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## General Survey

### 1994 White Paper on the Economy

Entering 1994, the Japanese economy has begun to show clear signs of recovery, but it has yet to become full-fledged. Amidst this situation, the government unveiled its 1994 white paper on the economy. This year's annual report puts emphasis on analysis of why the recession has been so prolonged and discussion of structural issues involving the nation's economy which are the causes of the recession.

Looking back on the Japanese economy, the white paper notes the nation faced an unexpectedly weak economy. As causes of the prolonged recession, the white paper cites the following factors. First, protracted stock adjustment of durable-goods for households and of plant and equipment for firms. Second, economic adjustment amid the bursting of the "bubble economy." Third, the effects brought on by the fact that the declining rate of increase in consumer prices pushed down the nominal growth rate markedly.

The annual report also stresses the need for structural reform of the nation's economy, including deregulation and rectification of the domestic-foreign price gap. The white paper takes an optimistic view that withering of Japanese industry, which is feared because of the ongoing rise in the value of the yen, could be averted by switching surplus domestic resources resulting from the transfer of production facilities offshore to higher value-added fields. On the employment situation, the report points out the drop in scheduled work hours, a declining active ratio of job openings to job applicants and the rising rate of unemployment. Jobless people, those engaged in managerial and clerical jobs, particularly middle-aged and elderly persons, and women face a tough job market. On the future job situation, the report says that corporations will try harder to maintain long-term employment and that they will more likely stress merit-based wages and introduce pay tied to occupations.

## Working Conditions and the Labor Market

### Over 400,000 Physically and Mentally Handicapped Persons Employed

The number of physically disabled and mentally retarded persons employed at firms with 5 and more employees was 404,000, topping 400,000 for the first time since the Ministry of Labour started compiling such statistics, in 1948. This information was revealed in a survey on the realities of employment of physically disabled persons released at the end of June by the Ministry.

The survey was carried out in November 1993 to gain deeper insights into the actual situation of the physically handicapped and mentally retarded and attitudes forward work. The survey consists of two parts, one covering 15,000 private firms with 5 and more employees across the nation and the other covering about 27,000 disabled persons employed at the firms chosen for the survey.

The survey of 15,000 firms showed 344,000 physically disabled persons and 60,000 mentally retarded persons were employed at firms with 5 and more employees, up 9.5 percent and 68.8 percent, respectively, from the previous 1983 survey. The survey found, in particular, a sharp rise in employment of mentally retarded persons in recent years.

By industry, manufacturing firms employed 44.6 percent of the physically handicapped and 60.7 percent of the mentally retarded, followed by service industry (17.9% of the physically handicapped and 25.8% of the mentally retarded) and wholesale and retail trade industry and eating and drinking industry (13.8% of the physically handicapped and 7.0% of the mentally disabled). By size of enterprise, meanwhile, firms with 5-29 employees employed 34.9 percent of the physically handicapped, while those with 500 and fewer employees hired nearly 90 percent of the total. Furthermore, nearly half, or 49.5 percent, of the mentally retarded were employed by firms with 5-29 employees, and over 80 percent of the mentally retarded persons were hired by firms with 100 and fewer employees if those with 30-99 employees (employing 34.3% of the mentally retarded) were included.

Eighty-two point eight percent of those enterprises, which employ physically handicapped persons, and 92.7 percent of those which employ mentally retarded persons took some special measures to hire the physically handicapped. Specifically, the largest percent of enterprises took "measures to enable them to work easily or safely," followed by those utilizing "measures for health management," "measures to facilitate commuting" and "establishment and improvement of welfare facilities."

The individual survey on 27,000 disabled and mentally retarded persons, meanwhile, found that one of every four physically handicapped persons and about half of mentally retarded persons consider their present workplace "a place in which they can work with ease." Meanwhile, over 30 percent of disabled persons said that they had, changed jobs one or more times. They switched their work 2.5 times on the average, and the highest, or 56.5 percent, job hopped "for personal reasons," followed by "for the employer's convenience" (11.8%). Of those who switched jobs "for personal reasons," 25.1 percent did so because of "working conditions," 16.7 percent for "family reasons," and 15.9 percent due to "interpersonal relations at the workplace."

In addition the survey found that, one in two physically handicapped persons and a shade over 40 percent of mentally retarded persons "feel insecure about their future." Reasons for this feeling cited by the physically handicapped were "maintenance of livelihood in old age" (53.4%) and "Handicap will become severer" (38.4%). Mentally retarded persons cited such reasons as "Have no one to support me after parents die" (40.7%) and "Don't know but somehow feel insecure" (30.3%).

## Human Resources Management

### **New Trends in Personnel and Labor Management for White-Collar Workers -Vocational Ability Authorization and Official Qualification-**

With a growing sense of a bloated white-collar work force, high hopes are placed on development of personnel and labor management practices which will enable white-collar workers to utilize their professional abilities. White-collar workers' ability development has traditionally centered around on-the-job training (OJT) and job rotation. To cope adequately with longer occupational life and far more sophisticated jobs in recent years, there is a growing need for phased and systematic ability-development coupled with off-the-job training.

The Ministry of Labour in April launched a business career (vocational ability acquisition) system to help white-collar workers develop their vocational abilities. The Ministry will draw up a curriculum for acquisition of professional knowledge in each vocational field, such as personnel matters and accounting. In line with this curriculum, universities and special training schools will establish courses at three levels, "introductory," "intermediate," and "advanced" and have them authorized by the Minister of Labour. After taking a course or courses, the participants will take a final test offered by the Central Vocational Ability Development Association, an organization affiliated to the Ministry of Labour, and will receive a certificate once they have passed the test. The elementary and intermediate courses have been launched in fiscal 1994 in two fields: "personnel and labor administration and ability development" and "accounting and financial affairs." Next year, there will be added elementary and intermediate courses for two fields: "sales and marketing" and "production management." Inaugurating two courses per year will bring the total to ten courses, with a test given twice a year. The Ministry authorized 166 enterprises as education and training organs for the newly established system and a total of 3,055 courses, including both correspondence and classroom course, which far exceeded the 1,000 the Ministry had expected.

The business-career system is intended to encourage enterprises to evaluate the abilities of their employees based on evaluations made outside the firm when they make personnel and labor management decisions. White-collar workers are positive about acquiring official qualifications. A recent survey, for instance, shows about 40 percent of white-collar workers believe external qualifications to be considered in their treatment at the firm. Over 50 percent are trying to acquire qualifications to "win official credit" and to "go independent easily." According to a survey on qualifications for white-collar workers published by Rengosoken (Rengo Comprehensive Living Development Research Institute) in July, 40 percent of those surveyed replied that the effects of official qualifications acquired outside the firm "were reflected" in their treatment. Specifically, the highest, or 33 percent, witnessed the effects of qualification acquisition reflected in "assignment and personnel reshuffles"; 26 percent said they "were paid qualification allowances"; 17 percent saw the effects "reflected in basic pay"; and others said acquisition of official qualification "affected promotion." Furthermore, many of those who switched jobs after acquiring official qualifications answered that their qualifications helped them in their job change. They noted "job content was better" and "income was increased," evaluating acquisition of official qualifications positively. Thus, it is clear that working persons expect acquisition of official qualifications to provide greater possibilities for going independent or for switching jobs.

The official qualification is a system for evaluating abilities which holds both inside and outside the enterprise. As working persons grope for ways to work independently, enterprises will inevitably restructure themselves with new personnel and labor management practices.

## Public Policy

### Regional Minimum Wages Decided Upon

The Central Council on Minimum Wages submitted to the Minister of Labour its recommendations that regional minimum wages for fiscal 1994 be raised by 2.4 percent. Labor and management, however, did not reach agreement in their views and opinions, and the recommendations were made again this year in the form "Observations of the Council's Public Members" on the standard. Incidentally, the public members are composed of 7 representatives from academic and other fields. Particularly this year, members from management insisted that revision of minimum wages "be frozen." Nikkeiren (Japan Federation of Employers' Associations), for example, asked the Minister of Labour to "freeze revision of regional minimum wages."

In Japan, minimum wages are classified into two categories: "regional minimum wages" by prefecture, which are applicable to all workers within the region regardless of industry or

job, and "industrial minimum wages," which are applied to those workers engaged in specific industries such as manufacture of electrical machinery and equipment and automobile sales businesses. Minimum wages are applied to all workers-regular, temporary, and part-time-employed by establishments.

Regional minimum wages are revised through deliberations made at individual local minimum wage councils. Starting in 1978, the new system was introduced by the Central Council on Minimum Wages to assure nationwide standardization of regional minimum wages. Individual prefectures throughout the country are divided into four ranks to set the standard for revising regional minimum wages and to submit this to local councils on minimum wages. The standard helps the local councils make deliberations on regional minimum wages, but is not necessarily binding. The fact is, however, that individual local councils on minimum wages usually accept the standard offered by the Central Council on Minimum Wages when they revise minimum wages by prefecture. Regional minimum wages are revised each year in consideration of trends in wages and prices.

The 1994 revised standard for regional minimum wages, offered in the form of witnesses' views and opinions, is as follow. The daily minimum wages were revised by 118 yen for Rank A (currently 4,910 yen), 114 yen for Rank B (presently 4,742 yen), 108 yen for Rank C (currently 4,499 yen) and 102 yen for Rank D (presently 4,263 yen). The increase rate would be the same for each rank and was up 2.4 percent over the previous year, when it was 3.1 percent.

In deliberating over the standard minimum wages, members from management insisted that the regional minimum wage increase "be frozen." Nikkeiren, in particular, citing the effects the higher yen has had on industrial circles, noted that "the higher minimum wages will strongly affect employment at tiny- to small-and medium-scale firms. Minimum wages should not be raised in order to maintain and stabilize employment at these enterprises." Members from labor opposed this view. In its emergency statement, Rengo (Japanese Trade Union Confederation) said that "a minimum wage increase should be realized to protect living for low-income workers and to fulfill their social responsibility," thus strongly asking Nikkeiren to withdraw its statement seeking a minimum wage increase freeze.

In the course of this development, the Central Council on Minimum Wages, consisting of labor, management and public members, made deliberations on revision of minimum wages from a variety of aspects, such as current economic trends, and the effectiveness of minimum wages (the weaker influence of minimum wages, for instance), but failed to reach final agreement. Thus, the revised standard recommendations have been made in the form of witnesses' views and opinions again this year.

## Special Topic

### Recent Developments Regarding Child and Elder Care Leave in Japan

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#### I. Introduction

In Japan, more and more women have come into the work force since the beginning of the period of post-war economic development. However, the female labor force participation rate by age group forms a pattern called the "M-curb" as many women leave when they have their first child (or, in some cases, when they get married) and resume working after their children are old enough to go to school. More often than not, they find it difficult to continue working while taking care of their little children.

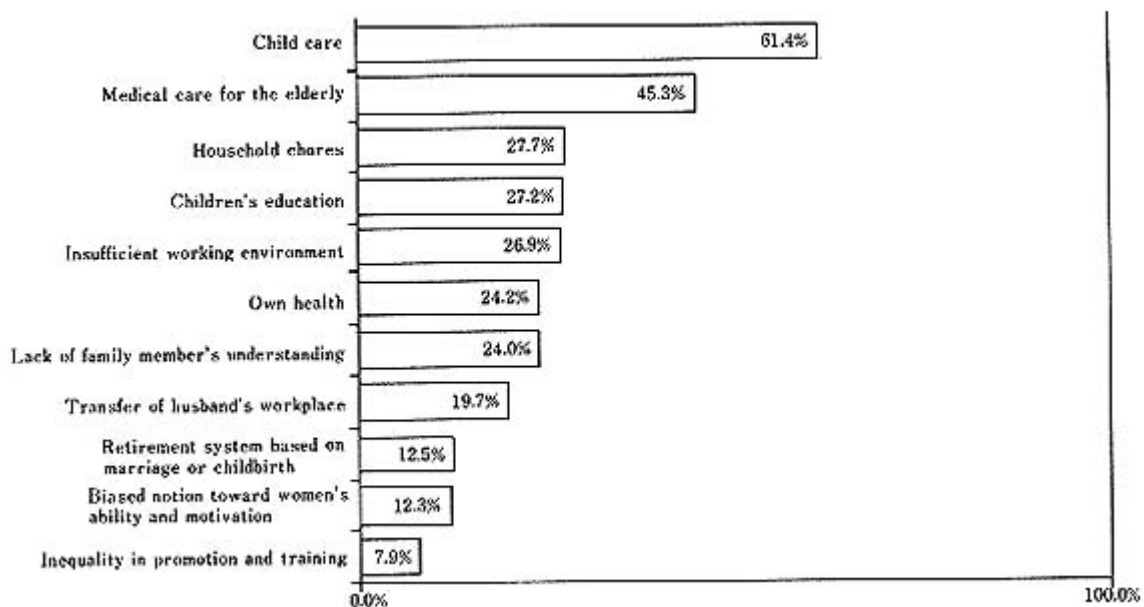
Although the sense of equality between men and women has become strong, mothers still often assume the main responsibility for child-raising. On the other hand, it is difficult to continue to work while fully carrying out such responsibilities. Thus, women who want to continue to work full time tend to avoid bearing children. This may be one of the reasons for the recent decline in the fertility rate in Japan, which dropped to 1.46 in 1993.<sup>1</sup>

Moreover, even when their children grow up and women who once retired return to the labor market, the necessity caring for frail elderly parents becomes another serious problem. This is especially true in this aging society. As a result, many working women feel that caring for children and elderly family members are among the most important factors that deter them from continuing to work(See Table 1) .

Thus, leave for child and elder care<sup>2</sup> has become an important issue in the labor law and its administration in today's Japan. In response, the Child Care Leave Law was enacted in 1992<sup>3</sup>. As for elder care leave, the Ministry of Labour issued a guideline in the same year in order to encourage employers to provide the leave system. Furthermore, the Ministry is now considering some kind of legislation on this subject. Meanwhile, the Basic Survey on Employment and Management of Female Workers, an annual survey conducted by the Ministry of Labour, focused in 1993 on child and elder care leave systems in private enterprises.

From this background, this article describes the recent development of child and elder care leave in Japan. Section II outlines the basic contents of the Child Care Leave Law and the guideline for elder care leave as the legal or administrative framework for these leaves. Then, Section III summarizes the results of the 1993 Basic Survey on Employment Management of Female Workers, including their utilization in private enterprises. Lastly, Section IV considers future prospects for these leaves, pointing out some problems to be resolved.

**Table 1 Factors That Deter Women From Continuing to Work**



Source: Prime Minister's Office, *Public Opinion Poll on Women's Work* (1989).

## II. Framework of the Child and Elder Care Leave System in Japan

### 1. The Child Care Leave Law

Essentially, the Child Care Leave Law provides a worker upon request the right to leave in order to care for his/her child (including an adopted child) who is less than one year old. All workers, male or female, are entitled to take one leave of absence in order to care for each child, except for workers employed on a daily basis or for a fixed period of time<sup>4</sup>. Workers who are eligible for this leave can set the period although it must end when the child reaches one year old or when it is no longer necessary to take leave for such reasons as the demise of the child.

Although an employer can not generally reject a worker's request for such a leave, they can do so under certain circumstances. For example, an employer can reject a worker's request if he/she has been employed for less than one year by the employer to whom the leave is requested. This is also the case when the spouse of the worker who is a parent of the child can take care of the child, i.e., when he/she is living with the child, and is neither employed,



disabled, nor shortly before or after childbirth. To exercise these exceptions, an employer must conclude an agreement to that effect with a union that organizes the majority of workers at the enterprise or, if there is no such a union, with an employee who represents the majority.

The Law does not guarantee the payment of wages while workers are taking child care leave. However, a recent amendment to the Employment Insurance Law, which passed the Diet in June 1994, enables workers on leave to receive a "child care leave allowance." The Employment Insurance Law set up, among other things, an unemployment insurance system run by the national government, and the child care leave allowance is modeled after unemployment allowance under the Law. Workers who are covered by this insurance system are entitled to the child care leave allowance while they are on child care leave. The total amount of this allowance is 25% of their regular monthly wages earned before taking leave, although 5% of this allowance is paid six months after they resume their employment covered by the Employment Insurance Law.

In order to protect the workers' right to child care leave, the Law makes it unlawful for an employer to discharge workers for taking child care leave. Also, in addition to the right to leave, the Law requires an employer to take certain measures to facilitate child care upon the request of a worker who has a child under one year old but does not want to take the leave. These measures include shorter working hours, flextime, no overtime work, or accommodation such as a child care center.

It should be noted that this child care leave is different from maternity leave (pregnancy leave). The Labour Standards Law provides female workers the right to take maternity leave of six weeks before childbirth and eight weeks thereafter. Therefore, female workers can take child care leave after the completion of maternity leave. In addition to the Child Care Leave Law itself, the government has issued a guideline to encourage employers to implement child care leave system. Also, as for national and local public workers, there are separate statutes called the Child Care Leave Law for National Public Servants and the Child Care Leave Law for Local Public Servants.

## **2. The Guideline for Elder Care Leave System**

Unlike child care leave, the right to take elder care leave is not guaranteed under law at present. Recognizing its importance in this aging society, however, the Ministry of Labour set up a commission and asked advice on the content of an elder care leave system. Based upon the proposal of this commission, the Ministry of Labour issued a guideline for elder care leave in July 1992. This guideline is a model providing minimum standards for elder care leave and other measures to facilitate the ability of workers to provide care for elderly and other relatives. Although this is not a mandatory requirement like the Child Care Leave Law, the

Ministry of Labour intends to encourage employers through administrative guidance to implement elder care leave in accordance with this guideline.

The guideline first recognizes the necessity of elder care leave, and recommends that both male and female workers are entitled to such leave except for certain categories of workers such as those who are employed on a daily basis or for a fixed period of time. Elder care leave should be granted when the worker's spouse, his/her or the spouse's parents, or their children have difficulty in leading daily life because of physical or mental disabilities. According to the guideline, leave policy should not require workers requesting leave to show that there is no other person than him/herself who could provide care for such family members, since it is difficult to determine whether a worker actually meets such a requirement. Nor does the guideline recommend the requirement as a condition to take leave that the worker ordinarily takes care of or supports such family members.

The guideline also recommends that the period of leave should be at least 3 months and that one leave should be granted at least once for each family member who is in need of medical care. Matters regarding wages and other benefits during elder care leave, positions to assign workers returning from leave etc. are left to negotiation between parties to employment contracts or collective bargaining agreements, but the employer should not put employees in such a disadvantage as would negate the *raison d'être* for elder care leave. Like the Child Care Leave Law, the guideline also suggests that the employer take measures to facilitate elder care such as shorter working hours and flextime.

### **III. The Reality of Child and Elder Care Leave Systems**

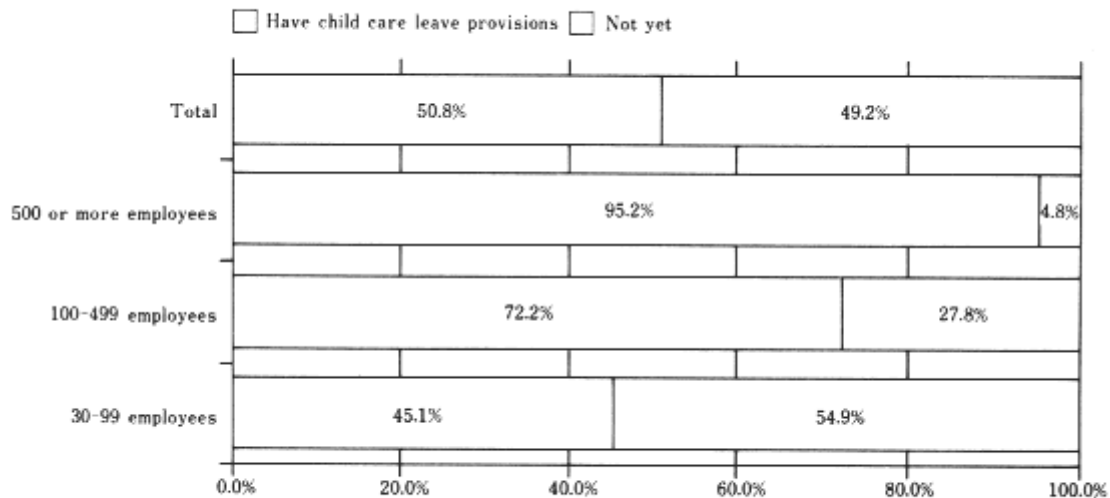
The Ministry of Labour has annually conducted its Basic Survey on Employment Management of Female Workers. In 1993, the Survey focused on child and elder care leave systems in major industries. The Ministry sent questionnaires to about 8,000 private enterprises that employ 30 or more regular workers, and 6,219 (77.7%) of them replied. The following are the principal results.

#### **1. Child Care Leave**

The survey revealed that 50.8% of the enterprises have provisions for child care leave in work rules, collective bargaining agreements etc. In the case of large enterprises, the ratio is much higher: 95.2% of enterprises that employ 500 or more regular workers have provisions for child care leave. On the other hand, only 45.1% of the enterprises that employ 30 to 99 workers have such provisions (See Table 2). It is to be noted, however, that since providing child care leave is a mandatory requirement under the law, the absence of such provision does not mean that workers cannot take child care leave<sup>5</sup>. According to the survey, 48.1% of female workers who had a child between April 1, 1992 and March 31, 1993 took child care leave, as

compared to only 0.02% of male workers whose wives had a child during this period.

**Table 2 Ratio of Enterprises That Have Child Care Leave Provisions by Size**

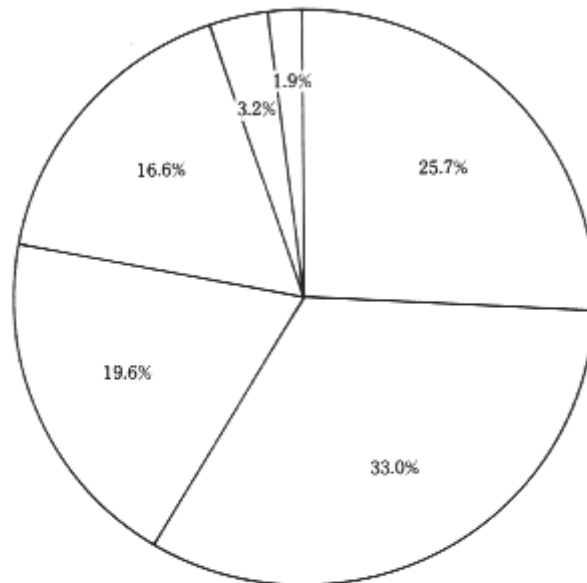


Source: Ministry of Labour, *Basic Survey on Employment Management of Female Workers (1993)*.

Of the responding enterprises, 91.3% set a limitation on the period of child care leave stipulating that it shall end when the child becomes one year old, which is the minimum standard of the Child Care Leave Law. In reality, however, 58.7% of female workers took leave for less than six months (See Table 3). As for payment of wages and other benefits, 32.3% of enterprises, by themselves (25.6%) or together with employees' association (2.5%), pay some money to workers on child care leave. Of these enterprises, 60.6% pay monthly, and 76.3% of such enterprises offer an amount equivalent to the social insurance premium workers would have paid if they did not take child care leave. In addition, 86.7% of the enterprises make it a rule to reinstate workers to their original positions when they return to work. In fact, 84.6% of female workers (100% in the case of male workers) returned to work.

The survey also revealed that 41.3% of the enterprises have one or more measures to facilitate child care. These are: shorter working hours (63.1%), flextime (15.0%), late reporting time (23.5%), no overtime work (48.4%), and in-house child care centers (4.6%). Of female workers who work at such enterprises and who had a child between April 1, 1992 and March 31, 1993, 21.0% made use of these measures.

**Table 3 Period of Child Care Leave Taken by Workers**



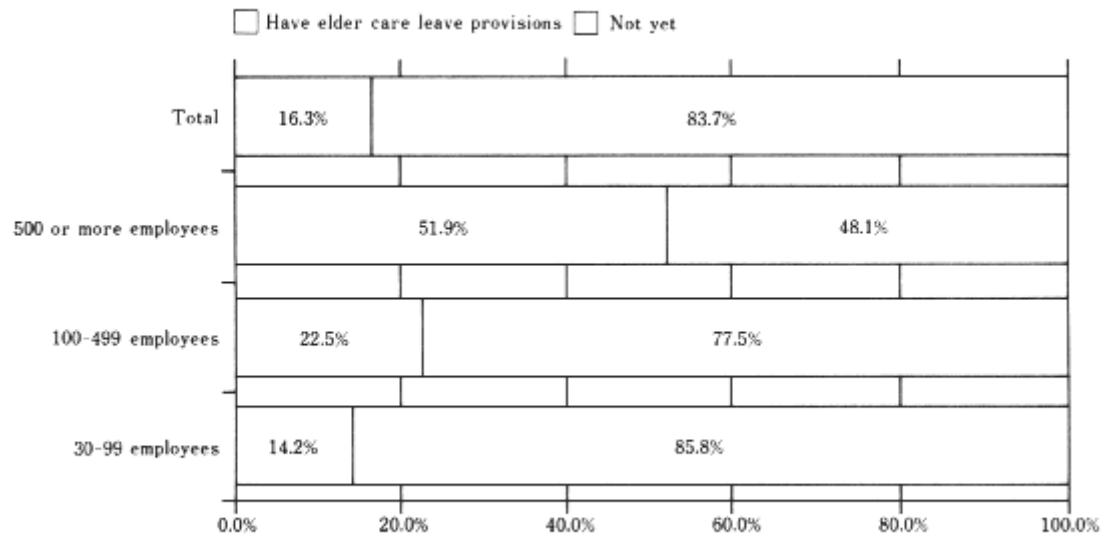
Source: Ministry of Labour, *Basic Survey on Employment Management of Female Workers (1993)*.

- less than 3 months
- 3 months - less than 6 months
- 6 months - less than 10 months
- 10 months - less than 12 months
- 12 months or longer
- N. A.

## 2. Elder Care Leave

Employers are gradually, although more slowly than for child care leave, implementing elder care leave benefits in their employment management. The Survey found that 16.3% of the enterprises provide elder care leaves. Like child care leave, employees in large enterprises fare better: 51.9% of the enterprises that employ 500 or more workers provide elder care leave (See Table 4). Between April 1, 1990 and March 31, 1993, 14.85% of the enterprises that have elder care leave reported that one (60.6%) or more of their employees actually took the leave. Apparently, male workers are more willing to take elder care leave than child care leave, since 23.15% of those who took elder care leave were men.

**Table 4 Ratio of Enterprises That Have Elder Care Leave Provisions by Size**

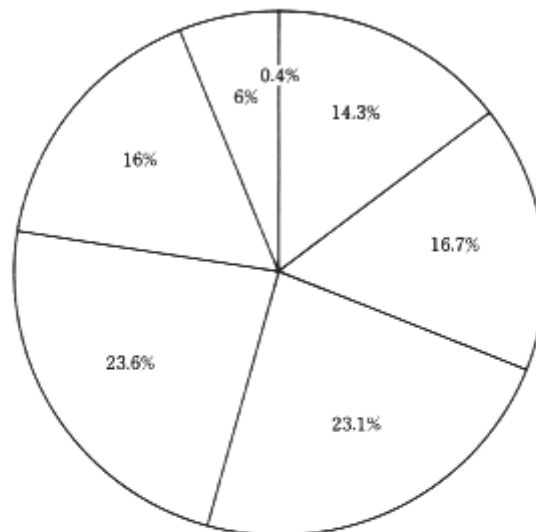


Source: Ministry of Labour, *Basic Survey on Employment of Female Workers (1993)*.

Of the enterprises that have elder care leave, 80.3% limit the length of this leave, and one year per one leave is the majority (56.4%). The length of child care leave that workers actually took was shorter than that in the case of child care leave. Forty-six point seven percent were less than 3 months (See Table 5). At 85.7% of such enterprises, workers are required to meet certain eligibility criteria in order to take elder care leave. These criteria stipulate the relationship between the employee and persons in need of care. However, even when eligibility criteria are stipulated, it is possible for workers to take leave in order to care for spouses (97.1%), parents (95.5%), children (91.0%), and spouses' parents (81.5%). On the other hand, about half of the enterprises make it a condition of leave that no one but the worker requesting leave is able to take care of these persons (53.5%), or that the worker ordinarily lives with them (48.2%).

Only 7.5% of the enterprises have some measures to facilitate elder care: shorter working hours (65.6%), change in reporting or leaving time (23.2%), "care time," i.e., a certain unit of time for medical care that workers can utilize on request (21.2%), and flextime (14.5%).

**Table 5 Period of Elder Care Leave Taken by Workers**



Source : Ministry of Labour, *Basic Survey on Employment Management of Female Workers (1993)*.

- less than 1 week
- 1 week - less than 2 weeks
- 2 weeks - less than 1 month
- 1 month - less than 3 months
- 3 months - less than 6 months
- 6 months - less than 12 months
- 12 months or longer

#### IV. Conclusion

As the Basic Survey on the Employment Management of Female Workers indicates, child care leave has been spreading since enactment of the Child Care Leave Law. However, small size enterprises have been relatively slow in implementing child care leave provisions in their work rules. In addition, it remains to be seen to what extent the amendment of the Employment Insurance Law that provides for insurance benefits during child care leave will encourage more workers to take the leave.

On the other hand, although many large companies are gradually implementing elder care leave, it is not so prevalent as child care leave, and much less so in small scale companies. As stated in the beginning, the Ministry of Labour is considering elder care leave legislation. A recent report by an expert committee on elder care leave established by the Ministry of Labour examines several questions regarding the contents of elder care leave. The report states that persons for whom workers can take elder care leave should at least include spouses, parents and children, as well as spouses' parents. The report also advises that the period of leave should be at least three months. Furthermore, it is to be noted that the Diet passed a new law in June 1994 that provides national public workers the right to take elder care leave.

Finally, it must be noted that care of children and elderly people are not only problems for their family members. Social support for such people, arranging from child care centers to home helpers, is equally important. The government is expected to take various measures to develop these social supports, including encouragement of volunteers as well as support for private organizations or enterprises that provide child and elder care. As one approach to providing sufficient elder care service, the Ministry of Health and Welfare has begun to prepare legislation for public medical care insurance system. Although the Ministry is planning to put this system into effect in 1997, it is necessary to discuss such details as the contents of insurance benefits and financial resources in order to insure effective use of this new system.

Notes]

- 1 See Kazuko Tanaka, *Changing Marriage and Family Structure: Women's Perspective*, 31 JAPAN LABOR BULLETIN no.1 (1992).
- 2 The necessity to take leave for medical care is not limited to elder family members such as workers' parents. Their spouses and children may also become disabled and need medical care. The term "elder care" is, therefore, used only as a matter of convenience.
- 3 For the legislative background of the Child Care Leave Law, see Michio Nitta, *Child Care Leave Law and Its Background*, 30 JAPAN LABOR BULLETIN no.9 (1991).
- 4 Under the Labor Standards Law, the period of employment contract shall not exceed one year except for certain special circumstances.
- 5 The Child Care Leave Law provides a grace period for employers that employ less than 30 workers until March 31, 1995.

## Outline of 1994 Analysis of Labor Economy

This year's Labor Economy Analysis, which received Cabinet approval on June 24, first reviews trends in the labor economy in 1993. Then in the part titled "Tasks Concerning Affluent Working Life Based on Stable Employment," it examines the role of the labor market in achieving structural economic adjustments as well as tasks involving substantiated working life.

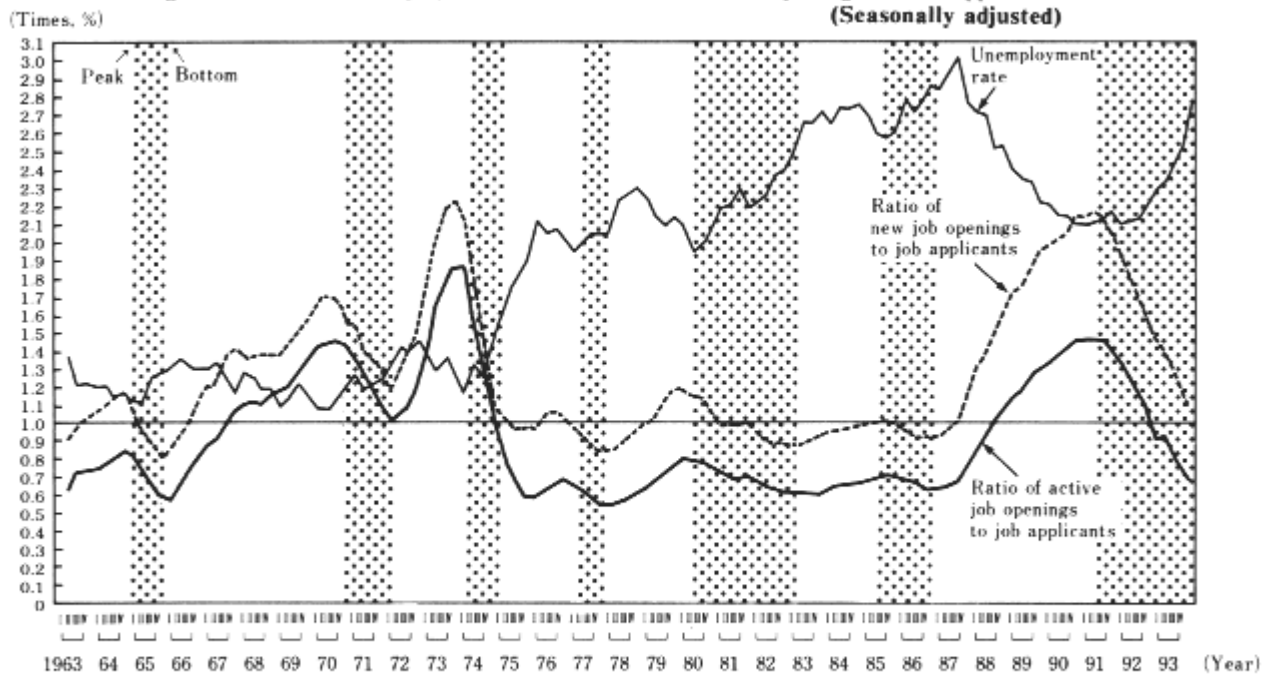
### I. Trends and Features of the Labor Economy in 1993

#### 1. Trends in Employment and Unemployment

##### Active Ratio of Job Openings to Job Applicants Continued to Drop

The ratio of active job openings to job applicants, seasonally adjusted, peaked at 1.45 in the January-March 1991 quarter and turned downward. In the October-December 1992 quarter, the ratio dropped below 1.0 and it continued to dip throughout the year to stand at 0.66 in the October-December 1993 period. The degree and speed at which the active ratio of job offers to job seekers declined was second highest, next only to the recession following the first oil-supply crunch (Fig.1). By region, the ratio of job openings to job applicants posted a sharp decline notably in metropolitan areas.

**Fig. 1 Trends in Unemployment Rate and Ratio of Job Openings to Job Applicants (Seasonally adjusted)**



Note: The dotted area in the background of this diagram shows the peak point and the bottom point of the economic situation in its cycle.

Sources: Ministry of Labour, *Report on Employment Service*.

Statistics Bureau, Management and Coordination Agency, *Labor Force Survey*.

### Sharp Increase in the Rate of Unemployment

The rate of unemployment reached a record high of 3.0 percent in the April-June 1987 period, but it rapidly dropped through the July-September 1989 period in tune with the subsequent business expansion. Thereafter, the rate followed a stable trend in the low range of 2.1 to 2.2 percent. It was in the latter half of 1992 that the rate leaped due to the effects of the recession. Entering 1993, the rate continued to rise and did so at an accelerating rate in the latter half of the year (Fig. 1). The unemployment rate for males in the present phase of the slump was the second highest following only that of the recession following the first oil crisis, while that for females was comparable to that of the first oil crunch recession.

### Sense of Surplus Labor Increasing in Large Enterprises and in Clerical and Manufacturing Jobs

The diffusion index (D.I.), an index for judging supply-demand conditions for regular employees at major enterprises, has continued to drop since February 1991, depending to-3 in August 1993, showing that workers are in oversupply. In February 1994, the figure declined further to-16. Incidentally, the D.I. is calculated by subtracting the percentage of establishments answering that workers are in "shortage" from that of those establishments replying they are in "surplus." By size of enterprise, the sense of surplus labor was strong in large enterprises with 300 and more employees. In addition, many enterprises saw managers and officials as well as clerical and related workers especially redundant, earlier in the



current slump.

### **Higher Ratio of Establishments Implementing Employment Adjustments than in Endaka Slump**

The rate of establishments implementing employment adjustments has continued to grow since the October-December 1991 quarter and has further surged from 1993 on. In manufacturing, the rate passed the peak level recorded in the endaka (high yen) slump and stood at 50 percent during the October-December quarter of 1993. By type of employment adjustments, the largest number of establishments have placed limits on overtime, and in the latter half of 1993 the ratio of establishments suspending employees with pay was on the rise, suggesting that employment adjustments methods were becoming increasingly severe. However, personnel cuts were smaller than the rate of decline in profits, presumably ascribable to the fact that accumulated corporate assets have served to stabilize employment.

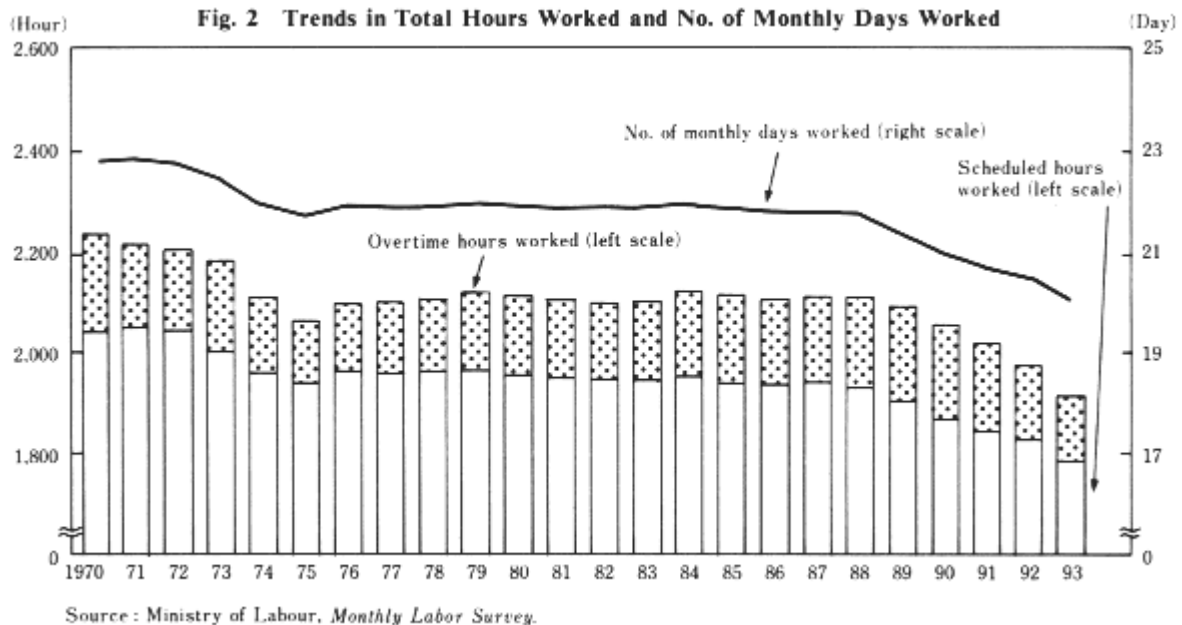
## **2. Trends in Wages, Working Hours and Industrial Injuries**

### **Trends in Wages**

In 1993 the growth rate of total earnings remained low. This was brought on by a drop in the growth of special cash earnings in addition to a fall in the growth of scheduled cash earnings combined with the decrease in overtime cash earnings. Also, real wages posted their first drop in 13 years, since 1980.

### **Trends in Working Hours**

Annual working hours declined for the fifth straight year. In 1993, they totaled 1,913, a drop of 59 hours from the year before, showing the second largest fall recorded only after that of 1974. Scheduled working hours posted a large 43 hours yearly decrease to 1,780, falling below 1,800 hours for the first time. Overtime working hours, meanwhile, dropped 16 hours from the year before to 133, representing a smaller yearly dip than that of 1992, though the decline was again substantial (Fig. 2).



### Trends in Industrial Injuries

In 1993 the number of industrial injuries (deaths and injuries requiring four days or more of absence from work) totaled 171,602, a decrease of 7,117, or down 4.0 percent, from the previous year, with decline continuing in all industries. The number of deaths also decreased 4.6 percent from a year earlier to 2,245, with the rate of decrease surpassing that of 1992.

## 3. Trends in Prices and Workers' Household Consumption Expenditure

### Trends in Prices

Overall wholesale prices dropped in 1993 by 2.9 percent year-on-year, showing a larger decline than the 1992 figure of 1.6 percent. Overall consumer prices rose 1.3 percent year-over-year, down from the 1992 level of 1.6 percent.

### Workers' Household Income Trends

In 1993 workers' household income rose 0.1 percent in real terms, down from the 1992 level of 1.1 percent. Disposable income fell 0.2 percent in real terms (up 0.5% in 1992), the first drop since 1981.

### Workers' Household Expenditure Trends

Workers' household expenditures were down 0.4 percent in real terms (up 0.5% in 1992), the first yearly decline since 1980. The rate of increase in consumer prices slowed, but the smaller growth in nominal disposable income coupled with a lower average propensity to consume, contributed to the drop in real expenditures.

## 4. Trends in Industrial Relations

In the 1994 spring wage negotiations, labor and management settled on a lower wage

hike than the year-ago level, reflecting the protracted economic slowdown. Major industrial unions in large enterprises accepted the following employee-based wage hikes: steel 1.56 percent; electrical machinery 3.05 percent; autos 3.02 percent; and private railways 3.72 percent.

## **II. Tasks Related to Improving Living Standards**

### **1. International Economic Environment and Changes in Industrial Structure**

#### **Growth and Decline of Industries Closely Related to Trade**

In the context of the ratio of the value of shipments in the overall manufacturing sector, the nation's "leading industries" shifted away from textiles, iron and steel and chemicals during the mid-1950s and early 1960s, toward the machinery-related industries in the period from the mid-1970s to the early 1980s. The machinery-related industries grew with the decline in the ratio of imports and the sharp increase in the ratio of exports. In the iron and steel as well as other industries, on the other hand, the trend was the opposite-the ratio of exports declined and that of imports rose.

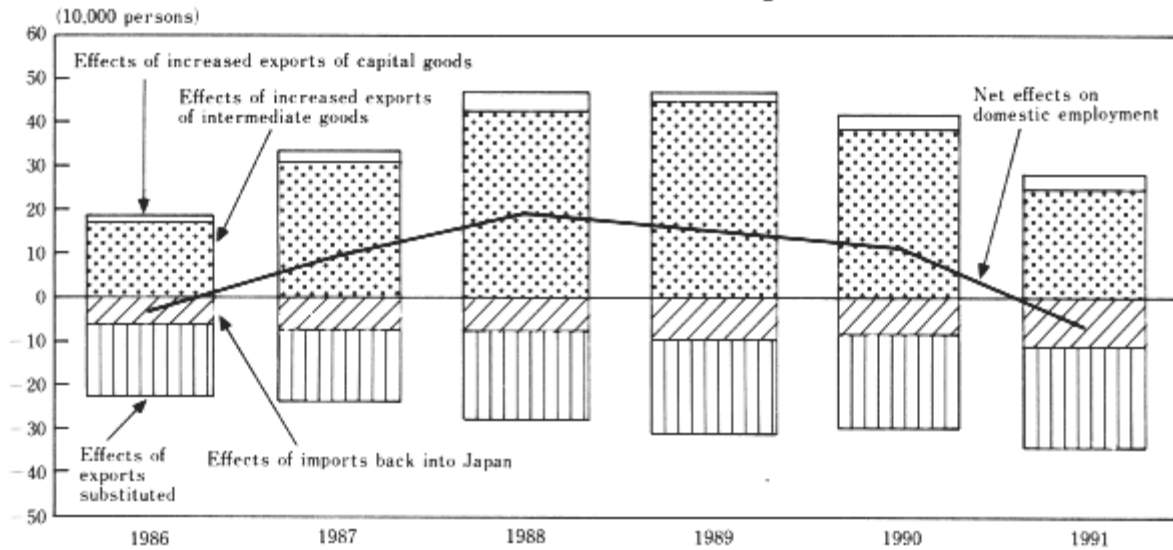
#### **Japan's Wage Costs Push Relative Advantage Down**

The productivity growth rate has shown a long-term declining trend, with the gap in the rate between Japan and the U.S. and Germany narrowing. In the 1980s, the rate was still 2-3 percent higher than that for the two nations. The nation's dollar-denominated rate of increase in wage costs topped that of the U.S. and Germany due in part to the strong yen in the 1980s, manifesting the narrowing advantage in the context of the nation's wage costs. Japan's per capita labor productivity in manufacturing differs from that of the U.S. and European countries, while in non-manufacturing Japanese productivity is lower, constituting a factor behind the domestic-foreign price gap.

#### **High-Value-Added Products and Higher Productivity: Tasks to be Tackled**

The impact of shifting production bases offshore on jobs at home cannot be belittled (Fig. 3). To prevent the withering of Japan's manufacturing and employment, individual enterprises are asked to develop high-value-added products, to improve productivity through technological innovations and to restructure themselves. In the area of labor, an important task is to stabilize employment through development of human resources and efficient division of labor. In addition, it is vital to attain sustainable growth fueled by domestic demand in the coming years.

**Fig. 3 Impact of Manufacturing Enterprises' Move Overseas on Domestic Manufacturing Jobs**



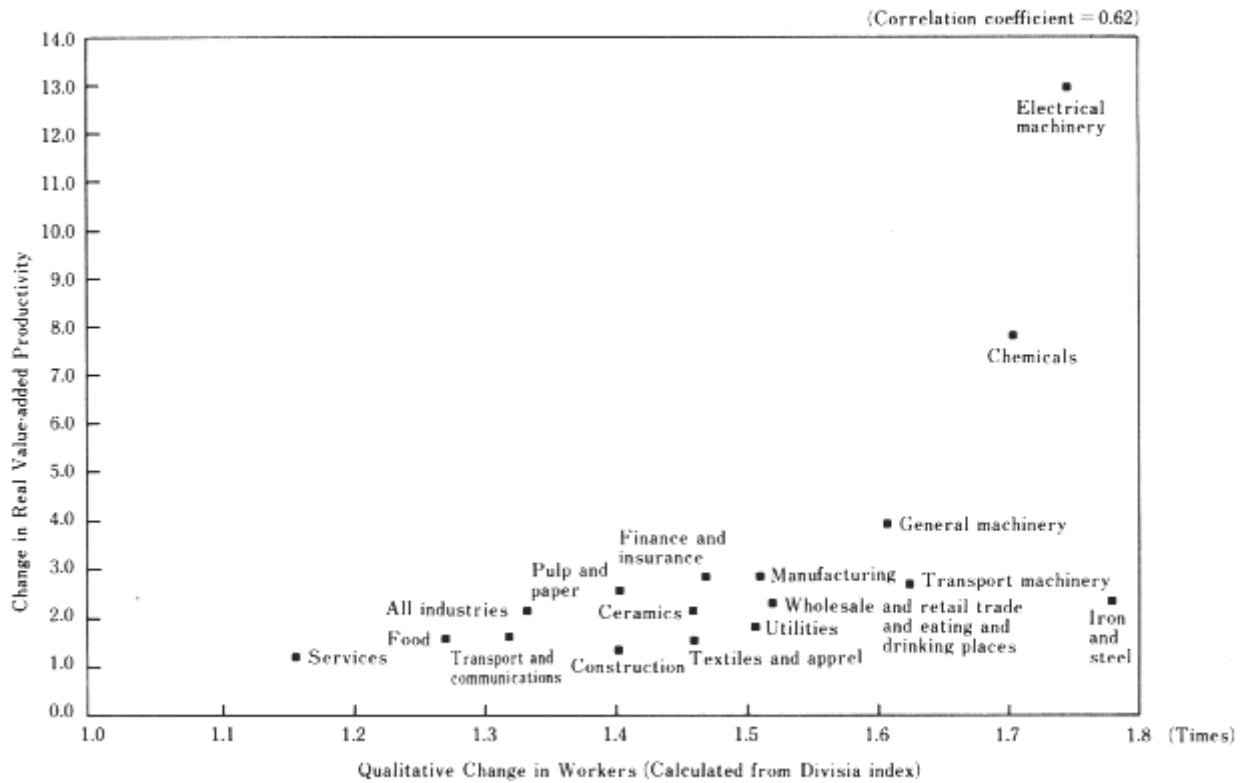
Sources : Estimated by Labour Economy Affairs Division, Ministry of Labour, using Ministry of International Trade and Industry, *Basic Survey on Trends of Overseas Business Activity*, *Survey on Trends of Overseas Business Activity*, *Updated Nationwide I O Table* and UN "International Trade Statistics Yearbook".

## 2. Changes in Industrial Structure and the Labor Market

### Accumulation of Human Resources Closely Linked to Growth and Decline of Industry

There are close correlations between qualitative changes in the labor force as viewed by education and length of service and changes in labor productivity. This suggests that accumulation of human resources is closely related to changes in industrial structure (Fig. 4). Furthermore, problems confronting researchers and engineers who play a major role in technological innovation are fourfold. First, the "move away from manufacturing jobs" noticeable among university graduates majoring in science and engineering has not faded away. Second, enterprises' efforts to establish ability-development systems are still inadequate. Third, the personnel system remains unable to meet the needs of those wishing to continue to work on the frontline of R & D throughout all stages of their working life. Fourth, it is difficult to secure "intermediate-level" engineers at production sites.

**Fig. 4 Qualitative Change in Workers and Changes in Labor Productivity in Industries (1970-90)**



Source: Estimated by Labour Economy Affairs Division, Ministry of Labour, from Economic Planning Agency.  
*Report on National Accounts, Ministry of Labour, Basic Survey on Wage Structure.*

### Stable Employment and Structural Adjustments Which were Balanced

The nation's employment has been stable with fluctuations in employment and unemployment rate less significant than those in major Western countries. The contributing factors are flexible adjustment of working hours and wages as well as reassignments and temporary transfers.

However, reassignments have recently acted as a larger contributing factor than before to changes in the composition by industry of employed persons. They have also contributed toward higher productivity as a whole. Individual enterprises should use prudence in making personnel cuts in a recession.

### Consolidating Long-term Employment Systems Desirable for Human Resource Development and Stable Employment

Enterprises have so far accumulated professional staffs with in-house training as a fundamental policy and should stick to this in coming years. Recent years have witnessed growth in middle-aged and older workers and greater emphasis on professional ability. Thus, it is desirable that enterprises themselves consolidate the system of long-term employment in which middle-aged and elderly workers can display their hard-won professional abilities to

the largest extent possible. Furthermore, this endeavor includes administrative support for corporate efforts toward improved labor mobility among middle-aged and older workers without having to become unemployed.

### **3. Tasks Regarding Affluent Working Life**

#### **Improved Living Standards and Problems Which Remain to be Solved**

Living conditions of Japanese workers have improved phenomenally, and are comparable to Western levels in all aspects of income, spending, financial assets, pensions and employment stability. Yet high prices push down real purchasing power; working hours are still long, houses are small and overpriced, and workers spend many hours a day commuting to and from work. Furthermore, workers feel less satisfied with their work and have less latitude in decision-making than Western workers.

#### **Employment Management Conducive to Maintenance of Employment But Which Forces Both Physical and Psychological Burdens on Workers**

Relocation and transfer within related firms, transfer and *tanshinfunin* (long-distance transfers of employees without the accompaniment of their families) and shorter working hours are conducive to stabilizing employment, while on the other hand, they force workers to shoulder heavy financial and psychological burdens. Workers positively value relocations as effective in acquiring broad-based knowledge; however, they feel this hampers cultivation of professional knowledge and skills. Transfer within related firms, on the other hand, have won favorable support from the standpoint of maintaining jobs for middle-aged and older persons but have not been accepted in that they force on workers changes in the work environment and job content. Transfers and *tanshinfunin*, which are closely linked to promotion to a higher position and stable employment, are accepted as inevitable choices but force on workers heavy economic and psychological burdens. Regarding overtime, non-scheduled working hours constitute constant overtime for the most part. In addition, long work hours continue in specific job fields.

#### **Tasks Involving Working Life with Many Options to Choose from**

Looking at workers' attitudes, the traditional ideal of lifetime employment persists. Regarding promotion, demand not for promotion to a managerial position but for development of professional abilities and treatment based upon it is swelling. Enterprises are stressing diversifying management. The following can be pointed out as future tasks to be tackled. First, improving the system of evaluating workers' ability and accomplishments so that these are adequately reflected in the merit-rated wage system. Second, improving the environment so that women can display their ability to the fullest and giving them support for achieving a balance between careers and family life. Third, securing people of quality with versatile

abilities and improving the system of welfare benefits so that it adequately meets the diversifying needs of working persons.

## Statistical Aspects

### Recent Labor Economy Indices

	June 1994	May 1994	Change from previous year
Labor force	6,735 (10 thousand)	6,748 (10 thousand)	39 (10 thousand)
Employed	6,552	6,557	15
Employees	5,279	5,288	46
Unemployed	189	187	24
Unemployment rate	2.9%	2.8%	0.3
Active opening rate	0.63	0.64	-0.13
Total hours worked	166.6 (hours)	150.0 (hours)	1.2*
Total wages of regular employees	280.0 (¥thousand)	275.0 (¥thousand)	2.5*

Source: Management and Coordination Agency, Ministry of Labour.

Notes: 1. \*denotes annual percent change.

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

### Time Spent Per Weekday on Activities by Sex and Economic Activity (Average for All Persons)

in hours-minutes

Sex	Kind of activities																			
	Sleep	Personal care	Meals	Commuting to and from school or work	Work	School work	House keeping	Nursing	Child care	Shopping	Moving excluding commuting	TV, radio magazines newspaper	Rest relaxation	Studies and research excluding school work	Hobbies amusements	Sports	Social activities	Social life	Medical exam. treatment	Others
Males and females	7.25	1.02	1.32	0.52	7.25	0.05	1.01	0.02	0.05	0.13	0.16	1.50	1.04	0.07	0.20	0.05	0.03	0.22	0.05	0.06
Working men	7.34	0.53	1.30	1.00	8.17	0.05	0.05	0.01	0.02	0.05	0.16	1.56	1.05	0.06	0.22	0.06	0.03	0.25	0.04	0.05
Working women	7.14	1.14	1.34	0.41	6.12	0.05	2.19	0.04	0.11	0.25	0.15	1.43	1.03	0.07	0.18	0.04	0.03	0.18	0.05	0.07
Women not working	7.42	1.15	1.46	0.15	0.06	1.12	3.29	0.06	0.37	0.36	0.22	2.48	1.40	0.17	0.38	0.09	0.05	0.25	0.18	0.13

\*1: Working persons are defined as "those who usually work to earn income", including "those mainly working," "those working while keeping house" and "those working while attending school."

Source: Statistical Bureau, Management and Coordination Agency. 1991 SURVEY ON TIME USE AND LEISURE ACTIVITIES, Volume 6.