispensable for employees to acquire high-level skills. Informal OJT usually takes the form of a gradual progression or work experiences from simple to more difficult tasks, or a rotation system that enables employees to serve in a variety of positions. OJT gives workers the opportunity to gain a wide range of experience, thus improving their business acumen.
- (3) Long-term informal OJT is widely popular at large corporations, but also at some small and medium-sized businesses.
- (4) OJT is not the exclusive source of training in Japan; it is interspersed with Off-JT (off-the-job training), e.g., training seminars at outside institutions. Off-JT gives added perspective to the experience employees gain through OJT, and helps them gain additional knowledge and theoretical skills that they can use to solve the problems that arise in everyday business situations.

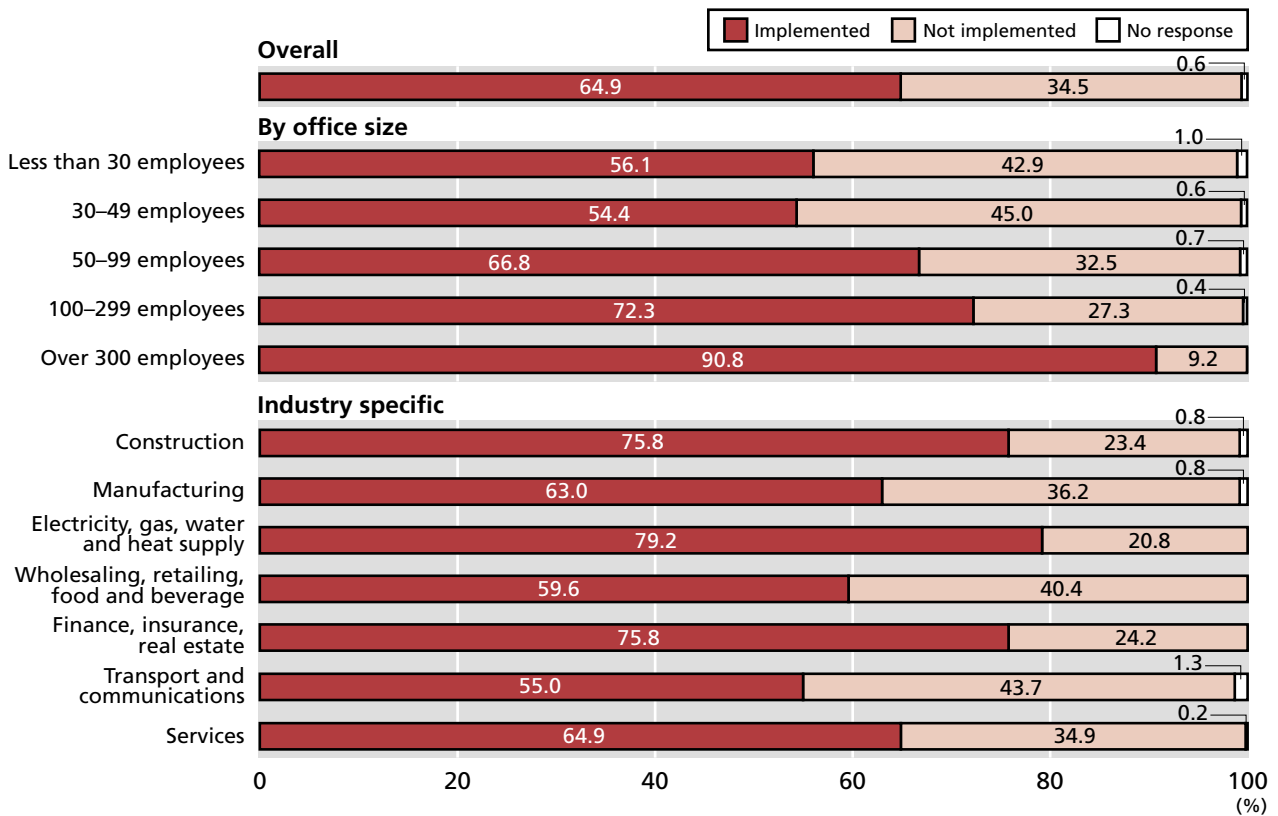
### OJT is Founded on Seniority-based Promotion and Promotional Management

This type of OJT functions effectively in Japan thanks to a promotion and pay raise management system that enables senior workers to smoothly pass skills on to subordinates. Senior workers are not reluctant to train their subordinates, since they are confident that the latter will not be promoted or given raises ahead of them; this, in turn, has reinforced teamwork within the workplace. This approach to human resource development has proven to be a positive way for employees to refine their skills, and is also an aspect of Japanese corporate culture that makes Japanese companies so competitive.

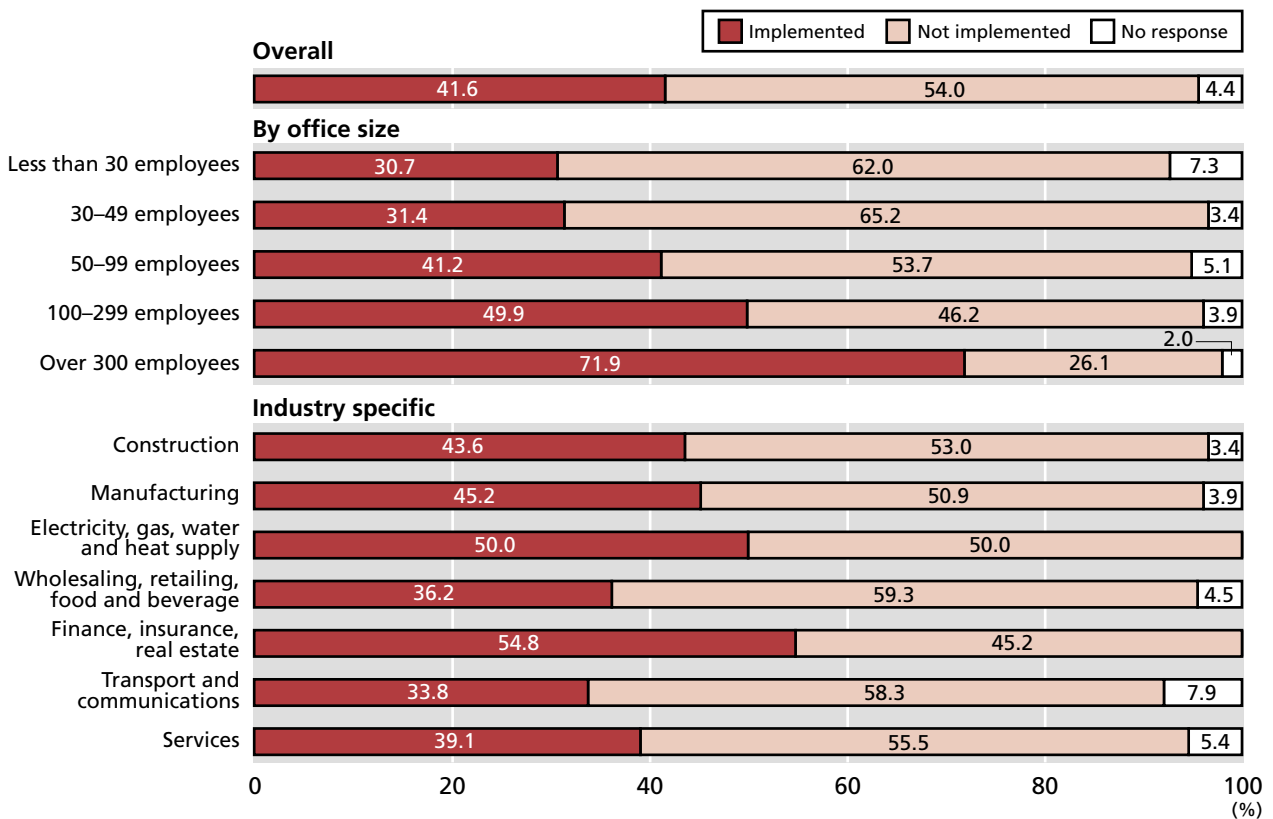
### 64.9% of Companies Implement Off-JT, and 41.6% Implement Planned OJT

According to the most comprehensive reference on Japanese in-house training, “Basic Survey of Human Resources Development” (Ministry of Health, Labour and Welfare), 64.9% of Japanese companies implemented Off-JT in FY2000, and 41.6% implemented “planned OJT.”

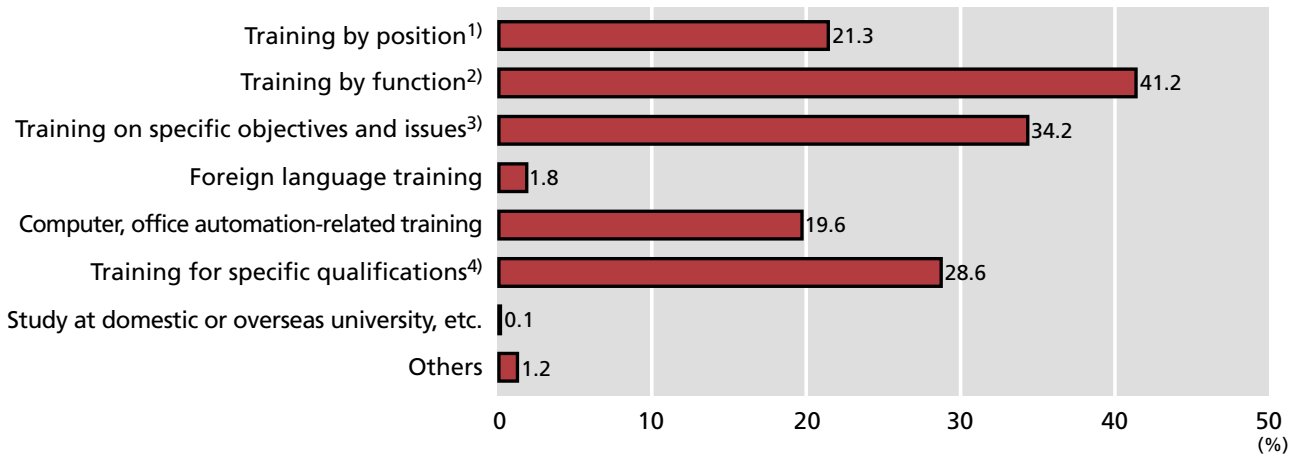
### III-22 Current Situation of Off-JT Implementation



### III-23 Current Situation of Planned OJT Implementation

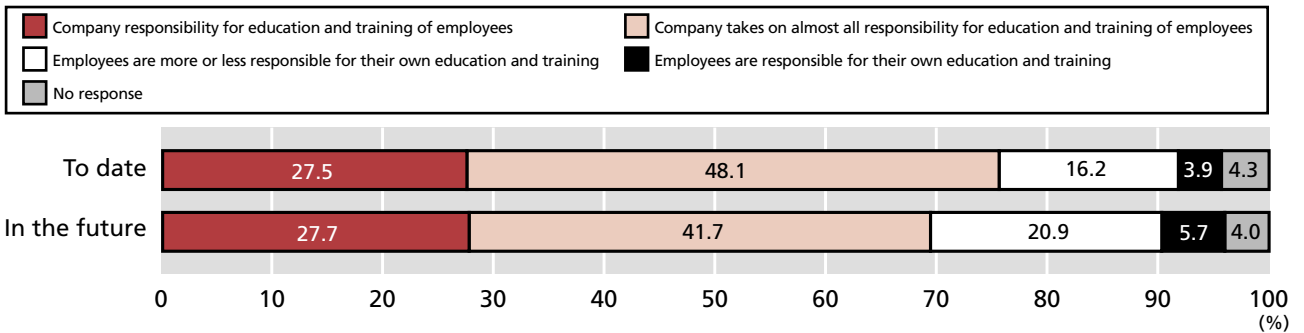


### III-24 Breakdown of Implemented Off-JT (multiple responses)

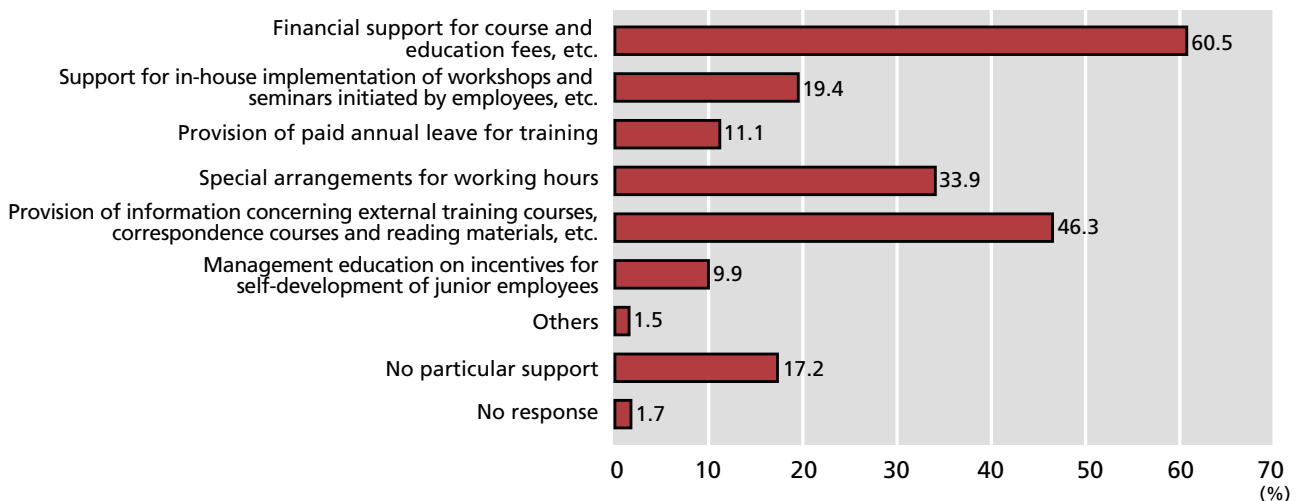


- Notes: 1) Training on different employee and managerial levels, including for new managers, and new employees.  
 2) Training to nurture expertise and job-related skills, including accounting, marketing, production management, safety and hygiene, CAD/CAM, etc.  
 3) Training to respond to specific objectives and issues regardless of corporate department, including presentation methods, international business, acquisition of International Organization for Standardization (ISO) certification, business manners, job transfer, etc.  
 4) Training for national examinations, technical qualifications, business association qualifications, private-sector qualifications and in-house qualifications.

### III-25 Responsibility for Skills Development



### III-26 Support for Self-development by Employees (multiple responses)



Source: Figure III-22~26 Basic Survey of Human Resources Development, Ministry of Health, Labour and Welfare, 2001

### Resignation

“Retirement” is a cause for the cancellation of labor contract relations, and is a general term applying whenever a worker leaves the company where he or she is employed (excluding dismissals). There are different types of retirement: “general resignation” and “resignation for one’s own convenience” take place when the worker unilaterally cancels the labor contract relationship; “resignation by agreement,” “resignation by employee’s request,” and “voluntary retirement” all occur through consent between worker and employer; and “retirement at the mandatory age” comes about according to rules in the labor contract, work rules in the company or collective agreement.

### Mandatory Retirement

According to a Ministry of Health, Labour and Welfare survey (*2002 Survey of Employment Management*), 91.5% of companies provide a mandatory retirement system; of those, 96.0% provide a uniform mandatory retirement system. Looking at the mandatory retirement age at companies with a uniform mandatory retirement system, 90.3% of companies have set the age at 60, and 99.4% of companies have a retirement age of age 60 or older. The Elderly Persons Employment Security Law provides that employers may not fix a mandatory retirement age under age 60; furthermore, the same law assigns to employers the obligation to make efforts toward developing a system of continuous employment to age 65. On this point, the previous survey shows that 71.0% of companies are taking some sort of measures like an extended service system or system of reemployment. However, about 60% of those companies where the applicable system is in-house have assigned the condition that “this is limited to those persons the company recognizes as particularly necessary.” As the age for pension disbursement gradually switches to 65 in the near future, employment of the elderly will become a problem of imminent importance even in Japan.

Incidentally, the mandatory retirement system ends the working relationship by reason of a worker reaching a specific age; and, while there is strong opinion that this is unreasonable or contradicts the idea of employment security, in a long-term continuous employment system based on seniority the mandatory retirement system is generally held to be rational. In court, too, it has not been decided that the mandatory retirement system violates the law (more precisely, “it does not violate public policy”). However, the recent high unemployment rates and long periods of joblessness accompanying the prolonged recession—and in particular age restrictions on the recruiting side preventing the reemployment of middle-aged and older workers—have become social problems, and recognition is circulating among experts that it is necessary to improve legislation prohibiting age discrimination. But even if age discrimination were clearly forbidden by law, though the mandatory retirement systems in use at most companies would become illegal, many problems would remain to be resolved, such as companies’ internal long-term and continuous employment systems, systems of treatment and evaluation, and the promotion of mobility in the labor market.

### Dismissals

In Japan, according to enacted laws, employers have the freedom in principle to dismiss workers. Also, in the Labour Standards Law, dismissals are only prohibited 1) during a period of leave for an injury at the workplace or illness, and during the 30 days following, as well as 2) for women, during the period of leave for pregnancy and delivery (Article 65 of the Labor Standards Law), and during the 30 days following; but dismissal itself is not prohibited.

However, dismissal contrary to the legal principle of equal treatment between men and women goes against the “public order” and is therefore invalid (Article 90 of the Civil Code). A further exception by law to the freedom of dismissal is that malicious or retaliatory dismissals, asserting or employing rights given by

existing laws, are prohibited as disadvantageous treatment (Article 3 and Article 104, Item 2 of the Labor Standards Law; Article 12, Item 2 of the Equal Employment Opportunity Law; Articles 10 and 16 of the Child Care and Family Care Leave Law; Article 7 of the Trade Union Law).

In Japan, the restriction imposed by the legal principle of “abuse of dismissal rights” has attained an especially important role. This principle, which has been established by precedent of the Japanese Supreme Court from about the mid-1970’s onward, is a legal theory that will examine and restrict the use of dismissal rights when an employer unilaterally cancels a labor contract with a worker. The Supreme Court stated, “the use of the right of dismissal by an employer shall become invalid, as a abuse of such rights, when lacking in objectively rational pretext or when it cannot be approved as corresponding to any socially accepted idea,” formulating the content of this principle. Further, the Court expressed that “even when there is a reason for general dismissal, the employer may not always be able to dismiss the worker. If the basis for dismissal in the specific situation concerned is remarkably unreasonable, or when it cannot be approved as corresponding to a socially accepted idea, the concerned expression of intention to dismiss shall be invalid as an abuse of the right of dismissal.” The court went on to present specific requisites and methods for interpretation of the principle. In short, this principle urges the careful consideration of all favorable circumstances for the dismissed worker before judgment, so as to avoid merciless dismissals.

### **Collective Dismissals for Economic Reasons**

The adjustment of employment in Japan is focused chiefly on the regulation of overtime, and is accomplished through measures not to bring grief to employees. As a step to eliminate permanent employees from the enterprise, this adjustment has not been made as long as the management situation is not terribly bad. The basis for this situation is that dismissals are, in actuality, difficult to carry out because Japanese companies have come to view long-term continuous employment as important, and the existence of the legal principle of “abuse of dismissal rights” supports this.

Regulations relating to collective dismissals are formed based on the above-mentioned legal principle of “abuse of dismissal rights,” and the following criteria must be satisfied or the dismissal will be illegal and invalid.

1) Are personnel cuts necessary?—It is not necessary for conditions to get to the point that collective dismissals must be made or the continuing existence of the company is in danger; it is sufficient that the management situation worsens such that a rational manager can adequately consider implementing collective dismissals. However, actions inconsistent with personnel cuts may considered requisites for the denial of such necessity. 2) Was every effort made to avoid dismissals?—Employers must look into implementing alternatives such as restrictions on overtime, reassignments and temporary transfers, freeze on new hires, layoffs, voluntary retirement, and cuts in part-time and other non-permanent positions. 3) Were the criteria reasonable for selection of dismissal candidates?—Criteria must be objective and impartial. Some examples are: numbers of late arrivals and absences, existence of a history of behavior in violation of work rules in company, and low impact of economic blow to workers such as those with no dependents. 4) Was every effort made to talk the situation over with workers or the labor union?—This is of course necessary when the collective agreement contains an item guaranteeing discussion of personnel matters; even when no such item exists, it is understood as necessary from the position of loyalty to the labor contract or labor-management relations. Specifically, there shall be adequate explanation and hearing of opinions regarding the events leading up to the collective dismissals, and the term and method of carrying out such dismissals.

The above legal principles of “abuse of dismissal rights” and collective dismissals are receiving criticism from radical economic scholars as being strict and rigid rules obstructing the flexibility of business activities and the labor market. On the other hand, these rules are becoming applied flexibly to individual dismissals, and there is the objection that they are neither strict nor rigid. Anyway, these legal principles are currently being examined in the debate over what dismissal regulations should be in the future.

## Disciplinary Dismissals

Work rules in the company generally provide the heading “disciplinary actions” for handing down punishments to persons such as those who violate workplace orders. Disciplinary actions are the personal sanctions or punishments that a company carries out against its own employee for the reason that the employee disturbed the order of that company. These actions are, from the most minor: warning, reprimand, official reprimand, salary reduction, suspension, counseled dismissal, and disciplinary dismissal.

Dismissals lend a great disadvantage to workers, especially in the case of a disciplinary dismissal; because the worker receives the evaluation of a person thrown out of a company for violating the order, that worker is at an extreme disadvantage when again looking for a job. However, if such a violator of the order is left in the company, it is possible that the productivity and daily business of the other employees

may be hindered. Accordingly, an approach is being taken that, while considering the disadvantage to the worker and the benefits to the company, rigorously judges the legal validity of disciplinary actions including the personal sanctions of disciplinary dismissal. In short, the following are necessary in the event of a disciplinary dismissal: ① the reason for action, and the type and degree of action corresponding to this reason, are specified in the workplace regulations, etc. (legal principle of *nulla poena sine lege*, or no punishment without a law), ② the issue has come up in the past, and the same type and degree of action were carried out (general principle of equal treatment), ③ the substance of the action is appropriate when held up against the type and degree of violation, and other circumstances (general principle of equivalence), and ④ the procedures of the action are fair (examination by a disciplinary committee, and an opportunity to defend given to the person in question).

### III-27 Ratio of Enterprises by Industry, Enterprise Scale, Retirement Age Class in Fixed Retirement Age System, Presence of Absence of Employment Expansion System, Re-hiring System, and Future Adoption

(%)

Industry, Size of enterprise	Enterprises which have a uniform retirement age system		Enterprises with such system				Enterprises with no such system	
			Total	Employment extension system only	Re-hiring system only	with both re-hiring and extended employment	Planning to introduce system	No plans to introduce system
Industries covered	[96.0]	100.0	71.0	14.7	42.6	13.7	8.1	20.9
5000 employees and over	[94.5]	100.0	76.1	3.4	68.7	4.0	8.3	15.6
1,000–4,999 employees	[96.8]	100.0	70.1	3.7	57.0	9.5	9.3	20.6
300–999 employees	[97.9]	100.0	67.6	5.7	52.3	9.6	8.4	24.0
100–299 employees	[96.8]	100.0	73.8	11.5	50.5	11.8	5.1	21.1
30–99 employees	[95.6]	100.0	70.5	17.1	38.4	15.0	8.9	20.6
Mining	[95.2]	100.0	66.1	13.6	37.3	15.3	3.4	30.5
Construction	[95.0]	100.0	79.9	20.7	40.1	19.1	4.6	15.5
Manufacturing	[98.1]	100.0	74.3	12.3	47.4	14.6	7.4	18.3
Electricity, gas, heat supply and water	[97.5]	100.0	72.1	4.1	62.9	5.1	11.7	16.2
Transport and communications	[92.0]	100.0	74.6	17.8	41.2	15.6	7.0	18.4
Wholesale and retail trade, eating and drinking places	[96.1]	100.0	69.0	15.6	41.1	12.3	7.8	23.2
Financing and insurance	[97.9]	100.0	61.8	4.0	54.3	3.5	10.4	27.8
Real estate	[93.2]	100.0	69.7	8.9	44.0	16.8	6.4	23.9
Services	[95.1]	100.0	60.8	14.0	36.7	10.1	11.9	27.3
2001 Survey Total	[96.4]	100.0	69.9	15.1	42.7	12.1	9.4	20.7

Source: *Survey of Employment Management 2002*, Ministry of Health, Labour and Welfare

Note: Figures in [ ] shows the ratio of enterprises which adopt uniform retirement age system among the enterprises that adopt retirement age system.