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General Survey

Economic Council Recommends New Plan;5-Year Plan for Achieving Better Quality of Life

On June 25, the Economic Council (Chairman: Gaishi Hiraiwa), which advises the prime minister, recommended to Prime Minister Kiichi Miyazawa a new economic plan containing the basic directions and specific measures and policies for economic management for 1992-96 five-year period. Replacing the current plan which will be completed in 1992, the new program is based upon a policy adopted by the new administration, with the Munich summit of industrialized democracies and the House of Councillors' election in mind. It was approved at a Cabinet meeting on June 30, just as Miyazawa left for the summit.

The new plan is the 12th to be adopted since the end of World War II. Preceding plans have all presented the pictures and issues of the times, as exemplified in the National Income Doubling Plan for the 1961-70 period submitted to the Ikeda Cabinet. In this sense, what is symbolic about the new plan, is the objective of attaining comfortable living conditions rather than higher productivity. Also, the average annual growth rate target set at around 3.5 percent over the next five years is, the lowest ever set.

Titled the "Five-Year Plan for Achieving Better Quality of Life-Toward Coexistence with Global Society", the new plan characteristically sets specific target figures representing a variety of policy goals. The pillar is transformation from a corporate-oriented society which gives top priority to efficiency toward a society emphasizing the perspective of citizens and consumers. Among other policy goals are long-term projects formulated by individual ministries and agencies, such as improving housing conditions and shortening of working hours.

The new plan sets forth two major goals, one "providing housing at five times a worker's annual income in metropolitan areas," and two "reducing annual work hours to 1,800."

"Purchasing a home for about five times a worker's annual income" constitutes the foremost goal of the new plan, targeted at high-quality homes located within commuting distance of one to one and a half hours from the metropolitan areas, such as the Tokyo area. To achieve this goal, the new plan calls for promotion of comprehensive land measures and specifically proposes adequately setting the rate for fixed asset taxes, substantiating land utilization plans and regulating speculative land-related financing.

As for shorter work hours, the council urges the government to attain the goal of annual average working hours of 1,800, which remains as a goal to be achieved in the present plan. Toward this end, it points out the need to switch to the 40-hour workweek as soon as possible.

Furthermore, the plan calls for development of an environment which allows everyone to participate in social activities. Specifically, it calls for the government to insure that the Equal Employment Opportunity Law takes root and calls for further study of the Law from a broad perspective. It is felt that this will drive home the spirit and the letter of the Law, and in the process related laws and ordinances as well as guidelines will be reviewed, as needed. To this end, the council urges the government to specifically study abolition in future years of future years of protective measures for women stipulated in the Labour Standards Law (LSL), with the exception of maternity protection measures. Also, it calls for full implementation of the Childcare Leave Law.

In addition, the plan proposes that effective measures be taken to diffuse the domestic-care leave system, including its legalization. It also states that the 60-years of age retirement should become fully established by 1993 and that continued employment by encouraged until the age of 65 through extended employment and the reemployment programs.

To secure employment options for disabled persons, employment quotas should be appropriately utilized so as to attain the legally prescribed employment quota at all enterprises, the council says. It also calls for elaborate measures to promote employment according to the kind and degree of a handicap.

The plan further calls for building of a society which accepts different values, cultures and customs. Toward this end, society as a whole needs to respond to the need for active promotion of personnel as well as cultural exchanges, educational exchanges, etc.

The plan calls for hosting as many foreign workers in professional and technological fields as possible. On the other hand, the plan is cautious toward study acceptance of unskilled workers from the mid-and long-term perspective, which it says, could have an enormous impact on the Japanese economy as well as on the countries from which the workers come and on the workers themselves.

As for the foreign workers issue, from the standpoint of contributing to an international society through "fostering of human resources," not from the viewpoint of filling the labor shortage, the plan proposes the inauguration and development of what it calls the "skills

practical-training system". Under the proposed system, foreigners from developing nations and other regions will undergo training for a certain period at Japanese firms and have their skills evaluated to insure that they have reached a certain proficiency. After that they will continue on-the-job training under formal employment contracts.

Working Conditions and the Labor Market

Long Vacation and Employer's Legal Right to Revise Schedule

Japanese workers put in an average of 2,008 hours in fiscal 1991. Annual working hours have yet to reach levels in Western nations, although progress in reducing working hours is taking place. It is pointed out that long average annual working hours are attributable to a low percentage of annual paid holidays taken as well as long non-scheduled hours.

In view of this, the government recommends that labor and management take consecutive holidays through the active utilization of annual paid leave. Such holidays could be taken during the period from the end of the year to the beginning of the year when people celebrate New Year's days, in early May when there are many national holidays and in August when people return to their homes to pay respects to their ancestors.

Labor and management, on the other hand, are endeavoring to substantiate consecutive holidays. As a result, a growing number of firms have in recent years combined regular holidays with annual holidays and special vacations and have given employees consecutive holidays lasting seven to ten days during the periods stated above. However, few corporations offer employees 20-to-30-day-long consecutive holidays as in Western nations.

Under these circumstances, the nation recently witnessed a ruling on labor practices which received much attention. The case is based on a 1980 incident, in which a reporter of a news agency was punished for not fulfilling his work duties by taking a one-month paid holiday that was not approved by the company. He then filed a lawsuit with the district court, asking for cancellation of the punishment.

The Supreme Court made a third ruling on the case on June 23. In the first ruling the district court accepted the company's contention; in the second ruling, however, the high court accepted the reporter's contention. The top court decision received much attention against the backdrop of recent movies to promote shorter working hours.

Japan's annual paid leave system has its legal base in the Labour Standards Law. The

Law stipulates that workers have the right to take annual paid holidays of 10 to 20 days, as a rule, according to their years of service.

Furthermore, the Law states that employers must, as a rule, allow employees to take vacations when they want. The Law, however, stipulates that employers can ask employees to revise their vacation schedules only when vacations would negatively affect operation of the business.

Under these circumstances employers have the right to order a change in the timing of the vacation. In this case, the reporter applied for a month-long vacation and the company found it difficult to get a long-term substitute for him during the latter half of his vacation. The company executed the right to change his schedule, contending that the month-long absence would cause serious business inconvenience.

Thus, when the employee took the full month vacation, the company concluded that he had not fulfilled his job duties. The problem was whether the company has the legal right to revise the employee's vacation schedule.

The top court decided that the employer has the legal right to change an employee's vacation schedule when it is acknowledged that allowing the employee to take a vacation when he or she wants would prevent business from operating adequately. It added that under certain circumstances, it is difficult for the employer to secure a substitute for the employee on vacation. The longer the vacation, the greater the need for the employer to make prior coordination of his business plans with other employees' vacation plans. When the worker asks for a vacation without making such prior coordination, the employer has the legal right to change his or her vacation schedule.

Thus, the top court rejected the employee's argument that the company's punishment constituted an illegal labor practice. Already, many firms hold prior labor-management consultations to allow workers to take planned annual vacations.

In addition, there is a tendency for vacations to become longer. Prior labor-management consultations are widely practiced in Western nations. The top court ruling is seen as endorsing such Western practices.

Shorter Working Hours Bill Becomes Law

The "Tentative Measures Bill Concerning Promotion of Shorter Working Hours (Shorter Working Hours Promotion Bill) "was approved at plenary session of the House of Councillors on June 19. Japanese employees work longer annual hours than their counterparts in Western nations. In 1991 they put in total annual hours averaging over 2,000.

In the new five-year economic plan for 1992-96 designed to make Japan a quality-of-life-oriented country, the government clearly set the goal of 1,800 average annual working hours." The five-year Shorter Working Hours Promotion Law is intended to encourage government, enterprises and business groups to make efforts toward attainment of the goal.

The gist of the Law includes the following. First, the Minister of Labour formulates a Project for Promoting Shorter Hours and has it decided upon as a government plan at a Cabinet meeting. Second, the government encourages the employer to establish a joint committee for promoting shorter hours consisting of both labor and management. Third, local business organizations can draft a shorter working hour plan by type of business and have it approved by the Ministry of Labour and other ministries concerned.

The Project for Promoting Shorter Hours to be formulated by the Labour Minister will clearly state the goal of shorter hours. In addition, administrative guidance designed to assist the employer and guide the employer will be specified. Moreover, the government will make necessary requests to related administrative organs and employers' organizations for implementing the project.

At the firm level, the employer can inaugurate a committee to discuss shortening of work hours with employees. Half of committee members will be comprised of representatives from labor and decisions will be made through the approval of all members.

To promote shorter hours at the level of business organizations, individual regional business groups will draft plans for implementing reduction of working time and will enter in the plan goals to be achieved, measures to achieve shorter hours and the period of implementation. Prefectural directors of labour standards bureaus as well as governors will hear views and opinions from related local labor groups to approve of the plan. They can coordinate with the Fair Trade Commission to see if the plan violates the Anti-Monopoly Law, in particular restriction of cartels. If the plan is found to violate the Law, instructions may be given to alter the plan.

Thus, the new Law is designed to consolidate formulation of the government plan for "attaining annual average working hours of 1,800 " and the mechanism by which firms and regional business groups tackle the issue. To achieve 1,800 hours, revision of the LSL which regulates maximum working hours and overtime work is also under study.

**WELCOME TO THE JAPAN
INSTITUTE OF LABOUR**

Japan-China Labor Exchange Project

Vice President of the China Association for Labor Studies, Yue Guang Zhao and five officials of Labor Ministry, The People's Republic of China (May 27-June 10)

Top Labor-related Leader's Invitation Program

Hungarian Minister of Labor, Kiss Gyula and three officials of the Ministry of Labor (May 23-27)

International Labor Information Project, 17th Liaison Meeting

Ten Participants from Australia, Brazil, Hong-Kong, Republic of Korea and U.S.A (June 8-15)

Prospective Trade Union Leaders Invitation Program

Four leaders from Communications Workers of America (CWA) (June 16-July 3)

Special Topic

IS THE JAPANESE LABOR MARKET DUAL STRUCTURED?

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Are Wages for Small Business Employees Exceptionally Low?

Conventional views are that wages in Japan's smaller firms are exceptionally low as compared to those large ones and that large companies alone benefit from what is called Japanese-style human resource management and, for example, high wages.

Indeed enough with basic monthly wages in firms with 500 and more employees as 100, they are 80 for enterprises with 100-499 employees, 69 for those with 30-99 employees and 65 for those with 5-29 employees (Ministry of Labour, *Monthly Labor Survey*. September 1991).

However, there is a considerably wide gap in ratio of female workers between large corporations and smaller ones. Let us look at wage difference for male workers. With wages of male workers at enterprises with 500 and more employees as 100, those are 88 (100-499 employees), 80 (30-99 employees) and 79 (6-29 employees). The gap now is less great.

Furthermore, there is a difference in wages for male workers by educational background in accordance with company size. By firm size, taking as 100 basic wages for male with college degrees at firms with 1000 and more employees, those stand at 86 for medium-sized firms (100-999 employees) and 76 for smaller firms (10-99 employees). And, when basic wages for male workers with high school background at large firms are taken as 100, these are 85 for medium-sized firms and 77 for small-scale firms (*1990 Basic Survey on Wage Structure*).

Thus, controlling for the factor of educational background, you can get less narrow gap between basic wages of larger and smaller companies.

Japanese wages are closely correlated with length of service. If average length of service for workers at smaller firms are fewer than those for workers at large companies, the mean value of wages will be lower. In order to see if there are wage differentials between workers at several scales of firms where their length of service are the same, let us take up those "standard" workers who have not changed their employers at the same company since leaving school.

Taking as 100 basic wages for standard male workers with high school diplomas and in the 40-44 age group at large firms, they are 90 for middle-ranking ones and 88 for smaller firms. Basic wages for standard male workers with college degrees and aged between 40 and 44 are 84 for medium-sized firms and 80 for small firms. The gap is smaller still.

Many of those firms in the finance and insurance sector which offer high wages are large. To eliminate this effect, let us look only at the manufacturing industry. Are there wage gaps according to firm size for male production workers (40-44 years old and high school degree) in the manufacturing sector? With a wage for those in large firms as 100, it is 96 for those in middle-ranking firms and 83 for those in small-sized firms. Now, the disparity becomes even smaller.

The dispersion must be taken into account. When you talk about the dual structure, you mean wages for all workers in smaller-scale companies are always be lower than those for workers in large companies. However, this is no longer true when the dispersion between workers is taken into consideration.

As shown in the Table at least a quarter of workers at large firms receive less wage than a quarter of workers at small firms. We have, yes, the graduation but do not have the polarization.

Table Age-wise Scheduled Wage for Standard Workers with High School Degrees in Manufacturing

(Month/¥1,000)

	Large Firm (1,000 and more employees) first quartile	Small Firm (99 and fewer employees) third quartile
25 (years old)	187.1	184.5
30	218.5	260.5
35	240.5	288.6
40	270.8	290.3
45	316.8	335.2
50	323.2	387.0
55	283.3	353.0

Source: 1992 Basic Survey on Wage Structure

Poor Working Conditions at Firms without Labor Unions?

Companies with labor unions provide better working conditions; those without labor unions have poor working conditions; thus we have the dual structure. Is this true?

In Japan, larger corporations boost wages with considerations taken into their cash resources. Smaller-scale corporations do so with more emphasis on securing their workforce.

When the expanding economy triggers a labor shortage, smaller firms in many cases tend to raise wages to assure their workers (See A Ministry of Labour *Survey on Wage Increase*). The smaller the company size, the more often do they increase wages by reference to those offered by businesses located in the same areas. In fact, there has been virtually no gap in the annual wage increase rate between major firms and smaller ones for those twenty years.

True, reports are often published announcing working conditions are better at firms with labor unions than at those without. But these only show the difference between the large and

the smaller-scale companies. Practically no researches show that with such factors as firm size, industry, job category and length of service controlled for, unionized firms provide better working conditions than non-unionized ones.

Many Japanese smaller firms have labor-management committees and suggestion programs even though they have no labor unions. According to the 1988 *Survey on Labor-Management Communication* conducted by the Ministry of Labour, 50.5 percent of smaller firms with 10-99 employees have labor-management consultation organs. 71.7 percent held workshop meeting and 39 percent suggestion programs. Of these with workshop meetings, 76.2 percent of meetings discuss daily business operations and 39.7 percent talk about corporate policy, production schedules and sales plans.

Whether workers' discontent at non-unionized firms can be conveyed to the employer depends in Japanese companies. The They-We relationship between superiors and subordinates is hardly clear, and workers' grievances tend to be conveyed directly to the superiors. In the same survey mentioned above, 71.5 percent of the workers polled let their company know their dissatisfaction, if they have, through their immediate bosses and only 19.5 percent did so through labor unions.

Are Non-regular Employees the Under Class?

Other vulgar views argue that Japanese companies assure regular employees good working conditions, while they put non-regular employees under harsh labor conditions and that there is an evidently wide gap between the two categories of workers, thus constituting a layered labor market.

Do Japanese corporations really try to restrain rising labor costs by increasing the number of non-regular workers whose costs are lower? A 1990 Ministry of Labour *Survey on Wage Increase* found that only 1.7 percent of enterprises give top priority to "switching to hiring of part-time workers, subcontractors and peripheral workers" as measures against increased personnel costs resulting from wage hike. 63 percent listed "boosting sales and developing new products" as their top measures.

Thus, few enterprises want to increase the number of workers with low labor costs. 11.4 percent seek to "introduce and expand machinery equipment to downsize the workforce." This may affect the workers but not the non-regular workers alone. 3.3 percent of firms trying to "revise the wage system seek to restrain overall personnel costs.

Are the majority of temporary workers quickly dismissed? According to a 1990

Employment Trends Survey carried out by the Ministry of Labour, only 1.8 percent of males and 1.9 percent of females of temporary workers left their work to management decision. Fifty-four point six percent of the males and 65.4 percent of the females left their jobs at their own accord.

It is a fallacy to assume that non-regular workers concentrate in small-and medium-sized firms with poor working conditions. 26.6 percent of part-timers are employed by firms with 300 and more workers (Ministry of Labour, *Employment Trends Survey*, 1988).

Does the Internal Labor Market Exist in Large Companies Alone?

Whereas large corporations have an internal labor market with the intra-firm promotion and lifetime employment system, workers in smaller firms move from one small enterprise to another small one. They remain out of the closed labor market of large companies. Once workers leave a large firm, all they can do is move to smaller firms. This is a popular view of the dual-structured labor market.

Is the number of out-going workers small at larger companies and large at smaller firms? The *1990 Employment Trends Survey* said that the percentage of job leaving (the proportion of separated workers to workers on the payroll) stood at 12.6 percent for large corporations with 1,000 and more employees. The rate was 15.2 percent for firms with 300-999 workers, 16.3 percent for those with 100-299 workers and 18.7 percent for those with 30-99 workers. The smaller the size of the company, the higher the rate of out-going. The rate, however, is not so high as to represent a "notable" gap between the firms.

Do those who change jobs always switch only to smaller companies than the previous firms? Looking at the above survey in which company size is divided into five different stages, 41.0 percent of workers who quit their jobs switched to larger firms, 31.9 percent moved to firms of the same size and only 27.1 percent changed to smaller corporations.

Thus the realities does not confirm the conventional view that Japanese workers, once losing their employment, cannot find jobs at larger firms whose labor market is closed to the outside world and cannot help but join smaller companies and that therefore those who repeatedly change jobs are concentrated in smaller to tiny enterprises to form the under class of the labor market.

What about another traditional view that younger workers can switch to larger corporations but elderly people have no alternative but to change to smaller firms? In the same survey, 42.6 percent of 20-29 year-olds who changed jobs moved to larger companies,

and 29.2 percent to smaller firms.

On the other hand, of workers between the ages of 45 and 54 , who switched their jobs, 37.2 percent changed to larger corporations and 28.4 percent to smaller firms. There is little difference between the two age brackets, and it is thus difficult to say that large firms close their doors to older persons.

Are Woman Workers Quickly Dismissed?

According to a traditional view of the dual-structured labor market, Japanese society is male-oriented and male workers are protected under Japanese-style management, while female workers are always victimized under the system.

What is the ratio of those female workers fired for managerial reasons to all female workers who left their jobs? The *1990 Employment Trends Survey* revealed that a meager 4.0 percent of separated female workers left due to managerial reasons. Even if those who left work because of termination of their contract period are included, only 8.3 percent did so due to managerial reasons.

On the other hand, the percentage of separated male workers fired for reasons stood at 8.4 percent, larger percentage than for females. Including those who left their jobs because their contract period was terminated, the percentage shot up to 15.5 percent, again greater than that of female workers.

Including among separated workers are those who are transferred to in-group firms with their working conditions remaining substantially the same. With these workers excluded, only 3.2 percent of female left work due to corporate decisions.

Do Smaller-scale Firms Remain Small?

Japanese small-and medium-sized companies are subordinated to large firms and cannot grow larger despite their strenuous efforts. Therefore, those working for smaller firms lack independence and find nothing to work for. Is this true?

The erroneous image that all Japanese manufacturers are subcontractors must be abandoned. And even subcontracting companies tend to increase the number of customers and scatter their order receipts among these customers (MITI's *Basic Survey Manufacturing Structure and Activity*). Many venture businesses in the manufacturing sector are not affiliated with large companies. Rather many conduct information exchanges, technological tie-ups, sales tie-ups and research and development tie-ups with large companies on an equal

footing (Survey by the Center for Fostering Research and Development Oriented Firms).

Smaller firms whose sales are growing are also witnessing a steady growth in employees. According to our survey which examined growing smaller-companies (Employment Information Center's *Survey Report on Local Firms and Their Workforce, 1991*), 68.1 percent of the growing smaller local corporations cited their growth strategy as the most important factor hiring qualified employees. 56.3 percent stressed "no relocation policy" as a favorable factor not found in large firms. Only 12.5 percent of employers replied that "unless we treat employees harshly, they will be indulgent." 76.9 consider "employees as family" and 65.1 percent said that they would "continue to employ their workers as long as possible."

Twenty to thirty years ago, some of today's large companies were smaller companies. There is no evidence whatsoever that such a state will no longer occur in the years to come. Despite the traditional view that once one enters a smaller firm, it is impossible to enjoy working conditions comparable favorably to those offered by a large company, many employers and workers in small companies make all-out efforts, working day and night, to make their companies larger.

Indeed, there are many small corporations which provide good working conditions which can stand by comparison with those offered by large businesses. To be sure, average smaller companies are inferior to large ones, particularly in terms of fringe benefits.

But buying two suits of the same size for two persons, one 180 cm tall and the other 140 cm tall, because they are an average of 160 cm tall, would be ruinous. Looking at the average only would make it unable to see diversified realities. Thus, you must not compare the average workers of one labor market structure, if any, to those of another and stop there. Still more, one should avoid regarding the unluckiest case as the most typical example many Marxist-oriented labor researchers and Japan bashers love.

Statistical Aspects

Recent Labor Economy Indices

	April 1992	March 1992	Change from previous year
Labor force	6,583 (10 thousand)	6,502 (10 thousand)	64 (10 thousand)
Employed	6,441	6,350	66
Employees	5,077	5,053	109
Unemployed	132	136	-4
Unemployment rate	2.0 %	2.1 %	- 0.1
Active opening rate	1.17	1.22	- 0.26
Total hours worked	173.0 (hours)	166.9 (hours)	- 1.8*
Total wages of regular employees	269.3 (¥thousand)	265.1 (¥thousand)	3.1*

Source: Management and Coordination Agency, Ministry of Labour.

Notes: 1. * denotes annual percent change.

2. From January 1991, data of "Total hours worked" and "Total wages of regular employees" are for firms with from 5 to 30 employees.

Fig.1 Men's wages by industry and age (Establishment and educational attainment covered)

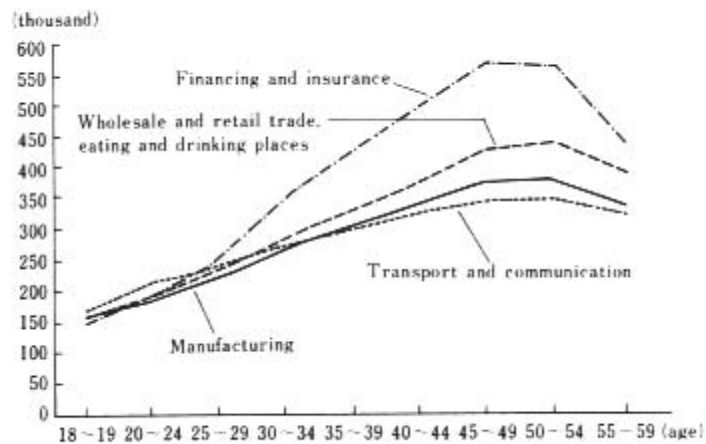
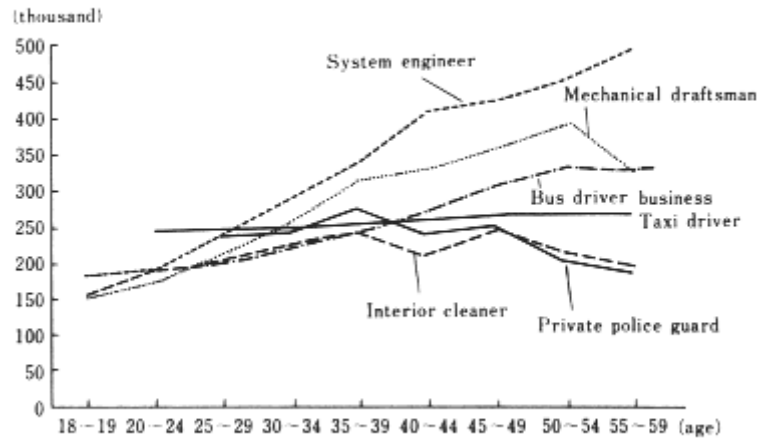


Fig.2 Men's wages by occupation and age(Industry and size of establishment covered)



Source: Material released by Ministry of Labour