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## General Survey

### 1991 Social-Security Benefits Top the 50 Trillion yen Mark For the first Time

Social security benefits paid in fiscal 1991 topped 50 trillion yen for the first time, according to a survey conducted by the Social Development Research Institute, an auxiliary organ of the Ministry of Health and Welfare. Social benefits, such as the pensions, medical-care insurance and welfare assistance allowances, are paid to recipients under the social security system. Pensions accounted for over half of total benefits. Benefits for elderly people rose 7.6 percent and topped 60 percent of the total, thus clearly reflecting the rapid aging of the nation's populace.

Total social security benefits increased by 2.98 trillion yen, up 6.3 percent over a year earlier, to 50.922 trillion yen. The analysis of social-security expenditures shows that pension benefits totaled 25.833 trillion yen, up 6.5 percent over the year before, accounting for 51.6 percent of the total, with this share of the total rising every year. Medical-care insurance benefits, on the other hand, represented 19.325 trillion yen, up 6.1 percent from the previous year, accounting for 38.6 percent of the total. "Others," such as welfare assistance and children's allowances, were 4.934 trillion yen, up 6.1 percent over the year before, making up 9.9 percent of the total.

Benefits for elderly people, which include the pensions, health insurance and the welfare services, amounted to 30.233 trillion yen, up 7.6 percent over the year before, accounting for 60.4 percent of the total. Old-age welfare service benefits, among others, showed a sharp year-on-year growth of 14 percent. Per-capita benefits rose 5.9 percent from the year before to 404,000 yen topping the 400,000yen mark for the first time. Per-household benefits were 1,227,000 yen up 5.6 percent over the previous year.

## Working Conditions and the Labor Market

### Migrant Workers Find Fewer Job Offers

Poor rice crops are further exacerbating the economic recession. With the winter migrant-labor season coming up, farmers find it hard to land jobs.

During the off-season, core-workers in farming, tend to head for employment in the manufacturing and construction sectors in big cities, such as Tokyo and Osaka, for a specific period of time. Those who work outside their home town for over a month and less than a year and then return home are generally termed *dekasegi* (migrant workers). Particularly,

Hokkaido and the Tohoku region are noted for the large numbers of migrant farmers. The number of migrant workers gradually diminished as Japan's economic success spread to farm villages. However, according to the Ministry of Labour's Employment Security Bureau survey, in 1992 migrant workers still numbered 164,600 throughout the nation. Of these, 96,900 were from six prefectures in the Tohoku area, accounting for about 60 percent of the total. By prefecture, Aomori ranked first with migrants numbering 47,380, or about 30 percent of the total. Hokkaido ranked second with 28,600, followed by Akita with 28,000.

The rice crop yield was hard-hit by an unseasonably cold summer as well as typhoons, resulting in the worst harvest in the post WW II era. This prompted farmers to give up on harvesting and migrate to work in big cities earlier than usual. The number of farmers forced to work in large cities despite old age and poor health is also expected to rise.

The survey found that new job offers for migrant workers numbered 35,526 in the July-September 1993 period, down 24.4 percent from a year earlier. The analysis of new job openings showed 21,019 in construction (a drop of 15.3% from the year before), 8,993 in manufacturing (down 47.5% from the previous year) and 5,614 in other sectors (up 7.4% over the year before). The number of job applicants, on the other hand, stood at 20,058, down 21.2% from the previous year. In the July-September period, 8,054 migrant workers found jobs, down 32.3 percent from the previous year. Of the 8,054, 2,976 took construction jobs (down 4.8%), 4,376 manufacturing jobs (down 46.2%) and 702 other jobs (down 24%).

## Human Resources Management

### **Cases of Sexual Harassment: Survey Commissioned by Ministry of Labour**

In September 1991, the Ministry of Labour commissioned the Foundation for 21st-Century Professions to launch a "Study Group Regarding Female Employment and the Communication Gap" (Head: Prof Akiyoshi Okuyama at Seijo University) to do study and research the subject. Since then, the Study Group had been conducting a survey to gain deeper insights into the realities of the perception gap between men and women and a communication gap which present an obstacle to women's demonstrating their abilities in the work place.

The survey, unveiled in October 1993, covered 1,000 firms with 100 and more employees and 992 female regular employees at these companies.

In order to actively utilize the potential of female employees, what do companies stress in their employment administration? According to the survey, 63.6 percent of the firms cited

"fostering women workers in their daily duties through such measures as explaining the meaning of a job and providing adequate guidance when mistakes are made". This was followed by "giving responsible work to women" (54.3%), "positively considering women workers' views and opinions" (52.6%) and "assisting women workers, as occasion demands, when necessary to negotiate with clients and business associates" (43.9%). The survey thus shows corporations are endeavoring to bring out the potential of their women employees.

Meanwhile, 78 percent of those women who said they "have work-related problems" were asked what they wanted the company to do for them. The highest percentage replied "want explanations of what the job is about or adequate guidance regarding errors made." The importance of giving "proper work-related guidance" is recognized by the company but to a seemingly inadequate extent when viewed from perspective of women employees.

What women employees wanted the company to do for them also included "Don't ask us to do odd jobs and run private errands for male employees," "Raise consciousness of managers and male employees," "Consolidate a system to help women employees balance work and family" and "Assign or relocate to allow us to foster broad-based vocational ability". Each of these was cited by 40 percent of the respondents. Companies seem to consider all these requests from women employees less important than women do.

Regarding women workers' problems which seem ascribable to male employees' speech and conduct, 42.9 percent of the surveyed cited "Are asked to do odd jobs and run private errands for them," followed by "Bring up in conversation one's appearance and age, married or unmarried and being pregnant," (29%), "Mention 'behave womanly,' 'women have an advantage,' 'women never understand work'" (24.8%) and "Are forced to pour sake or entertain at a party or on a company trip" (24.2%).

In the past two years, 25.7 percent, or nearly one out of every four women workers, had uncomfortable gender related experiences at the work place. More specifically, "Was made a victim of gender related jokes and teasing" and "Were touched by someone," which together account for the highest percent-76.4 percent and 72.5 percent, respectively-of all women surveyed. These were followed by "Was persistently approached, say, for dinner unrelated to work" (36%), "Was shown a nude picture," "Was given the unpleasant look" (31.7%), "Received a gender related invitation" (18.4%) and "Received a sexually-implied letter or phone call" (13.7%).

As to who was to blame for women employees' unpleasant experiences, bosses were mentioned by the largest numbers, followed by superiors and co-workers.

## Labor Management Relations

### Labor & Management Call for Income Tax Cuts

Prime Minister Morihiro Hosokawa decided to push for a significant tax cut starting in January 1994. Tax cuts will precede measures to finance the reduction, including an increase in the consumption tax rate, the centerpiece of a debate. Modification of tax policy is aimed, in part, at pulling the nation out of a serious economic recession, which appears likely to be worse than the 1987 *endaka* (high yen) slump.

Rengo (Japanese Trade Union Confederation) had earlier insisted that the income tax be cut to bolster the flagging economy as a priority-based policy issue. Out of a growing sense of crisis amid the prolonged recession, individual business organizations, such as Nikkeiren (Japan Federation of Employers' Associations) and Keidanren (Japan Federation of Economic Organizations), reacted to labor moves and stressed the need for income tax reductions.

Noteworthy was the fact that Rengo and Nikkeiren joined hands in calling on Prime Minister Hosokawa to slash income taxes. On November 5, Akira Yamagishi, president of Rengo and Takeshi Nagano, chairman of Nikkeiren, visited the Prime Minister's Official Residence and strongly urged Hosokawa to implement income tax cuts of at least 5 trillion yen by the end of the year. This is the second such joint proposal made by both labor and management since July 1990, when the two bodies urged the then Prime Minister Kaifu to correct the price disparity between Japan and other countries. Amidst an economic environment far worse than the 1987 *endaka* recession, Yamagishi and Nagano both agreed that a significant income tax cut is the only option left to boost the failing economy. In their joint proposal, Yamagishi and Nagano recommended that income tax cuts of more than 5 trillion yen be carried out by the end of 1993. They cited steps, such as issuing short-term government bonds, cuts in state spending through administrative reform and an overhaul of expenditures such as budget distribution to finance the income tax breaks.

This indicated their view that a consumption tax hike should not be made to raise funds to cover income tax cuts for the time being. But this also indicated calls for financing the income tax reductions through drastic, medium- and long-term reform of the taxation system. It thus suggests that rising of the consumption tax will be studied in the future debate over tax system revisions.

The government's Research Council on the Tax System earlier recommended that the government simply raise the consumption tax to finance an income tax cut. However, the

Social Democratic Party of Japan and Komeito, both members of the ruling coalition government remain opposed to increasing the consumption tax, making it difficult for the debate over the tax system revision to be concluded by the end of this year or early next year. It is also difficult to decide when the income tax cut will be implemented and leave undecided where revenues to finance the reduction will come from. Thus it is expected that over the next few months Diet debate will center on the specific timing of the income tax cut and the consumption tax hike.

## International Relations

### Japan-EC Seminar and Stockholm Symposium Held

In Western Europe, currently plagued by a prolonged recession and high joblessness, there is growing concern over employment.

In this situation, two different conferences were held in the fall of 1993. One was the Japan-EC seminar in Brussels, Belgium, on October 20 and the other, a symposium on the labor market in Stockholm, Sweden, on October 22. Below is a report on the two meetings.

The Japan-EC Seminar, co-sponsored by the European Community (EC) Commission, the Ministry of Labour and the Japan Institute of Labour (JIL), gathered to deepen mutual understanding on the subject of employment of the elderly. Both Japan and EC nations are faced with ever-aging populations and share some problems, such as ways to offer older persons job opportunities and how to improve social-security benefits. Above all, how to finance social-security benefits is a common issue for both Japan and Western Europe. Foreseeing bleak prospects for pension revenues, Japan is in a situation in which labor and management are at loggerheads over raising of the pensionable age and other pension scheme revisions.

The EC noted that the majority of European nations spend over 25 percent of their GNP on social-security benefits, thus stressing the heavy public-sector burden. Therefore greater dependence on private-sector benefits and modifying the compulsory retirement age are being encouraged to reduce the public-sector burden, it pointed out.

What should be noted about employment of elderly people? On this subject, the Japanese side reported that corporations had so far conducted employment management based only on the age of older persons, ignoring their ability and willingness to work. The EC side, meanwhile, stated that individual EC nations had coped adequately with a high jobless rate by introducing early retirement, thus stressing the need to take comprehensive measures to

deal with older persons in the coming years.

In the session that followed, Japan's labor and management expressed their respective views rising of the pensionable age. Representatives from management favored raising the age at which a pensioner can start receiving benefits, while on the other hand, labor representatives expressed the view that they cannot accept the change unconditionally since the employment environment for the elderly remains problematic. EC labor representatives criticized moves toward encouraging private pension funds within the EC, calling for governments to provide their citizens with minimum levels of economic security. EC management representatives, who actively utilize elderly workers, clarified their view that "wages for the aged do not necessarily have to be higher than those of younger workers."

Meanwhile, Stockholm University jointly sponsored, with JIL, a symposium on the labor market with the objective of looking to Japan for lessons to be learned in re-engineering the Swedish labor market. The longest and worst recession in postwar Swedish history has made it impossible to sustain the country's commitment to a welfare policy that previously had been a source of national pride. Therefore, the nation is presently seized by a proposal to cut pension benefits and unemployment pay. Looking to Japan which has weathered two oil crises and the strong-yen slump, the participants actively engaged in discussions regarding low unemployment and wage determination which curbs inflation.

## Public Policy

### Part-Time Labor Law

The Part-Time Labor Law came into force on December 1, 1993. The Law is designed to improve the employment management of part-time workers as they are on the increase along with development of the service economy. The Law characteristically defines part-timers as "those who work shorter weekly scheduled hours than regular workers employed at the same establishments". The new Law also stipulates; first, that the employer should issue a document describing working conditions of part-time workers; second, that the employer should hear the views and opinions of those who represent the majority of part-timers when necessary to establish or change rules of employment; and third, that the employer should select a person who manages employment of short-time workers. All these provisions are those for the employer to endeavor to observe. The new Law does not incorporate penal provisions for employers who violate the Law, but aims to impart a legal base for "Guidelines Governing Part-Time Work" and thoroughly inform the public at large of various provisions formulated in the Guidelines.

In the Guidelines issued in June 1989, the Ministry of Labour stipulated matters both labor and management should note regarding working conditions for and employment administration of part-time workers. Thereafter, Guidelines were consolidated through deliberations at the Council on Women's and Minors' Problems, and in September 1993 came the new draft Guidelines which called on businesses to improve the employment management of part-timers. The details are almost the same as those in the former Guidelines. The Law obligates the employer to issue a notice of employment to the part-time worker, consolidate rules of employment and select a person who manages employment of short-time workers. Also, the Law provides that the employer be given advice, guidance and recommendations as occasion warrants.

Furthermore, the Short-Time Labor Assistance Center (Part-Time Labor Center) will be inaugurated in April 1994. It will offer employers and part-timers such services as provision of information and counseling. Also, it will conduct training projects for part-time workers and do research and study on part-timers. The Center, to be headquartered in Tokyo with branch offices in individual prefectures, will thus respond to all these services and projects in an elaborate manner.

While it is expected that the Law will improve the employment management and well-being of part-timers, many problems have yet to be solved.

The Law fails to have provisions for quasi-part-time workers who put in almost the same number of scheduled hours as regular workers, but who are employed as part-timers. In addition, it has left vocational-ability development of part-timer workers and a method to set their wages as an untouched issue to be studied in future years. Moreover, the Law fails to touch on the minimum non-taxable income for part-timers (currently up to 1 million yen) which is another major issue involving part-time workers. Part-timers are considered to be an "important type of employment for solving worker shortages, particularly the lack of young labor force, as well as cost problems. It is thus sought to establish a system which enables part-time workers to give full play to their ability in the coming years.



## Special Topic

### Recent Employment Situation and Long-Term Structural Change

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#### I. Recent Employment Situation

The supply and demand balance in Japanese labor markets has eased rapidly since 1992. The active ratio of job openings to job applicants sagged below 1 in December 1992 and posted 0.72 in August 1993 approaching the level in the 1985-86 period that was dubbed the "high-yen recession." Also, the unemployment rate has shown a continuous monthly increase more than a year.

Although total employment is still rising, the number of employees in manufacturing has continued to drop on a monthly basis since the beginning of 1993. In July the number dropped by over 400,000 in comparison to the same month a year earlier. This too represents the largest decrease since the previous *endaka* (high-yen) slump, thus showing the seriousness of the ongoing employment adjustments.

The aggravating employment situation, needless to say, reflects personnel cuts at individual firms. Employment-adjustment measures include hints at early retirement for middle-aged and elderly managers and voluntary retirement. Debates seem to increasingly center on whether or not the severe employment situation will result in collapse of the Japanese-style employment system, which presupposes lifetime employment.

But my view is that the current employment situation does not necessarily reflect full-fledged changes in Japan's traditional employment system. For example, reductions in middle-aged and older employees and the difficulties college students', female students' in particular, are having in finding jobs, are not consistent with changes in the employment system that take place amidst a long-term structural change. As will be discussed later, the labor market will face a shortage of young workers from the latter half of the 1990s. Corporations will be forced to actively utilize middle-aged and older persons and women instead of young workers who will be scarce and costly.

The direct factor involved in the present employment anxiety is more due to excess investment and the resulting excess employment of the "bubble economy" years than due to other types of structural causes. Companies expanded production capacity and staff levels to respond to the bubble economy boom. Then the recession suddenly forced them to confront a new truth: that they have far more workers than they need. In this sense, the personnel reduction programs now underway at major firms are different in nature from those implemented during the previous high-yen recession when companies were forced to slim down as practical as possible because of the sharp appreciation of the yen. Viewed in the context of past experiences, current employment adjustments are similar to those carried out following the first oil crisis which occurred after the high-growth period when companies continued to expand production capacity and employment.

Why do Japanese firms repeat all these moves: a massive hiring of young people during business boom and a swift kick of middle-aged and older employees at times of recession? The reason is this. Companies hire new school graduates, train them within the company in anticipation of earning as much as the capital invested in them in the long run. With corporate structure like this, the adjusting valve for employment lies only with new hires and older-worker retirements. With the seniority-based wage system, it is rational to recruit low-salaried new school graduates and reduce the number of high-salaried middle-aged and older workers (Note 1).

Middle-aged and elderly workers become the victims of the "swift kick" since they are "money-eaters" under the system of pay based on seniority and long employment tenure. Also, female students are "unwelcome guests" for companies since it is difficult to expect that capital invested their training will pay back in the long run.

It is thus safe to say that recent employment moves make clear corporate behavior of trying to cut costs with the old employment system intact. Resorting to such means as pushing out middle-aged and older workers and failing to recruit female students when the economy slows characterized the old system as has repeatedly been observed during past recessions. Once again, these measures are not harbingers of full-fledged changes in Japan's employment system.

## **II. Keep Employees on the Payroll in the Short Run**

The structure, in which the company hires new school graduates, trains them and keeps them until mandatory retirement, is intended to balance the relationship between contribution and remuneration in the long run. The company pays wages even to young people fresh from school while they undergo education and training programs. In return, they are asked to work for lower wages than their contribution warrants from their late 20s

onward and thus they return the training costs the company has invested in them. Subsequently, however, the company pays them higher wages than their actual contribution warrants when they become middle-aged and older (Note 2).

The way wages are paid so as to strike a balance in the long run makes it easy for the employee to design his plans for the future properly. On the other hand, it enables the company to enhance its employees' loyalty and will to work. The employee who "deposits" his wages in the company is more loyal and works harder for the company.

In this sense, corporate moves to enforce employment cutbacks among middle-aged and older workers due to their low degree of contribution to the company (despite their large paychecks) are not justifiable. Under the abovementioned "long-term balance sheet" mechanism, it is quite natural that wages for middle-aged and older workers are higher than their actual contribution to the firm. In return, the company has secured profits by paying them lower wages than their contribution in their prime working period.

Therefore, kicking out middle-aged and older employees and abruptly introducing the annual remuneration system to middle-aged and elderly managers, which enables the employee to receive salary payments equal to contributions made thus far, would mean that the company crosses out its "past debts." By cancelling out "debts" the firm can reduce costs in the short run. However, middle-aged and older workers, who have "deposited" their salaries during their prime working period, have no means to deal with company actions to cut costs.

However, the firm which "has failed to meet its obligation" can no longer ask young outstanding people to work for it. It has broken an agreement-an implicit one-of striking a balance between what the company owes to the employee and vice versa and will thereafter have to pay high costs to attract people.

Of course, companies could change their pay scheme in a full-fledged manner and secure young persons at high wages. But if they want to sustain the traditional seniority-based wage system for a little longer and employ young people at low wages, this option is not open to them. They should keep pay based on seniority for the present middle-aged and older workers until a full-fledged revolution in the employment system is undertaken or until the middle-aged and elderly employees reach mandatory retirement age, in order to perform on their implicit promise of the past.

### **III. Long-Term Structural Change**

It is also the fact, however, that Japan will find it increasingly difficult to maintain the current employment system over the long run even if it is possible to do so in the short run.

This is because changes in the environmental structure which have sustained the present system are taking place in a full-fledged manner. The following three are environmental changes that seem particularly significant.

The first important point to note is a change in the population structure. The corporate structure and pay based on seniority which enables the company to hire large numbers of low-salaried younger persons, promote the relatively smaller number of older persons to managerial positions and gives them large paychecks, worked perfectly well when the nation's population structure was pyramid-shaped with a large reservoir of young blood.

The first half of the 1990s when we are now living is in fact the last period in which Japan will enjoy an abundance of young people. If we regard those in their 20s as the young population, persons in their 20s will increase by nearly 2 million to about 19 million in 1995 from 17 million in 1990. This is because the members of the second baby-boomer generation will move up to the 21-to-29 age group.

Thus, setting aside the bubble-boom period during which the economy was overheated, once the economy dips even a notch, companies can attract young people without much difficulty. College students' having a hard time finding jobs this year confirms this fact. This also explains why companies are hardly tempted to change, in a full-fledged manner, the traditional employment system which presupposes a large pool of young persons. The population structure, however, will undergo drastic changes following the first half of the 1990s. The number of people in their 20s, who will peak between 1995 and 1996, are predicted to decline to 16 million in 2005 and will further drop to 14 million in 2010, less than three quarters of the number of the peak period (Note 3).

The population structure with scarce young blood will make the young labor force gradually more and more expensive. Corporations will be forced to compete furiously for young workers at high costs if they try to maintain the present pyramid-shaped corporate structure. Keeping the seniority-based wage scheme, which pays young persons less and middle-aged and older persons more, will also be difficult.

The second important point to note is a change in the corporate environment. Coupled with the abovementioned demographic change, slower quantitative growth in production, in particular, makes it difficult to sustain a seniority-based pay system. As stated earlier, the system of pay based on seniority is one which allows companies to transfer those wages which a younger person "saved" in his prime (by contributing more than he was remunerated) to his middle-aged and older period. The fact is, however, that companies seem to have done more than that under the seniority-based pay scheme. More specifically, they distributed a balance

between wages paid for relatively young employees and their contributions to those middle-aged and elderly employees who were their contemporaries. Income transfer like this within the firm does not work adequately unless those in the prime of their life grow even larger in number relative to those who are middle-aged and older. This forces the firm to attempt to grow year after year.

Furthermore, we are now moving into an age of competition for "racking our brains for the unknown" and out of an age of competition over "doing a lot of known things," in order to catch up with industrially advanced nations. Long employment tenure and seniority-based pay were rational in studying what is known to improve one's ability within the firm since those who work longer were more capable. In addition, the quantitative competition made a precious asset out of those older managers who have developed knowhow for keeping the organization going and who have won over people within the company.

However, the ability and sense needed for high value-added competition, such as capturing the needs of consumers and developing new technologies, do not necessarily come together with length of employment. The value-added competition, not the quantitative one, demands professional ability rather than a managerial ability of achieving a known goal. This too constitutes a factor behind the increasing difficulty of maintaining the traditional "long-term balance sheet" mechanism and seniority-based treatment.

Third comes a change in the international environment. Japan's wage and employment system is increasingly restricted by domestic as well as international factors. Take the wage-hike rate in spring wage negotiations, for example. Even if the wage hike is zero percent, if the yen rises 10 percent against the dollar, dollar-based wages will shoot up 10 percent.

Furthermore, internationalization of Japanese companies works to converge the Japanese employment system into closer harmony with those of other countries. Working hours, which are closely related to the wage and employment system, must be shortened to meet international standards now that they have come to exert a tremendous influence on the economy and employment of other nations. What is more, with a rise in the number of foreigners who come to Japan to work and that of Japanese who have overseas work experience, a growing number of people gradually feel incompatible with a wage and employment scheme which is different from that practiced abroad. Furthermore, the company's inability to pay high salaries to young outstanding workers makes it difficult to attract international-oriented persons.

As we have seen, because of structural changes which are presently taking place and which will accelerate in coming years, the traditional wage and employment system practiced

at Japanese firms will doubtless undergo changes in the long run. How, then, will it change? Let us next observe the direction in which it will change.

## **VI. Breaking Free of the "Long-Term Balance Sheet" Mechanism**

The wage and employment program will change from one based on the "long-term balance sheet" to that based on the "short-term balance sheet." From the early stage of employment, wages are set at a level commensurate with the employee's contribution and ability. Not those with an ability which will be useful when they become managers after decades of employment but those with professional knowledge which has current market value will be highly valued.

The mechanism of balancing between contribution and remuneration in the long run would make middle-aged and older employees feel less misery than those today. Also, this mechanism would enable them to feel less obligated to the firm since the former owes nothing to the latter.

In the wake of the declining young working-age population mentioned above, Japanese firms will have to place more elderly persons and women on the front line. Under the "long-term balance sheet" mechanism, corporations could not hire, in a full-fledged manner, older persons who reached mandatory retirement age and received their "deposits" made in their prime. Nor were they able to employ, as regular workers, those women who tended to quit work before they could pay off their "debts" to the company. In this sense, breaking out of the "long-term balance sheet" mechanism is a must to fully utilize the older persons and women who will be needed in the years ahead.

If the company hires the worker for wages commensurate with his contribution and ability at that time, theoretically there will be no need to establish a fixed age limit for retirement. The firm has him contribute using his professional ability developed by the time he reaches 60 or 65 and pays him wages for what he does. The employee has no "account" to settle with the firm of contribution and remuneration and thus the mandatory retirement age is theoretically unnecessary to strike a balance between the two.

Under the "short-term balance sheet" mechanism, the worker does not have to start from scratch despite his short breaks at some points in his career. Even those women who quit work because of childbirth and childrearing can work for wages commensurate with their ability.

Thus, a shift toward a system of striking a balance between contribution and remuneration in the short run will change the Japanese-style employment system based on

the current long-term balance sheet mechanism. The Japanese-style employment system presently being practiced, however, was developed in the environment from the end of WW II through the period of high growth. In this sense, it is fair to say that the new system which will undergo changes according to an emerging new environment is unmistakably a "Japanese-style employment system" of the future.

#### Notes

1. In the U.S., workers with less seniority are first victimized by layoffs. Thus, it is difficult for American firms to lay off high-salaried middle-aged and older workers. Japanese firms, on the other hand, do not swiftly lay off workers but once they must push them out, the highly-paid ones are the first to be dismissed.
2. For the strict theoretical framework of the discussion here, refer to Becker G.S. *Human Capital*, 1964 and Lazear, B. "Why is there mandatory retirement?" *Journal of Political Economy*, December 1979.
3. Based on projections made by the Ministry of Health and Welfare's *Institute of Population Problems*.

## Statistical Aspects

#### Recent Labor Economy Indices

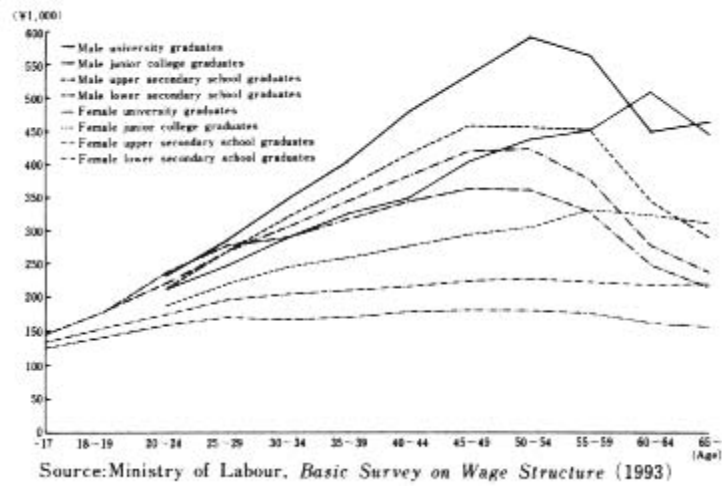
	September 1993	August 1993	Change from previous year
Labor force	6,665 (10 thousand)	6,661 (10 thousand)	40 (10 thousand)
Employed	6,493	6,494	15
Employees	5,215	5,228	98
Unemployed	169	168	25
Unemployment rate	2.6%	2.5%	0.4
Active opening rate	0.69	0.70	- 0.34
Total hours worked	160.1 (hours)	154.2 (hours)	- 1.8*
Total wages of regular employees	(¥thousand) 271.5	(¥thousand) 270.6	1.5*

Source: Management and Coordination Agency, Ministry of Labour.

Notes: 1. \*denotes annual percent change.

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

### Wages by Educational Background and Sex



### Wages by Size of Enterprise and Sex

