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General Survey

White Paper on the Economy

On July 25, The Economic Planning Agency (EPA) released its 1995 white paper on the economy subtitled "Toward Reviving Dynamism of the Japanese Economy." This year's white paper analyzes the present condition of the nation's economy from three aspects: business trends, industrial adjustment amidst the strong yen and a response to the aging population.

The white paper points out the delay in economic recovery in private investment in plant and equipment as the major factor behind the stalled economic recovery. Pointing out that the current situation is somewhat close to the situation following the first oil-supply crunch in which the economy lost momentum toward recovery, there is a need for financial and monetary policies to maintain final demand, the white paper says.

Analyzing the effects of the high yen on corporations, the white paper stresses the fact that while manufacturers are overcoming the strong yen by boosting productivity, non-manufacturers in the face of many restrictions, are slow at improving productivity. High costs in the non-manufacturing sector, which include the necessary services, transport, telecommunications and financing, weaken the international competitiveness of manufacturing, the white paper warned. To break the deadlock, it is vital to reinforce a policy of encouraging competitiveness of the non-manufacturing sector, noting that reforms, through deregulation, for creating new industries, such as information telecommunications, medical services, health-related industries, housing and leisure are a prerequisite for continued growth.

These reforms will involve the trimming of industries and employment adjustment in the short run but are inevitable, the white paper points out, stressing the need to tackle reforms necessary for an economic structure which enables the strong yen to be used efficiently, as evidenced in Germany which makes active use of the Deutsche mark's rise against the dollar. Furthermore, the white paper proposes that the public works sector be regulated in terms of financial scale and to consider a system that will give full play to private-sector vitality. Calculating on a trial basis that under the current social security system, the nation will see its financial deficit top 8 percent of gross domestic product in 2040, the white paper points out the need to review the efficiency of pension and medical care systems to alleviate the future national burden and at the same time to encourage employment of the elderly.

Working Conditions and the Labor Market

Jobless Rate Worsens

The nation's unemployment rate registered an historic high of 3.2 percent in June (seasonally adjusted), the same as April's figure, according to a Labor Force Survey Report (preliminary release) published on July 28 by the Management and Coordination Agency. The jobless rate was at the 3 percent level in March, April, May and June, demonstrating that the 3 percent mark is not momentary but is becoming constant. In a separate report, on "the general situation of job-placement," published on the same day, the Ministry of Labour said the ratio of job offers to job seekers for June was 0.61 on a seasonally adjusted basis, down 0.02 point from 0.63 in May. The figure was the lowest in recent years, and was the same as the previous figure set in January 1987 when the yen's rise spurred a recession.

The unemployment rate of 3.2 percent was the highest since 1953. By sex, the jobless rate for women was 3.4 percent, up 0.2 point from the previous month, the highest figure since 1953, while that for men was 3.0 percent unchanged from May. The unemployment rate was thus notably high among women. The number of employed persons was 65.59 million, up 0.1 percent, or 70,000 from a year before. But the number of jobless was 2.02 million, up 10.4 percent, or 190,000, showing a sharp rise compared with the same month of the previous year. By sex, the number of employed women was 26.82 million, showing a year-on-year drop of 60,000, or 0.2 percent. The number of employed men, on the contrary, was 38.77 million, posting a year-to-year increase of 130,000, or 0.3 percent. The number of jobless men grew by only 50,000, or 4.5 percent from a year earlier to 1.15 million, while that of unemployed women surged by 140,000, or 19.2 percent, over the previous year to 870,000.

The active ratio of job openings to job applicants stood at 0.61 and was at the lowest level since the *endaka* (high yen) slump of 1987. This is attributed to the fact that seasonally adjusted job offers declined 0.1 percent from the previous month while job seekers soared a seasonally adjusted 1.6 percent. The number of new job openings by industry grew 3.1 percent from the year before in the service industries but fell in all other major industries. It dropped 3.4 percent in the manufacturing sector and 3.4 percent in the wholesale, retail and catering trades.

Human Resources Management

Trends in Diversifying Recruitment

With the business outlook getting dimmer as shown in the yen's rapid rise, it is predicted that industrial circles will continue their restrictions on new hires next spring. In addition, many companies have begun to review the period for hiring new recruits as well as the traditional uniform recruitment system which includes selection of new recruits on the basis of the college or university they graduate and recommendations. Take Toyota Motor Corp., for instance. The carmaker is pushing ahead with diversification of recruiting methods and systems. Specifically, it will employ university graduates without knowledge of the alma mater. Also, it will actively employ more foreign nationals and mid-career personnel. The company hopes to expand a "professional contract system" which will hire employees on an annual wage contract basis started in the spring of 1994. The automaker plans to hire 140 university graduates for fiscal 1996, a drop of around 60 from this year's number. The company hopes to secure outstanding personnel by diversifying its hiring method.

Fujitsu Ltd. plans to recruit 100 university graduates majoring in liberal arts and 300 science majors, the same number recruited this spring. At the time of employment, it will take into account jobs recruits desire to take after entering the firm. To be more specific, new recruits will be assigned to the workplace they desire once they join the company when their wishes coincide with those of the workplace involving overseas purchasing, international projects and sales. The company will also allow new recruits with special abilities to select a "contract-based employee" course. The course is suited to those who do not want to be employed on a lifetime basis but who want a high salary. Fujitsu is beginning to hire mid-career job hoppers on a contract basis in a full-fledged manner. Officials will look for professionals with creative ability and business experience and will negotiate with them to flexibly set a contract period, forms of employment and salary.

Some companies have offered positions to foreign students. Orix Corp. plans to hire 50 *sogoshoku* (those expected to be in positions with promotional opportunities to managerial and executive levels) and 100 regional *sogoshoku* (those in positions with limited places of employment-women only). Besides, the company has decided to employ for *sogoshoku* jobs around 30 foreign students who will graduate from Japanese universities next spring. The decision is aimed at diversifying employees and reinvigorating the organization, the firm said. It is rare, however, to hire a large number of new foreign graduates for *sogoshoku* jobs involving domestic sales. The company has introduced a "system of hiring new graduates throughout the year" this spring. Periodical recruitment of foreign students, it is fair to say, is a move toward diversification of hiring methods.

International Relations

10th World Congress of the International Industrial Relations Association

The 10th World Congress of the International Industrial Relations Association met in Washington D.C. on May 31 through June 4. At one of the special sessions titled "Mutual Learning: Japanese and American Employment Policies" (Head: Prof. Haruo Shimada of Keio University), the participants exchanged in-depth views and opinions, while confirming the similarities and dissimilarities of industrial relations and employment policies between Japan and the United States.

Prof. Tadashi Hanami of Sophia University pointed out the declining influence of labor unions as a trend common to industrial relations in Japan and America. He noted that in the United States, the National Labor Relations Act (NLRA) often presents an obstacle to unionization. Also, he posed as a problem the fact that Japan's labor laws do not display the desired effectiveness to prevent employment discrimination against women, foreigners, physically disabled persons and elderly people.

Janice Bellace, a professor at the University of Pennsylvania, expounded on differences in industrial relations between Japan and the United States, focusing on the two points of the role of the government and legal systems. More specifically, she pointed out first, that in Japan there is a tendency to place expectations on government intervention to normalize industrial relations, while in America, the truth is the opposite; and second, whereas Japanese laws are comprehensive, American laws adopt approaches based on cases.

Michio Nitta, a professor at the University of Tokyo, introduced the fact that Japanese-style industrial relations remain basically unchanged even in the wake of recession, while referring to data. But he added that Japanese industrial relations may be forced to undergo drastic changes if either labor or management change their strategies as a result of sudden changes in factors behind economic growth.

William Gould, chairman of the National Labor Relations Board, introduced a debate over the "Teamwork for Employment and Managers Act" the Republican Party submitted to Congress in January 1995, as a problem involving America's industrial relations. The Act is intended to allow employers to create an employee workshop organization for decision-making participation. Mr. Gould himself expressed disapproval of the Act, asserting that "employees should be given a free choice."

2nd Symposium on Japanese and U.S. Immigration, Refugee and Citizenship Policies

A two-day Symposium on Japanese and U.S. Immigration, Refugee and Citizenship Policies was held at the LINC Hall of the Japan Institute of Labour (JIL) on June 22-23. The symposium was organized jointly by Myron Weiner, a professor at the Massachusetts Institute of Technology (MIT) and Tadashi Hanami, a professor at Sophia University, as part of the United States and Japan Joint Project on Immigrant Issues. This is the second symposium which met following the first symposium held at MIT in Massachusetts, in December 1994. At the gathering, both U.S. and Japanese experts who are active in the front line in the fields of politics, economics, law and sociology held discussions on such themes as foreign labor measures, which require a multilateral approach. Addressing the participants in the opening speech, from the Japanese side, JIL Research Director General Akira Takanashi touched on recent uniquely Asian problems involving immigrants and proposed the historical, economic and sociological analysis of resultant common problems both in Japan and the U.S. From the American side, Prof. Weiner asked Japan to reconfirm its structural or demographic issues and its immigration control policy and to search for a future policy. Responding to these proposals, the participants conducted discussions on eight subjects, including studying the need for immigrants through future estimates on labor supply and demand; what could be learned from Western experiences and Germany is in particular; the Japanese and U.S. experiences involving unlawful workers; and, a response to political requests and foreign workers' adaptation.

America has a long history as a nation which allows in migrants, but things have been changing in recent years. A survey revealed the pro-immigrant sentiment of the general public for individuals but not for the whole group. In other words, the public highly evaluates individual immigrants as energetic and diligent and consider them acceptable, but have negative views toward immigrants as a whole group. This is perhaps ascribable to social unrest and the problem of social security resulting from the flood of unskilled immigrants whose living standards are low. In a similar survey outcome in Japan, it was pointed out that locals bring themselves in contact with foreign workers and will have awareness of accepting them, but they feel more strongly immigrant-phobic than the survey shows.

The issue of adaptation to an environment, to be sure, is important, but before it lies the issue of how the nation should accept foreign laborers and refugees. According to an American study, to prevent illegal Mexicans from entering the country, the U.S. government strengthened border guards. Even so, it is constantly witnessing a U.S.-bound tide of

Mexicans crossing less heavily guarded parts of the border illegally. From the aspect of geographical characteristics, this is not the case in Japan, but the issue of unlawful workers-workers who hold other than working visas and those who overstay-worries the nation. Small to midsize employers, it is said, are utilizing illegal foreign workers. What is often said about acceptance of foreign workers is that employers consider that foreigners "do not reside permanently," "do not marry" and "do not become old." The reality, however, is that these are not true. How Japan will respond to the issue of foreigners without skills who stay long was presented as a future issue facing the country.

Labor Management Relations

Nikkyoso's Rapprochement with Ministry of Education

Nikkyoso (Japan Teachers' Union) has abandoned its longtime fight against the Ministry of Education, opening the way for an "historic rapprochement" with the education authorities. At its September annual national convention, the union adopted a new action program for the current school year containing the drastic change in direction. This set the stage for its improved relations with the Ministry of Education, thus marking the end of rivalry between the two sides. Under the slogan of "Don't send students to war again", Nikkyoso, inaugurated in 1947, continued its confrontation with the government under the Liberal Democratic Party(LDP) administration. At the 1990 annual convention, Nikkyoso switched away from a "line of resistance" toward a "line of participation," under the slogan of "Participation," "Recommendation" and "Reform." The Ministry of Education, however, kept their stance of not acknowledging Nikkyoso as a negotiator, contending that its new policy line "contains no substance."

Nikkyoso launched a 21st-century committee consisting of informed people to study educational reform and published a report in April 1995. In the report, the union summarized the confrontation between the union and the government as "the greatest misfortune brought on by the political paradigm in the era of the System of '55," recognized the Ministry of Education as a "social partner of reform." The union's new action plan which gave shape to the report, reviews the union's old stance toward issues which results in confrontation between the union and the government. For instance, the union has opposed teacher training, saying that "teachers will be imbued with nationalism." But in the new action program, the union changed its policy away from "opposition to issues " toward "participation in them," saying that it "will endeavor to reflect the will of teachers in such a manner that the results of training may be given full play to school education as it participates in teacher training from the standpoint of seeking to qualitatively improve teachers." The union attributed its change

in direction in the new policy to the following two points. First, "intensifying confrontation in the education community is not favorable to overcome the decline in Japanese education, as exemplified in the problem of bullying."

Second, the union attributed its policy changes to the falling unionization rate. Nikkyoso's unionization rate has now declined to 40 percent from a peak of 80 percent at one time. "Aid funds" offered to union members who were punished for staging a strike and were given a deferred pay hike have reached 4 billion yen a year. Therefore, per capita union dues are exceptionally higher than those for other unions, thus presenting an impediment to new membership. By mending fences with the Ministry of Education, Nikkyoso aims to get the authorities concerned to withdraw disciplinary punishments, such as deferment of pay raises, for union members to alleviate the burden of union finances.

The political environment in which the coalition government including both the LDP and the Social Democratic Party of Japan was launched, it is needless to say, prompted the reconciliation effort between the union and the government.

Special Topic

The Employment Practices and Employment of Young Workers in Japan: Past Experience and Present Situation

Michio Nitta
Professor
Institute of Social Science
University of Tokyo

Introduction

Until recent years, labor market performance in Japan for youth has been regarded as very good compared with that of other countries. This was because the rate of unemployment of Japan's youth was low, reaching only 5% or so even in recession years and Japanese enterprises were evaluated highly for the large investments they made in training young workers (Kochan & Osterman, 1994: p.38) and for their effective OJT systems (Koike & Inoki, 1990).

The favorable performance of Japan's labor market regarding the employment of youth was thought to be closely related to "Japanese employment practices," faithfully followed by the large and medium-sized enterprises. This thinking explains the relationship between youth employment and employment practices in the following way. Because of such traditional practices as the "pay scale based on seniority" and "promotion according to length of service", enterprises preferred to hire young workers. The abilities needed for the job were

developed internally, after employment, through corporate training systems. Enterprises preferred new graduates from high schools and universities with no preconceived ideas and specific occupational skills. Thus, there were many job openings for new graduates and youth unemployment rarely became a social problem.

However, this argument is not without its defects. Another pillar presumably supporting "traditional Japanese employment practices" is the "lifetime employment system." At the core of this system is the practice of "employment security," under which enterprises try to avoid dismissing their employees even when forced to reduce production and labor inputs. Under this practice, in an economic recession, when a company must reduce its workforce, the first measure taken, and an effective measure in terms of quantity, is to hold back hiring new employees and allow attrition to adjust the workforce. When the situation grows more severe and attrition is insufficient, employees are shifted out of the company to subsidiaries or other companies. A final measure to reduce the workforce is to offer incentives such as increased retirement/severance allowances to induce "voluntary retirement /severance." Because the allowance is computed based on service length (so the older workers receive higher payments), and because of the need to curtail labor costs, workers nearing mandatory retirement age whose wage levels are the highest are the ones that normally are expected to leave the company. Therefore, this kind of employment adjustment tends to weigh heavily on the older workers.

However, considering the quantitative impact on the labor market, this form of employment adjustment is not dominant even in the worst recessions. It is far more effective to cut down on hiring new employees. Then employment adjustment most heavily affects new graduates seeking jobs. It is only natural that in an economic recession, a large number of new graduates just out of the universities and high schools should be left jobless. Contrary to arguments by some economists who claim that "Japan's economy had continued on a steady upward slope till the collapse of the bubble economy," our economy has experienced several serious recessions since the 1970s, and each time, industries had to undertake difficult employment adjustments. The most critical of the economic recessions was the one following the first oil crisis. What happened to job prospects of new graduates in the face of such a severe recession?

Past Experience and Its Implication

Table 1 will be useful in answering this question. The table shows that the distribution of hiring of new graduates from high schools and universities among different sized firms is directly related to the economic cycle. When the economy slows, large enterprises hold back on hiring of new employees, while small and medium-sized companies, which usually cannot

attract competent and malleable new employees sufficiently, take the opportunity to hire more new graduates. As a result, unemployment of youth is prevented even in a recession. Of course, for things to work well, the macroeconomic mechanisms to adjust employment levels must be functioning to prevent large scale unemployment. For example, efforts should be made, especially by large enterprises, to control overtime work and reduce total labor input, to hoard labor and lower labor intensity. Further, the rate of participation in the labor force adjusts down the 'peripheral workforce,' consisting of married women and older people to the period of economic recession.

Table 1: Share of New Graduates Hired by Educational Background and Size of Enterprises

Educational Background	Size of Enterprise	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
		(587.9)	(526.3)	(542.8)	(500.6)	(462.8)	(420.8)	(469.1)	(449.5)	(500.7)	(512.6)	(522.9)	(552.7)	(557.6)	(535.9)	(454.9)	(512.9)	(525.0)	(526.1)	(546.8)	(588.6)	(585.2)	(604.7)	(515.1)
High School Graduates	TOTAL	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
	over 1,000	40.5	36.3	35.7	40.4	36.7	27.8	31.1	30	27.8	32.4	34.2	29	25.9	24.9	33.5	29.1	21.2	20.4	23.7	25.9	25.1	26.3	33.5
	300-999	14.3	15.9	14.6	13.6	14.1	15.7	15.3	16.3	15	17.1	17.2	19.2	16.9	19.7	15.5	19.3	15.5	19.3	16.6	20.3	21.9	20.3	16.4
below 300	41.2	43.4	45.9	42.4	46.1	51.9	49.4	49.3	53.8	47.3	45	48.7	54.9	55	49	50.3	60.2	57.4	51.5	50.1	53.8	52.2	48.2	
University Graduates	TOTAL	(160.5)	(160.1)	(167.0)	(170.1)	(159.6)	(158.8)	(163.7)	(164.0)	(194.8)	(202.4)	(215.4)	(209.0)	(212.6)	(214.5)	(244.2)	(248.3)	(233.8)	(230.3)	(220.9)	(270.8)	(277.8)	(275.5)	(306.6)
	over 1,000	36.9	34	29.8	36.6	35.7	23.6	26.8	26.9	23.7	26.8	31.9	29.7	32.5	34.5	37.8	36.3	36.1	36.1	46.8	44.4	52.4	48.1	36.5
	300-999	19.9	17.1	24.1	18.4	25.6	16.6	22.2	21.8	24.2	24.1	21.6	23.9	20.3	19.3	29.1	27.8	25.7	22.1	19.9	21.2	20.8	21.3	32.9
below 300	39.1	43.8	41.8	33.8	35.5	54.7	45.2	44.8	47.1	43.4	39.7	42.8	42.1	41.2	30.5	33.3	34.8	38.1	31	31.9	22.9	22.9	27.6	

Source: Survey on Employment Trends

Note: *Figures within () indicate number (in thousand).

*Figures include Construction industry since 1991.

Since there are wage differentials depending on firm size, this shift in the employment of new graduates to smaller enterprises will result in an actual lowering of wages from the macroeconomic point of view. This is part of the mechanism that gives wage flexibility to Japan's labor market. As new graduates shift to smaller enterprises, however, they are deprived of the opportunity to receive well-funded and well-equipped job training provided by the larger enterprises. This means that in the future, they may not increase their productivity and income. As a result from this perspective, one may question the performance of the Japanese labor market, regarding the development of occupational ability among young workers. Looking at past experience, however, at least until now, there seems to have been no serious problem. Why is this so?

The answer to this question can be stated as follows. New graduates have the highest mobility and the greatest plasticity, both geographically and occupationally. Therefore, they react most sensitively to changes in the industrial or occupational structures of the labor market. They are more likely to be attracted to the growth industries and occupations. Consequently, they serve to adjust labor supply to the changes in labor demand that arises from changes in the industrial and occupational structures. Large number of new graduates have shifted to enterprises that are smaller in scale but operate in new, growing industrial fields. It was a shift from large enterprises that have "already grown up and matured" to smaller enterprises that are "beginning to grow."

To cite a few examples, chain store operations, adapting to the structural changes in the distribution system after the 1970s, hired many university graduates. Along with rapid

developments in computerization, the software industry hired a large number of university and specialized vocational college graduates. In the growing industries and enterprises, the efficiency of investments in training is high, since there are more opportunities to take on new projects and experience new tasks. Also, human capital developed through training will be fully utilized. Therefore, although expenditures on training and education may be small compared with larger firms in more established industries, there was an accelerated development of vocational ability in these types of industries and firms.

Seen from this dynamic point of view, we might say that the traditional Japanese system of a "pay scale based on seniority/age" may have helped to cause industrial changes and to promote economic growth. The concept of a "pay scale based on seniority/age" is troublesome. The definition differs from person to person, and at times, causes confusion. It is not even clear whether "*nenko*" or "seniority" refers to length of service or to age. If all the employees were hired in the same period right after they graduate from school, there would not be much difference between the two. However, even in the large enterprises, many employees are hired after experiencing other jobs.

Moreover, there is a question whether we consider the "pay scale based on seniority/age" as an employment practice involving the specific enterprise, or do we consider it to be a widely accepted social norm that has found its way into society at large? The impact of the system on the labor market will depend on which way we consider it. I believe that the concept of a "pay scale based on seniority/age" has become accepted as a social norm. It is widely believed that the younger workers should receive lower wages, and that wages should rise as workers grow older. If so, the growth industries that are hiring many young workers are in an advantageous position regarding labor costs. As for output, due to the accelerated and efficient development of human capital, the productivity is comparable, if not equal, to that in the mature industries with a more experienced work force. Therefore, in terms of the labor market, it is considered that these growing enterprises have the favorable conditions needed for further growth. In the past, enterprises that were supported by these favorable conditions grew fast along with the industry itself and rapidly acquired the ability to pay higher wages. Even when the workforce gradually grew older, the enterprise could pay wages to match the age or length of service of employees. Thus, a kind of positive cycle has been formed.

Of course, this scenario is one of a success story. In the competitive market, there have been enterprises that could not grow rapidly enough to keep up and were forced to withdraw from the competition. People working for such enterprises may have been put at a disadvantage in some way. However, for the economy at large, the Japanese system ensured high performance in the labor market and dynamic growth of the economy as gradual

transitions took place in industrial structure.

To make the argument simple, I have been focusing on new graduates. However, the same arguments apply to the youth labor market as a whole. Contrary to the popular image of the 'stable and rigid labor market structure' operating on the 'lifetime employment system', even large enterprises with over 1,000 employees have been recording annual severance rates of 5% to 10%. Also, in large enterprises with over 1,000 employees, there is about the same number of job changers from other companies as the number of workers hired just after graduating from high schools and universities. Nearly half of these job changers are young workers under 30. This data shows that young workers are maintaining mobility in the labor market. In fact, without this mobility, the labor market could not have adapted to the shift in demand in the radically changing Japanese economy.

Recent Problems and Policy Measures

Let us now examine the recent situation of the employment of young people in Japan, keeping the previous observations in mind.

First, contrary to reports by the mass media, enterprises have been sticking to "traditional Japanese employment practices" to achieve employment adjustments in the protracted recession. That is, they are aiming at labor hoarding by reducing working hours and by a hiring freeze. As a result, employment adjustment has weighed heavily on job prospects for new graduates, particularly from universities and colleges, and job scarcity has become a social problem. According to the Basic School Survey by the Ministry of Education, those who had found a job at the time of graduation (March) accounted for only 70% of all new university graduates in 1994, about the same level as in 1976 when the impact of the first oil crisis was felt hardest. It is reported that similarly difficult conditions existed for the graduates in 1995. This year's employment situation for new graduates is said to be as bleak as a heavy rainstorm or even an "Ice Age."

Table 2 also shows that the number of new graduates from high schools and universities who have not been promised positions at graduation time increased greatly in 1994. However, the number of new graduates without a job decreased from 240,000 in March 1994 to 50,000 by December. Thus, the current situation has not resulted in large scale and lasting joblessness among young people. The data suggest that the employment pattern in recession years may be appearing again. New graduates who could not find a desirable job in the first round of recruiting are taking less favorable jobs.

Table 2: Transition of Unemployment Situation of New Graduates

	Unemployed	Unemployment Rate	Unemployed New Graduates
1989 av.	1,420	2.3%	60
1990 av.	1,340	2.1%	60
1991 av.	1,360	2.1%	50
1992 av.	1,420	2.2%	50
1993 av.	1,660	2.5%	70
Jan. 1993	1,520	2.3%	30
Feb. 1993	1,570	2.3%	30
Mar. 1993	1,680	2.3%	180
Apr. 1993	1,570	2.3%	110
May 1993	1,690	2.5%	70
Jun. 1993	1,590	2.5%	50
Jul. 1993	1,590	2.5%	70
Aug. 1993	1,670	2.5%	50
Sep. 1993	1,720	2.6%	40
Oct. 1993	1,760	2.7%	70
Nov. 1993	1,760	2.7%	60
Dec. 1993	1,750	2.8%	60
Jan. 1994	1,840	2.7%	40
Feb. 1994	1,940	2.9%	50
Mar. 1994	2,080	2.9%	240
Apr. 1994	1,940	2.8%	150
May 1994	1,910	2.8%	100
Jun. 1994	1,830	2.9%	100
Jul. 1994	1,880	3.0%	80
Aug. 1994	2,000	3.0%	100
Sep. 1994	2,010	3.0%	70
Oct. 1994	1,990	3.0%	60
Nov. 1994	1,850	2.9%	60
Dec. 1994	1,770	2.8%	50

Note:

1. Seasonally adjusted rate from "Labor Market Survey"

2. "Unemployment situation of new graduates" according to "Labor Market Survey" means:

- 1) Those who were looking for jobs "during the last week of the month, and
- 2) Those who replied "because they graduated from school" as the reason to start job hunting

Second, looking at the opening to applications ratio, the job shortage is more severe for university graduates than for high school graduates. The increase in percentage of youths advancing to higher education can be seen as an increase in human capital investment. It is, however, becoming harder to recover this investment. One big reason is that we are suffering the aftereffects of excessive recruitment of university graduates into 'white collar' positions during the bubble economy. Another reason is that the second generation of baby boomers have reached university graduation age.

Third, the job shortage among university graduates is more serious for women than for men. This is partly because female university graduates major in limited fields. For example, there are few science and engineering majors. It is also effected by the restructuring of corporate organizations. Introduction of mechanization and advanced information systems has enabled enterprises to reduce the number of workers in the less specialized office work fields. However, it has also been reported that there were firms that gave priority to the hiring of men, violating the principles of the Equal Employment Opportunity Law that requires that men and women be given equal opportunities at the time of employment.

Meanwhile, an increase in the number of those advancing to higher education is observed for women. The job shortage for university graduates is increasingly becoming the issue for female university graduates.

The following measures have been taken to address these problems.

First, the government's job-matching activities for new graduates, which were mostly meant for high school graduates, are being expanded to help university graduates as well. Specifically, the government organized group interview sessions where students expecting to graduate from universities were introduced to and interviewed by companies that want to hire new employees (mainly small and medium enterprises). Over 50,000 students participated in interview sessions sponsored by the Ministry of Labour in 1994. Vocational college graduates are finding it even harder to find jobs. To help them, the Ministry of Labour is encouraging the schools to strengthen communication ties with enterprises.

Second, to further help those who have already graduated and who are without a job by the time of graduation, job placement offices are offering guidance to enterprises and are introducing more aggressively these new graduates to enterprises. In FY 1995, a "Job Experience Program" is being introduced in which wages and training costs will be subsidized for enterprises hiring unemployed graduates on a short-term employment contract and will allow them to work at an actual job and receive training. In addition, group interview sessions will continue to be held periodically during FY 1995.

Third, to prevent discrimination against female students by enterprises when recruiting new employees, administrative guidance was given to the enterprises to observe the Equal Employment Opportunity Law. This will be a priority for the Ministry of Labour this year, too.

Conclusion

The ability to maintain the favorable performance of our labor market with regard to employment of youth has become a major issue for the Japanese economy which is suffering from a long recession and the transition of the economic structure. The solution to this problem will not be found in the establishment of a "mobile labor market," as some economic commentators argue. In the utopia, which they dream of, workers do not stay in one enterprise, but move freely from enterprise to enterprise corresponding to the changes in demand for labor. The emergency measures provided by the government in response to the current problems of youth employment will offer some relief, but will not be a permanent solution to the problem.

If we are to learn from past experience, it seems more important to consider the emerging but amorphous new industrial fields into which numerous young workers will be absorbed. What employment opportunities are those fields offering? What training opportunities will be provided? Will these young workers be able to establish a stable professional career in these fields? The government should consider such points and find ways to provide support. Whether the government should work on deregulation, inducing industrial policies, or a combination of the two is not known. However, we do know that the government must provide leadership as well as a supportive environment so that growth industries can continue innovative activities and create new employment opportunities. The government should set up responsible policies that will solve the financial crisis so that the growth industries can receive financing. The government should also adopt macroeconomic policies within a feasible range. Based on the precondition that such economic and industrial policies will be established, policy issues concerning the labor market can be addressed in an appropriate way, including development of labor market systems for university graduates and revisions in 'seniority -based' pay systems.

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White Paper on Labour

White Paper on Labour 1995 -Outline of the Analysis-

On June 27, the Ministry of Labour submitted its 1995 White Paper on Labour to a Cabinet meeting for approval. This year's white paper analyzes trends in the 1994 labor economy in Part I. Part II, titled "Coping with Structural Changes in the Labor Market through Job Creation," examines, from a mid- and long-term perspective, necessary tasks for Japan in order to continue to hold down joblessness and also to realize a desirable employment structure through the creation of jobs in the years based on the experiences of

Europe and the United States.

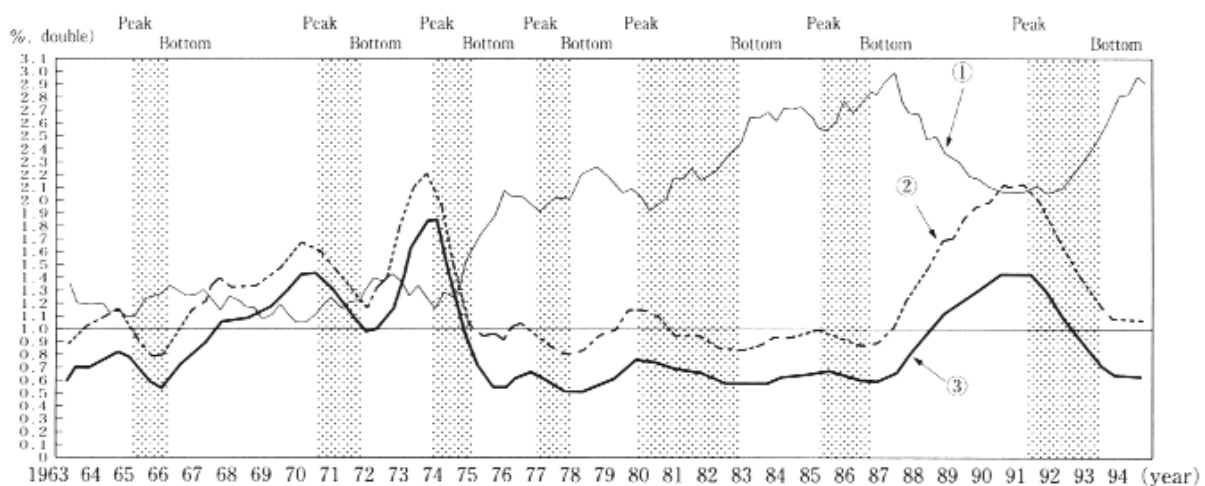
Part I Trends and Features of the Labor Economy in 1994

1. Trends in Employment and Unemployment

(1) Highest-ever Unemployment Rate

The ratio of active job offers to active job seekers in 1994 continued its fall in the January-March period to a seasonally adjusted 0.65 and to 0.64 in the April-June period. The rate remained at the level of 0.64, finally bottoming out in the July-September and October-December periods. The unemployment rate in 1994 registered 2.9 percent, up 0.4 percentage points over the year before. Thus, it topped the 1986 and 1987 figure of 2.8 percent, the highest since the government started to compile these statistics (Fig.1).

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



Source: Ministry of Labour, *Statistics on Employment Service*,
Management and Coordination Agency, Statistics Bureau, Labour Force Survey

① Unemployment
② New opening rate
③ Active opening rate

(2) Moderate Recovery both in Ratio of Active Job Offers to Active Job Seekers and in Unemployment Rate

Employment conditions in the current period of economic pickup are characterized by the longer time needed for recovery and the moderate pace of improvement. Slow recovery in the ratio of active job openings to job applicants was attributable to modest recovery in active job openings and continued growth in active job applications. In addition, the high jobless rate is strongly affected by a drop in the number of employed persons.

(3) Demand for Employment is Particularly Weak in Manufacturing, Wholesale and Retail Trade and Eating and Drinking Establishments

When comparing trends in the number of employees with those in past phases of economic recovery, we can see that the decline in the number of employees is particularly notable in manufacturing, wholesale and retail trades and eating and drinking

establishments. Behind this lies the following factors; in manufacturing, corporate efforts to maintain employment in the current recession curtailed new hired even in the phase of economic recovery. And in wholesale and retail trades and eating and drinking establishments, more sluggish business activity than ever before as well as structural changes in distribution have exerted a great effect on employment.

2. Trends in Wages, Working Hours and Health and Safety at Work Trends in Wages

In 1994, the growth rate of total cash earnings was up 1.7 percent in comparison with the 1993 increase of 0.3 percent in establishments of 5 or more employees. This was due to a rise in the growth of non-scheduled cash earnings including overtime and a smaller decrease in the growth of special cash earnings, such as bonuses, than the year-before level. Real wages rose 1.2 percent over the previous year from a 0.8 percent fall for 1993.

(1) Trends in Working Hours

In 1994, working hours at establishments with 30 or more employees averaged 1,904, a drop of 9 hours from the year before, the sixth consecutive year-on-year decline. This was, however, a significantly smaller decline than that of 1993. Due in part to efforts made in 1993 by many enterprises, smaller ones in particular, toward shorter hours, reduction in scheduled working hours did not progress in 1994 and non-scheduled hours also posted a smaller drop.

(2) Trends in Health and Safety at Work

In 1994, the number of industrial injuries (deaths and injuries requiring four days or more of absence from work) totalled 176,047, down 3.2 percent from the year before, showing a continued decline. In contrast, the number of deaths rose 2.5 percent from a year earlier to 2,301, the first such increase in four years.

3. Trends in Prices and Worker's Household Consumption Expenditures

(1) Trends in Prices

Overall consumer prices rose by 0.7 percent in 1994, down 0.6 percentage points from the 1993 increase of 1.3 percent.

(2) Worker's Household Income and Expenditure Trends

In 1994, worker's household real income decreased 1.1 percent in real terms annually, posting the first drop since 1980. Worker's household real expenditures were down 1.1 percent in real terms, showing a continued year-on-year decline.

4. Trends in Industrial Relations

In the 1995 spring wage negotiations, labor and management are expected to settle on a lower wage hike than in 1994. Major industrial unions in large enterprises accepted the following employee-based wage hikes: labor unions at steel companies agreed on a 1.21 percent increase settlement (automatic raise alone), those at electronics companies received a wage hike of 2.95 percent, those at auto companies settled for a 2.79 percent increase; and private railway unions took an offer of a wage increase of 3.19 percent.

Part II Coping With Structural Changes in the Labor Market through Job Creation

1. Realities of Unemployment Structure and Changes in the Labor Market

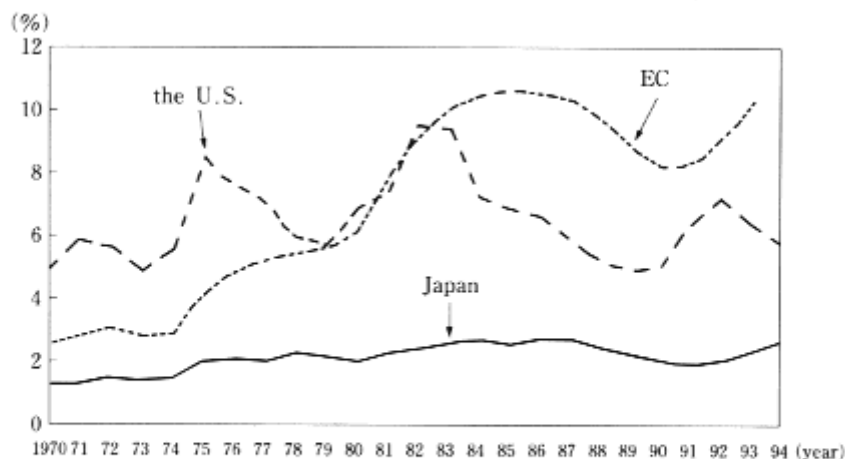
(1) Unemployment Rate on a Long-Term Upward Trend

The nation's jobless rate has undergone cyclical changes due to economic fluctuations but has been rising over the long term. This is particularly notable among youths, elderly males and middle-aged women. The number of voluntarily unemployed workers is increasing. Industry wise, the number of jobless persons is growing in the services.

(2) Unemployment Issue in Advanced Industrial Countries

In America, the possibility is high for people to lose a job but is also high for them to find re-employment. The United States jobless rate has not been on a gradual upward trend but a wider disparity in wages brought on by a gap in skill levels is apparent. In Europe, meanwhile, the rigid labor market is producing long-term unemployed persons, with the jobless rate continuing to trend upward (Fig.2). Furthermore, the unemployment rate for low-skilled workers is relatively high in industrialized economies, including Japan.

Fig.2 Trends in Unemployment Rates in Japan, the U.S. and EC-member Nations



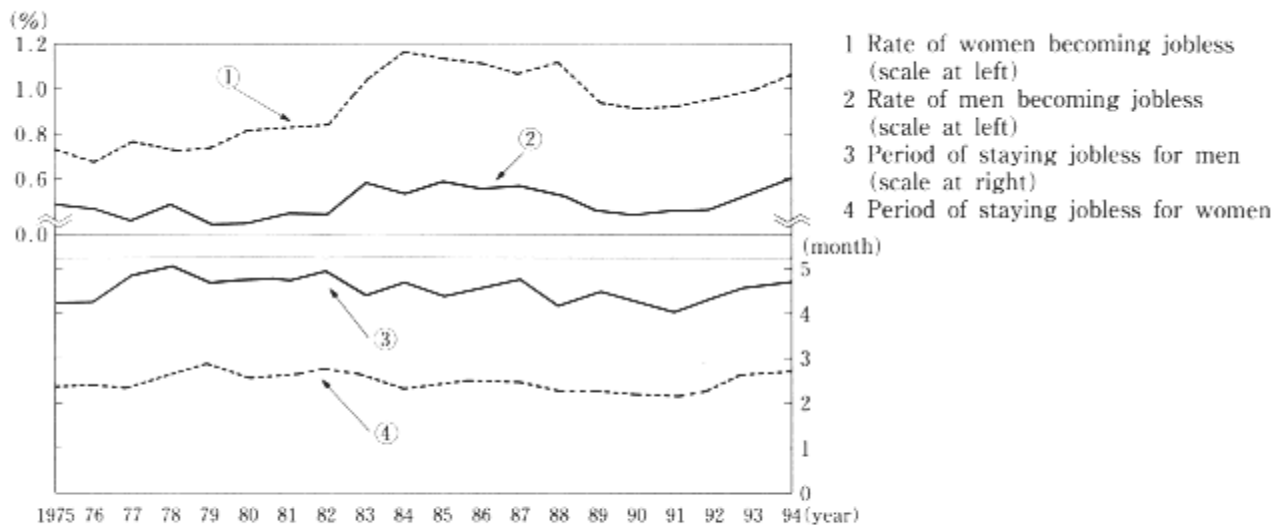
Source: Statistics Bureau, Management and Coordination Agency, *Labour Force Survey*
U.S. Department of Labor, "Employment and Earnings"
OECD "Labour Force Statistics"

Note: The published unemployment rates for Japan and the U.S. and the standardized rate for EC-member nations

(3) What Lies Behind Japan's Rising Unemployment Rate

When dividing fluctuations in the nation's unemployment rate into two categories, the rate of separation from work and the period of staying idle, we can see from Fig.3 that the rising rate of separation is causing the long-term rise in the jobless rate. A delay in improving the environment to enable women to continue working with ease is attributable to a higher unemployment rate for women than for men. In addition, lack of job opportunities which meet the needs of older persons has pushed up the jobless rate for elderly people.

Fig.3 Trends in Rate of Job Separation and Period of Staying Jobless



Source: Estimated by Labour Economy Affairs Division, Ministry of Labour, using Statistics Bureau, Management and Coordination Agency, *Labour Force Survey*
Note: Rate of becoming jobless is no. of lost jobs in a month/labour force
Period of staying jobless is average no. of months from the start to the end of joblessness

(4) Holding Down Unemployment

Unemployment, identified as an acute economic headache for the unemployed and a great social loss, should be held down. Toward this end, it is vital to create jobs in emerging fields. At the same time, it is essential to develop vocational abilities which respond adequately to changes in industrial structure, to consolidate an environment which enables women to continue to work with ease, to expand job opportunities for the elderly through continued employment and to bolster the supply-demand adjustment in the labor market which facilitates voluntary switching to better jobs.

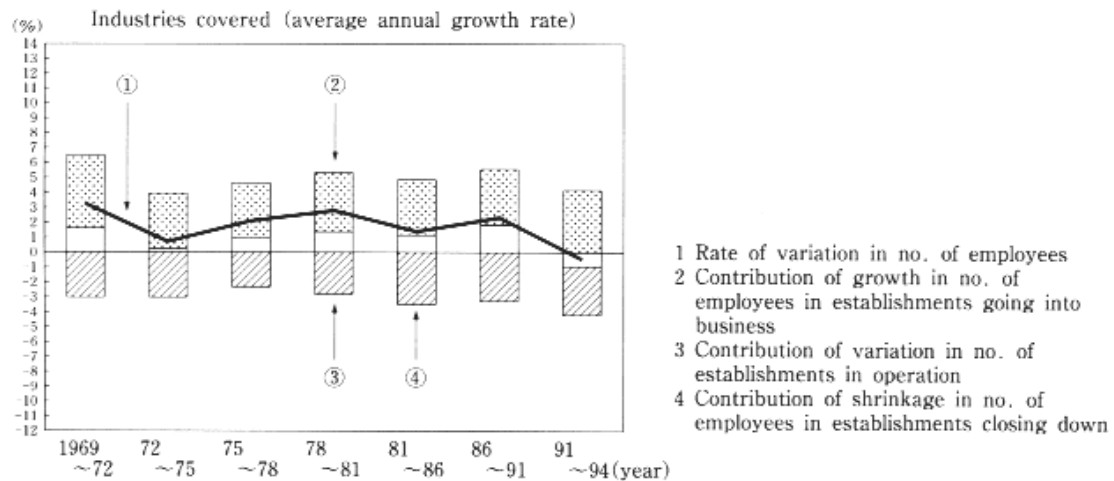
2. Job Creation and Supply-Demand Adjustment of the Labor Market

(1) Areas of Job Creation

In coming years, jobs will be created in tertiary industry, particularly in the service sector, in professional and technological fields by occupation and in the non-regular form such as part-timers and temporary workers, by employment form. Furthermore, such factors as

progress in informationalization and changes in distribution are accelerating these changes in employment structure. Also, it is expected that establishing new companies will play a major role in creating jobs in the years ahead (Fig.4).

Fig.4 Contribution of Variation in No. of Employees by Establishments Going into Business in Operation and Closing Down



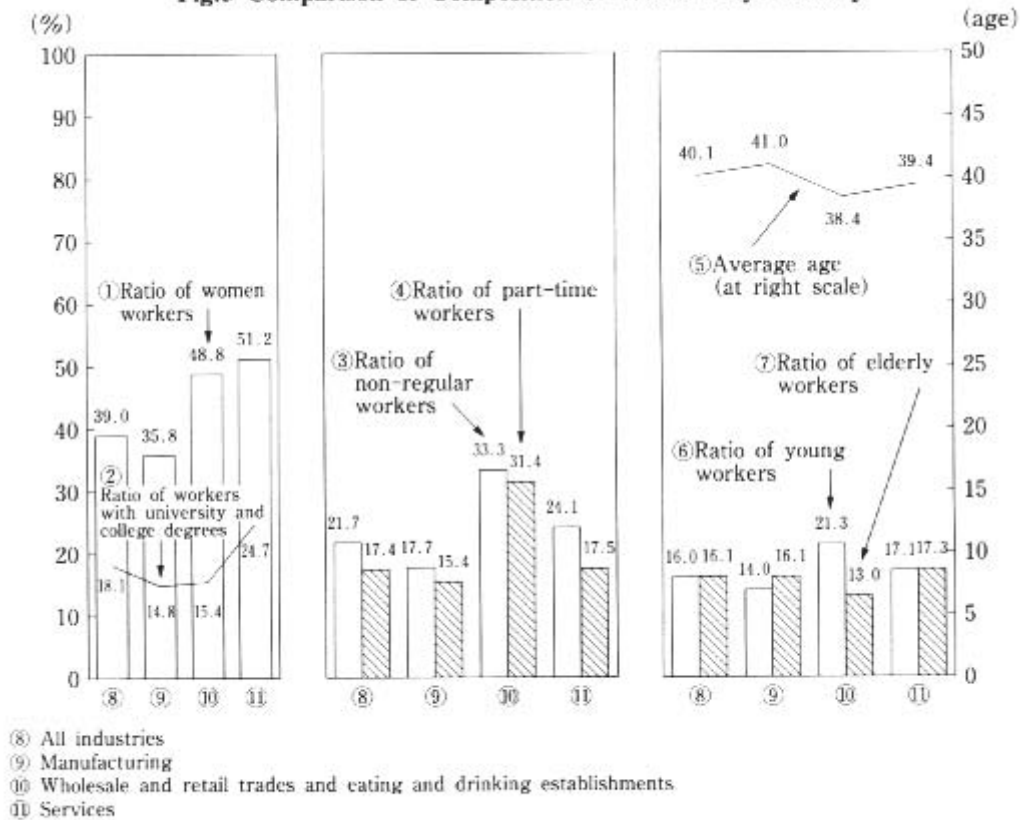
Source: Estimated by Labour Economy Affairs Division, Ministry of Labour, using Statistics Bureau, Management and Coordination Agency, *Survey on Establishments Statistics and Survey on Consolidation of Records of Establishments* (1994)

Note: Includes establishments whose date of starting business are unknown for the rate of variation, excluding that for 1991-94

(2) Evaluation of and Tasks for the Service Sector as an Area of Job Creation

Let us look at employment in services from the standpoint of future changes in the labor supply structure. In the service sector, the outlook is not promising for older persons; however, it is bright for women and those with higher educations. Furthermore, service jobs can accept diversifying types of workers (Fig.5). Also, in terms of stable employment, the possibility is high for workers in services to be employed long-term when compared with those in other sectors. Working conditions, such as wages and working hours, are largely better in services than in the other sectors; however, duty hours are irregular and wage levels are not necessarily high in some areas, particularly in the area of personal services. Thus, improving working conditions in these areas is an important task to be tackled.

Fig.5 Comparison of Composition of Workers by Industry



Source: Ministry of Labour, *Industry Labour Situation Survey* (1993)
Statistics Bureau, Management and Coordination Agency, *Basic Survey on Employment Structure* (

(3) Toward Effective Utilization of Non-Regular Employees

Non-regular employees, such as part-timers, have not necessarily been treated appropriately in the context of the quality of employment. Both labor and management are asked to voluntarily deal with the issues of working conditions, implementation of education and training programs and improvement in welfare provisions. As is already seen, particularly in the distribution sector, part-time workers are expected to be utilized in a sophisticated manner as the core front-line labor force.

(4) Labor Allocation and Its Tasks

With growing importance in labor mobility in the face of structural adjustment, it is necessary to solve problems involving labor allocation factors such as new hires, job change and temporary transfers to subsidiaries and related firms as well as reassignments within firms. Particularly regarding job change, labor mobility between different industries and jobs is extremely difficult. In addition, a decrease in wages also presents a big obstacle to smooth labor mobility. Improving the functioning of the market mechanism by means of improved wages for mid-career persons is thus necessary.

(5) Tasks for Adequate and Smooth Labor Supply-Demand Adjustment Amidst Structural

Adjustment

Tasks for adequate and smooth adjustment of labor supply and demand involve the following. First, to assist employers in their efforts to tackle unemployment-free labor mobility particularly in the domain of ability development, in response to restructuring. Second, to substantiate an ability development system for fostering people which, it is safe to say, will determine success of structural adjustment. Third, to reinforce job-placement functions on a national basis.

Statistics Aspects

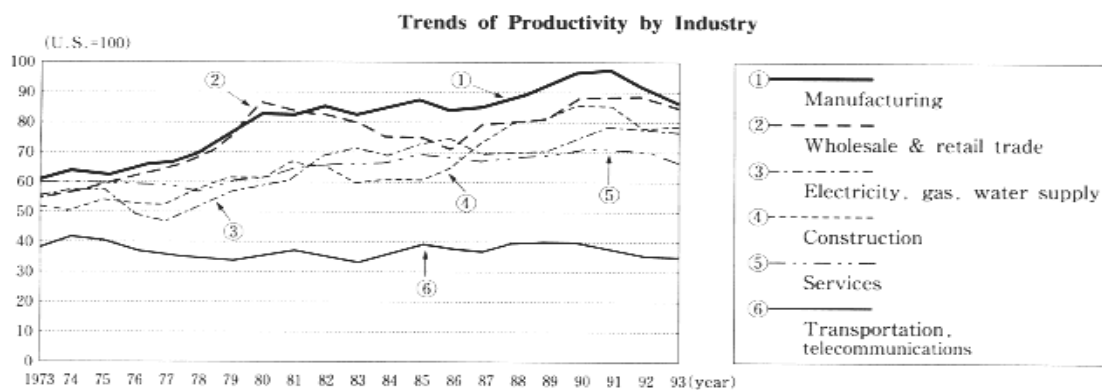
Recent Labor Economy Indices

	June 1995	May 1995	Change from previous year
Labor force	6,760 (10thousand)	6,734 (10thousand)	25 (10thousand)
Employed	6,559	6,526	7
Employees	5,309	5,281	30
Unemployed	202	208	19
Unemployment rate	3.0%	3.1%	0.3
Active opening rate	0.61	0.63	-0.02
Total hours worked	166.8 (hours)	151.8 (hours)	0.2
Total wages of regular employees	283.1 (¥thousand)	279.7 (¥thousand)	1.7

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.



Source: Economic Planning Agency, "White Paper on the Economy" (1995 ed.)

Note: 1. Economic Planning Agency, "Annual Report on National Accounts", the U.S. Department of Commerce "Survey of Current Business", "National Income and Product of the United States", OECD, "National Accounts"

2. Purchasing Power Parity (PPP) by industry for each year = OECD PPP (all industries) in 1993 × Japan GDP deflator by industry on 1973 basis/U.S. GDP deflator by industry on 1973 basis