

INTRODUCTION

Structural Changes in the Labor Market and Governmental Policies

Special Focus

In 1998, Japan, which had enjoyed low unemployment of around one to three percent for many years, began to experience relatively high unemployment of around five percent. Repeated bankruptcies of large firms and financial institutions provided many workers with a reason to re-evaluate the Japanese labor market, in which long-term employment had been taken for granted for decades. This is the situation behind the 2003 revisions to the Labour Standards Law, which emphasized changes to fixed-term labor contracts and regulations concerning dismissals. Since then, measures addressing a heightened insecurity over employment have come to the fore as crucial responses for labor policies. This issue of the *Japan Labor Review* features three articles addressing this question.

Since the mid-1990s, an increasing number of large Japanese companies and financial institutions — for which bankruptcies had previously been considered unthinkable — have been driven into bankruptcy or have closed their doors. Since a majority of employees working in these big companies or financial institutions most probably had never considered this would happen to them, these bankruptcies and business closures created a growing sense of insecurity for the future. In general, it has been thought that, since large companies seldom conduct mid-career recruitment, older workers would find it more difficult to find a new job. However, it appears that the skills that employees acquire in financial institutions are not necessarily unique to particular firms, but can be used more broadly within the industry. Perhaps simply because there has been little employment adjustment in the financial sector, the labor market for experienced workers is not yet developed. The article by Professor Matsushige and Mr. Fukuda entitled “Re-entering the Workforce after the Collapse of a Securities Firm: The Role that Age and Skill Play” explores the re-employment of experienced workers in the financial sector by detailing the bankruptcy of a large securities firm that was representative of the sector. Their findings reveal that, unlike the widely accepted belief that age serves as a particular obsta-

cle to becoming re-employed, the main factor for employees of bankrupt firms was whether or not experienced workers searching for work are equipped with the skills and ability required in the labor market.

Japan’s Labour Standards Law, enacted in 1947, was substantially revised in 2003, with the revised version enacted on January 1, 2004. The primary targets were regulations dealing with fixed-term labor contracts, dismissals and discretionary-work schemes. The extension of fixed-term contracts from one to three years and the explicit statement that dismissals require reasonable justification are of particular importance. At the same time, initial government proposals for the revisions were subject to a number of corrections in the Diet, highlighting the friction that exists between those who favor deregulation and those who do not. In his article “The 2003 Revisions of the Labour Standards Law: Fixed-term Contracts, Dismissals and Discretionary-work Schemes” Professor Nakakubo provides the background for and explains the important features of the revisions to the Labour Standards Law.

Faced with an increase in structural unemployment, what measures has the government taken? And what future measures should be implemented? Professor Ohtake raises such questions in his article “Structural Unemployment Measures in Japan.” Active employment policies received little attention until the mid-1990s in Japan because the unemployment rate hovered at a low level, excluding the period immediately after World War II. Even so, several times in the postwar period unemployment policies have been highlighted. The first was the era of high unemployment immediately after the war. The second involved unemployment measures for coal miners who had lost their jobs, and the third, unemployment measures after the first oil shock, followed by five packages containing measures for the increasing numbers of unemployed workers since 1998. Finally, employment measures concerning bad loans were launched between 2002 and 2003. Professor Ohtake outlines these policies, and the changes in the nature of recent policies.

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