

JAPAN LABOR BULLETIN

ISSUED BY THE JAPAN INSTITUTE OF LABOUR

Vol.35 No.01

January 1996

CONTENTS

Labor-Management Relations

- ▶ Trends in Year-end Allowance Negotiations

International Relations

- ▶ Japan-Germany Symposium on Human Resources Development
- ▶ Workshop on Job Creation in Small-and Medium-scale Enterprises in Developing Countries

Public Policy

- ▶ Introducing on an Experimental Basis a System of Settling Individual Labour Disputes
- ▶ "Hiring of Women Only" Prohibited

Special Topic

- ▶ Flexibility and Inspiration: Restructuring and the Japanese Labor Market

Statistical Aspects

- ▶ Recent Labor Economy Indices
- ▶ Employment Trends in D.I. (Manufacturing Industry)

Labor-Management Relations

Trends in Year-end Allowance Negotiations

According to Nikkeiren's compilation of year-end bonus negotiation results, workers at 235 major companies received a weighted average bonus of 787,875yen, up 2.28 percent from the previous year. In Japan, workers customarily receive twice-a-year bonuses in addition to monthly wages. Most major private firms hold labor-management negotiations on summer and winter bonuses at the same time. They decide on both summer and winter bonus amounts for the year in the summer or alternatively decide on a winter bonus and a summer bonus for the following year in winter. In this year's bonus negotiations, corporations which adopt the latter system reported the results. The nation's seven electronics giants, including Hitachi Ltd., Toshiba Corp., and Fujitsu Ltd., settled on amounts equivalent to 5.15 months of regular income, up 0.09 month over the year before, for both summer and winter bonuses. Workers with 17 Kansai-based home electronics firms, such as Matsushita Electrical Industrial Co., received an average bonus of 1,408,800yen, or 5.12 months of regular income, up 53,928yen, or 0.07 month, from a year earlier. Corporate profits in the electrical-appliance industry surged as a result of brisk semiconductor exports and increased production of air conditioners this summer thanks to unusually hot weather. This resulted in bigger bonus payments for the second straight year. The winter-summer type of bonus settlement resulted in higher payments than the summer-winter type, mirroring better corporate earnings.

In Japanese corporations, the ratio of bonuses to total annual wages averages 30 percent. In a report titled "Japanese-style Management in a New Era," compiled in May 1995, which indicates the likely future direction of personnel management, Nikkeiren claims that this ratio should rise to 40 percent. It expresses the view that annual wage hikes results in corporate performance strongly reflecting wage pressures and that such fluctuations rather than wages should instead be reflected in bonuses.

International Relations

Japan-Germany Symposium on Human Resources Development

In collaboration with the Goethe Institute of Tokyo, the Japan Institute of Labour (JIL) cosponsored the Japan-Germany Symposium on Human Resources Development at its LINC Hall in Shinjuku, Tokyo, inviting four experts including Prof. Ulrich Teichler of Kassel University. The objective of the Symposium, which met for two days on October 16-17, was to probe recent changes in and problems involving the vocational development system in both Japan and Germany, while taking into account differences in systems between the two

nations.

In Germany, emphasis has traditionally been put on specialized education from a person's early stages of life, aimed at preparing for a specific job and giving full play to skills and knowledge necessary in his or her job. To the Japanese, on the other hand, specific fields of study at schools and in occupations are not closely linked, and new graduates are expected to develop and improve their vocational abilities through interfirm education and training programs mainly centering on on-the-job training (OJT).

Friedrich Furstenberg, professor at the University of Bonn, said that the Japanese, when they take a job, tend to set their mind on establishing their status-which post they will gain at which company-, while Germans pursue a specialization in which they can demonstrate their abilities.

Sachiko Imada, JIL's senior researcher, pointed out that Japan's employment system is one which distributes the labor force from schools to the working world, the rigidity of which, however, deprives youths leeway in searching for jobs for which they are best-suited. In connection with her remarks, Walter Georg, professor at the University of Bonn, reported on recent changes taking place in Germany. He noted "in Germany too, people's attitudes toward occupations have become similar to those of Japanese and they are less clearly oriented toward occupations."

Akira Takanashi, JIL's director general of research, expounded on Japan's situation in which ability development depends more heavily on OJT programs after a person takes a job and this is bolstered by Japanese-style employment practices, such as lifetime employment and the seniority system. He reported that the system, which enables firms to implement relocations involving job change, has made it possible to conduct employment adjustments without labor-management disputes and to establish a stable interfirm labor market particularly in big corporations. But in recent years, along with the changing industrial structure as evidenced by high technology, there is a growing need to offer off-the-job training to middle-aged and older, white-collar workers in particular, he added.

Workshop on Job Creation in Small- and Medium-scale Enterprises in Developing Countries

On November 7-8, JIL held a two-day workshop with the theme of job creation from economic development in developing countries and particularly employment creation in the small- and medium-sized enterprises sector, a process which is essential to endogenous

development of the economy. The workshop was attended by government officials and researchers from Indonesia, the Philippines, and Vietnam, JIL research team members, government staff well versed in regional job development in the developing countries and those once dispatched to Japanese corporations which went to these developing countries.

Discussions at the two-day gathering may be summarized in the following four points. First is the widening gap in the economic power between metropolitan areas and local cities in individual countries of Indonesia, the Philippines and Vietnam, posing the problem of how to achieve balanced economic development. Second, Indonesia and the Philippines put emphasis on local development policy based on endogenous economic development of regional areas and in this situation, local smaller-scale enterprises are expected to play a role in creating jobs. Partly due to the fact that management of private-sector and family-owned enterprises were not allowed until the Doi Moi policy was adopted, Vietnam was late in offering institutional aid for fostering smaller-scale firms. However in recent years the country has been tackling the issue in a positive manner. Third, a common condition for the development of local small- and medium-sized enterprises in the three countries is not the development of infrastructure of individual enterprises but the building of regional infrastructures, such as roads and port facilities, formation of interfirm relationships which prompt division of labor and collaboration and effective utilization of such public organs as financial institutions and vocational training centers. Also, accumulation of special skills in regions is a must for the development of local smaller-scale enterprises, and effective utilization of human resources, including employment management and ability development within companies, was discussed.

Public Policy

Introducing on an Experimental Basis a System of Settling Individual Labor Disputes

The Research and Study Group on Working Conditions (Head: Prof. Kazuyoshi Koshiro of Yokohama National University), a private advisory panel to the Director General of the Labour Standards Bureau, the Ministry of Labour, has worked out a report which recommends how labor administration organs should respond in future years to such employment condition issues, as clarification of the labor contract and the need for a labor-dispute handling system. In the report, the panel points out that with the changing socioeconomic situation, there have emerged moves toward merit- and performance-based personnel management systems, diverse attitudes toward work and the flexible labor market, thus creating new tasks for employment conditions. These tasks incorporate such common problems as clarification of employment conditions and the need to support counseling for

individual grievances and disputes, the panel points out.

To cope in a concrete manner with these issues, labor administrative organs should clarify employment relations for workers under a new form, such as workers employed on an annual pay basis, and examine establishing a system for settling through a third party organ those individual complaints and labor disputes involving working conditions which are predicted to increase in growing numbers in the years to come, the report recommends.

In view of the contents of the report, the Ministry of Labour will continue to study concrete measures to be taken in coming months. Already, it has set forth specific steps to be taken based upon some of the recommendations of the report. For example, the Ministry is planning to post legal experts responsible for individual-level complaints and disputes involving decisions on employment conditions and matters of employment at labor standards bureaus, to carry out counseling and to provide support duties. Those responsible for counseling will be called "working-conditions counselors" and will mediate individuals' disputes over employment conditions and offer counseling to them. The Ministry will select and commission "counselors" from among those with legal knowledge of civil affairs who have served as administrative officials at courts and will post a total of six "special counselors" on an experimental basis, two each, at labour standards bureaus in three prefectures, Tokyo, Aichi and Osaka.

This system is the first-ever to handle individual disputes between workers and corporations. "Employment-condition counselors" will not have authority to issue orders with binding legal force.

"Hiring of Women Only" Prohibited

On October 25, the Ministry of Labour decided not to allow corporations to "recruit women only" when they employ staff. The Ministry will instruct them to put the new decision into practice in recruitment plans for fiscal 1996. It will include the directive which prohibits "hiring of women only allowed" in a circular notice on interpretation of the Equal Employment Opportunity Law (EEOL) and will let directors of Prefectural Women's and Minors' Office in all prefectures know the new addition in November 1995. In addition, the Ministry is studying how to incorporate the new directive in the EEOL in years ahead.

"Hiring of women only" has been permitted over the past 10 years following enforcement of the EEOL. "Recruitment and hiring of men only" means preferential treatment of males and runs counter to the Law since it restricts job fields for women, but "hiring of women only"

has been considered as a preferential measure to expand job areas for women, thus posing no legal problem. After the EEOL went into effect, an increasing number of companies introduced two-track personnel administration systems under which they recruit new employees by grouping into two categories, *sogoshoku*, or those in positions with promotional opportunities to managerial and executive levels, who are in charge of core jobs; and *ippanshoku*, or those in positions with limited promotion opportunities and pay hikes, who are responsible for jobs of an auxiliary nature. In actuality, however, almost all the enterprises recruit men alone for most of the *sogoshoku* and women only for *ippanshoku*. The fact that firms curb hiring of *ippanshoku* women, it is also pointed out, is responsible for females' having difficulty in landing jobs in recent years.

In consideration of this situation, the Ministry of Labour asked the Study Group Concerning Issues of Equal Employment Opportunities for Men and Women (Head: Hidenobu Yasueda, Professor of Doshisha University) to conduct a survey on the realities of the dual-path system. The Study Group compiled a report in which it says that "hiring of women only" does not prove useful in expanding job areas for women. Thus, corporations which adopt the two-track system will be under pressure to change their personnel administration practices. They will be asked to do the following. First, to recruit and hire *ippanshoku* regardless of sex as well as *sogoshoku* and to inaugurate area for male *ippanshoku* which was non-existent before. Second, to employ college and university graduates through abolishing grouping of *sogoshoku* and *ippanshoku* and change the hiring system so as to group them into a course that suits their adaptability a few years later.

The new decision will likely pressure companies to alter their personnel policy, for example by launching of "male *ippanshoku*," affecting college and university graduates' job-hunting activity.

Special Topic

Flexibility and Inspiration: Restructuring and the Japanese Labor Market

Machiko Osawa (Professor of Economics, Asia University)
Jeff Kingston (Associate Dean, Temple University Japan)

I. Introduction

Relentlessly negative economic news has generated doubts about the strengths and prospects of the Japanese economic system. It has been argued up and down the op-ed pages that the miracle is over and the vaunted Japanese juggernaut has run out of gas. The collapse of real estate and stock prices, the bad debt woes of banks and other financial institutions,

revelations of corruption and shady practices, etc., are taken as signs that the Japanese system has grown sclerotic and is in dire need of major surgery. The hubris of the late 1980's has given way to an angst and self-doubt induced by the post-Bubble hangover of the 1990's.

What is to be done? Deregulation and restructuring. Business groups, politicians and the media repeatedly call for deregulation like a mantra . Freeing the economy from the shackles of over regulation is seen as the best means of tapping the inherent dynamism of firms . There are numerous reports about uninspired regulations which raise the cost of doing business. It is also pointed out that many regulations constitute trade barriers and contribute to trade friction with Japan's trading partners. Thus far, deregulation has been more a subject of discussion than implementation. There are also growing doubts about the wisdom and efficacy of deregulation. Global competition has intensified in recent years and American firms in particular are accustomed to the discipline of free markets. By deregulating after its main competitors, Japan may be at a disadvantage in dealing with the fiercer market environment. In light of such circumstances, pell-mell deregulation may not prove the panacea that its promoters now claim.

Aside from improving the business operating environment by streamlining regulations and cutting red tape, there is considerable support for what business gurus term restructuring. Restructuring involves, inter- alia, flattening management hierarchies , trimming labor costs and eliminating jobs. This is touted as the internal solution to what ails the Japanese system. Leaner firms with reduced labor costs and more flexible employment systems are thought to be better positioned to take advantage of the opportunities generated by deregulation. It also reflects the urgent need to remain internationally competitive. Recession has forced international competitors to become leaner and meaner while Japanese firms have been slow to change established practices, putting them at a competitive disadvantage.

NTT 's recent decision to shed nearly one quarter of its work force by the year 2000, involving layoffs of some 45,000 workers, would have been unheard of five years ago. Now such an announcement is interpreted as a sound business decision forced by the need to meet stiffer competition. Indeed, NTT is likely to be split into separate units as part of a radical restructuring of the Japanese telecommunications industry. Across the Japanese economy, the winds of freer markets and competition are undermining cartels and spurring a transformation in business institutions and practices.

Advocates of deregulation and restructuring assert that the Japanese economic system is outdated. A system which enabled Japan to equal and/or overtake the advanced industrial nations is no longer suited to a mature economy. Japanese firms are saddled with an

employment system based on high economic growth. Amidst stagnant conditions, maintaining this system has proved an onerous burden to firms. The government policies and employment practices of firms which constitute the Japanese employment system introduce rigidities and costs which have been exposed by the prolonged recession. Reform of the Japanese system is focused on making it more flexible. Easing the straitjacket of regulations and adopting less rigid employment practices are aimed at promoting flexibility and reducing the costs of doing business. This enhanced flexibility is considered crucial to weathering the current downturn and still maintain what are considered to be valuable characteristics of the current system. Reform is incremental and intended both to sustain the status quo while at the same time preparing for future challenges.

In this paper, we discuss restructuring "Japanese style", focusing on the rise of part-time employment and the implications this development holds for the Japanese labor market. The growth of part-time employment is a response to the downturn and the need for firms to cut costs as a means to maintaining the security and benefits accorded to core workers. It is a flexible strategy aimed at sustaining a relatively rigid and costly commitment to so-called lifetime employment and seniority based wages. In general, part-time employment is dominated by married women workers. Their participation on the labor force periphery plays a crucial role in sustaining employment practices associated with the core labor force.

II. Inspiration Gap

The transition from the post-WWII system is fraught with perils and problems. The erosion of job security and the rapid tumble from the pinnacle of the late 1980's have cut deeply into the national psyche. Paul Krugman's thesis suggesting that the Asian economic miracle owes more to perspiration than to inspiration has struck a nerve (Krugman 1994). Lower productivity growth and a stagnant economy seem to support his thesis. The ongoing debate about the Japanese educational system and managerial style suggest a widespread concern about the apparent relative lack of inspiration. Japan may have mastered mass production, but there is less confidence that Japan can be as successful in areas such as software development, biotechnology, mass media, etc. that rely on inspiration. For now, firms are hunkering down and trying to maintain what they have. Reforms and restructuring have been episodic and guided by the principle of taking the path of least resistance. This means outwardly maintaining a commitment to the employment system while increasingly adopting flexible employment practices at odds with this system. In some respects, part-time workers are being used as shock absorbers enabling the core work force to comfortably glide over business cycle potholes. However, firms are getting used to such arrangements and the advantages they confer in the changed economic circumstances of the 1990's. Japan is at a crossroads in its employment system and finding inspiration in the discipline of freer markets and international competition. The painful transition from the old system to a new set of

practices will test this inspiration and require the same sort of dynamic response that sparked Japan's post-WWII recovery. Recent developments in changing employment practices and attitudes are encouraging and suggest that the sun is not yet setting. However, private sector initiatives require greater public sector support and less heavy handed regulation.

III Unemployment and Restructuring

Unemployment in Japan has reached an unprecedented high in the post-WWII era and shows scant signs of abating. Japan's Statistics Bureau announced that the October unemployment rate (seasonally adjusted) was 3.2%. The official unemployment figure has been greeted with widespread skepticism both in government and media circles. A respected British newspaper, *The Economist*, estimated that if the Japanese rate was calculated as it is in the U.S., joblessness in Japan is probably closer to 10%. Even Isamu Miyazaki, Director of the Economic Planning Agency, has expressed doubts about the accuracy of the official unemployment estimate, suggesting that joblessness is considerably higher. Whatever the actual figure is, the prolonged recession is hitting hard and public policy makers, business leaders and workers are charting unfamiliar waters.

The Japanese employment system, once the envy of other industrial economies, no longer shines so brightly as a model for labor relations. The stability and security of the lifetime employment system is now seen in some circles as a hindrance to overdue restructuring. Companies have loathed to lay off workers during the recession, slowing the pace of restructuring that some analysts say is necessary to restore Japan, Inc. back to health. However, the commitment to maintaining employment opportunities for core workers has also mitigated the impact of the recession and averted the politicization of economic recession as is sometimes evident in Europe.

Eamonn Fingleton, author of *Blindside: Why Japan is Still Set to Overtake the U.S. in the Year 2000* (1995), argues that Western pundits have been too quick to argue that the Japanese employment system is a dinosaur heading for extinction. He argues that forced early retirement and other signs that company commitment to workers is beginning to flag in Japan are being exaggerated and that such tactics have also been evident during past recessions. He suggests that the basic structure of the Japanese employment system remains intact and that the signs that it is withering are merely small adjustments at the edges made in order to maintain what he views as a sound and desirable system. He points out that the economic dislocation of recession in Japan has been muted precisely because of the employment system and questions the obsession with restructuring and downsizing among business gurus. In his view, keeping workers employed represents a small cost far offset by the advantages of job security and continuity. The costs of restructuring can also be substantial. When conditions improve and new workers are again needed, companies which

have trimmed their labor force face the not inconsiderable costs of recruiting and training them. Fingleton asserts that efficiency suffers and that very expensive machinery is put at risk in the hands of inexperienced workers. Thus, since labor costs are a relatively small proportion of production costs, he questions the wisdom of making small savings at the expense of the economic and non-pecuniary benefits of job security.

Here it is argued that the virtue of restructuring in Japan is that it is being implemented gradually and on a piecemeal basis, avoiding the ills of a shock treatment approach. This does not mean that firms are avoiding restructuring, but are trying to achieve the same goals without resorting to hard-nosed tactics. This deliberate approach to restructuring will limit the immediate gains, but will also dilute the dislocation.

IV. Portents for New Graduates

Job prospects are bleak for recent university graduates and even worse for those with lower levels of educational attainment. The job vacancy ratio has slipped from 2.7 in 1992 to an estimated 1.4 in 1996. For those lucky enough to get a job, the rules of the game are rapidly changing. The good old days of job security and automatic raises are giving way to a greater stress on making it based on merit. Companies are backing away from the career commitments that were, until recently, implicit. Younger cohorts are getting a taste of the Japanese employment system's future. Jobs, promotion and pay will depend more on performance than under the current system. Job hopping and mobility will increase and firms will be less reluctant to shed unproductive workers. The reciprocity of prevailing labor relations is giving way to a system where firms and employees will rely less on each other and look more to their own interests.

Maintaining employment security for current workers has had an adverse impact on recent college graduates, especially women. Firms have cut back on new hiring and increasingly have relied on non-regular workers to meet their labor needs. It has been widely reported that firms are discriminating in favor of male graduates, denying application materials and interviews to women applicants and generally ignoring the spirit of the Equal Employment Opportunity Law. It is indicative that the job vacancy ratio for women fell from 1.4 in 1992 to an estimated 0.4 in 1996.

V. Increase of Part-time Workers

Why are firms hiring more part-time workers? Part-time workers are cheap and work force levels can be easily adjusted. The pressures of a strong yen, slow economic growth and the aging of the work force have led firms to relocate production facilities to Asia and to increasingly rely on part-time workers as a means of trimming labor costs for domestic operations. Japanese firms are finding it increasingly difficult to compete because of high

production costs at home. Firms have been reluctant to resort to firing workers and have instead opted for a more gradual adjustment, relying on attrition, early retirement, less hiring of regular workers and more hiring of part-time workers. This approach to restructuring has minimized the dislocation caused by cutting labor costs. However, to some extent the costs of adjustment have been shifted to peripheral workers.

As the baby boom cohort of workers moves up through the company ranks, wage outlays are increasing apace. The baby boom generation is now in its late forties and collecting on its seniority at a time when companies are facing difficult economic conditions. With the rapid proliferation of new technologies, these expensive older workers also represent a drag on productivity. The inverse age pyramid of companies is straining resources and is one of the reasons why firms are seeking to cut costs by relying more on part-time workers. Between 1965 and 1990 the average age of employees rose from 33.2 to 39.5 years of age while the average years of tenure increased from 7.8 years to 12.5 years in the same period. The average length of tenure of the 50-59 year old cohort in 1990 was 20.1 years compared to 13.7 years in 1965. For workers in the 40-44 year old cohort of high school graduates in firms with more than 5,000 employees, the percentage of employee who have never changed their job was 77% in 1994, up dramatically from 46% in 1980 (Chuma 1995). The lengthening tenure of full-time regular workers and the rising average age of employees means that firms face significantly higher wage outlays. As firms hire fewer young workers with low salaries, productivity is not keeping pace with average wage levels. The sclerotic and expensive top heavy age pyramid is one of the key factors in the increased reliance on part-time workers.

Houseman and Osawa (1995) note that, "One of the most important labor market developments in Japan in recent years has been the rapid expansion of part-time employment. Part-time employment grew by over 80% in the decade from 1982 to 1992, increasing from 11% of paid employment to 16.1%." Part-time employment accounted for 38% of the growth of paid employment during that same period. The rapid growth of part-time employment is a result of efforts to sustain the current employment system, but the conditions which have led to this development are not likely to abate. Thus, this shift in employment practices holds significant implications for the evolution of Japan's employment system. From firms' perspective, the economic rationale and benefits of the current system are eroding. The flexible arrangements adopted to deal with the current crisis are likely to be incorporated as central features in the future.

This study concludes that 80% of the growth in part-time employment is driven by rising demand for part-time workers by firms. Houseman and Osawa argue that, "The dramatic rise in vacancy rates of part-time workers in absolute terms and relative to the rates of full-time workers provides strong evidence to suggest that the rapid growth of part-time employment in Japan has been demand driven." Moreover, the authors demonstrate that only about 5% of

the increase in part-time employment can be attributed to a shift in the industrial composition of employment. More than 90% of the increase in part-time employment is due to the increase in the rate of part-time employment within industries.

Supply-side factors have also contributed to the rise in part-time employment. There are a variety of disincentives for married women to engage in full-time paid employment. Married women find it advantageous to engage as part-time workers due to government taxation policies. Second earners in a household have a strong incentive to earn less than 1.3 million yen because of the significant rise in income tax rates for earnings above that ceiling. (See Figure 1) In addition, second earners earning above this threshold are also subject to social security taxes on the order of 16.5%. Households with high second incomes also risk losing valuable company benefits such as family allowance payments. Thus, women who earn above the threshold face the prospect of working far longer hours just to keep pace with their potential earnings and benefits as part-time workers due to government and corporate policies which penalize full-time working wives.

The flexibility of part-time working hours also makes this an attractive option for many married women with children. However, given the concentration of job vacancies in part-time work, it is also often the only option.

Part-time workers provide a degree of flexibility which offsets the rigidity of employment policies governing core employees and, because they are relatively cheap, enable firms to sustain the seniority wage system. Part-time workers are cheap because their wages are lower and do not increase appreciably with tenure. In addition, firms do not have to provide costly fringe benefits nor contribute to government pension and health care plans except for a relatively small proportion of part-time workers. When contracts of these workers are not renewed, firms also do not have to pay severance. Firms gain relatively productive workers working nearly full-time hours without the costs and commitments involved with hiring regular employees.

Conclusion

Ongoing restructuring "Japanese-style", involving adoption of more flexible work arrangements and greater reliance on non-regular part-time and temporary workers, is a harbinger of things to come. The Japanese employment system is evolving incrementally and inexorably. Structural changes and global economic forces are altering the conditions which were once favorable for the prevailing employment system and characteristic employment practices. It is only natural that as these circumstances change, the labor market is also changing. Some commentators assert that the new flexibility is confined to minor adjustments at the edges in a manner designed to sustain a desirable system providing,

interalia, employment security. However, circumstances are no longer favorable for continuation of this system in the long-term. The adoption of more flexible working arrangements is increasingly going to become a salient characteristic of the Japanese employment system, raising a variety of questions for employers and employees. In turning to non-regular workers to survive and cut costs to meet the competition, Japanese firms are acknowledging the depth and urgency of the changes and challenges they face. Restructuring in Japan may well be dilatory, but the implications are far reaching. The three jewels of the employment system- enterprise unions, lifetime employment and seniority based wages- are not about to suddenly fade into oblivion, but neither are they likely to persist indefinitely in the face of countervailing economic forces. The future Japanese employment system is likely to more resemble the ongoing adjustments at the edges than the core they are designed to sustain. In the search for inspiration a la Krugman, promoting and accommodating greater flexibility in education, training and employment systems remain critical unfinished business.

It is equally essential that flexibility be instituted in a manner which serves the interests of both employers and employees. Until now more flexible work arrangements have been implemented under duress without a vision for integrating such arrangements into a new employment system. In transforming Japan's producer oriented system and nurturing a society which enjoys national wealth with individual prosperity, it is imperative that employment flexibility not merely be construed as a cost cutting measure. Greater flexibility can be a means of enhancing lifestyles and family relations while providing security and better opportunities more consistent with changing aspirations and trends in structural economic change. How well Japan balances the interests of employers and employees in adopting flexible work arrangements will serve as a barometer of its collective inspiration. Applying greater numbers of cheap part-time workers to the tasks at hand without taking advantage of the inherent possibilities of flexibility would merely extend the policies of perspiration which have worked well in the past, but hold limited potential for the future. In forging a new employment system for the 21st century, policy makers, business leaders, academics, unions and workers need to initiate a dialogue about flexibility and inspiration in order to maximize the shared benefits of recasting industrial relations in Japan.

Bibliography

Chuma, Hiroyuki , "Is Japan's Tenure Structure Changing? "Paper prepared for the Biwako conference on "Employment Adjustments, Incentives, and Internal Labor Markets" July 13-15, 1995.

Fingleton, Eamonn, *Blind-side: Why Japan is Still Set to Overtake the U.S. by the Year 2000* (New York: Simon Schuster, 1995)

Houseman, Susan and Machiko Osawa, "Part-Time and Temporary Employment in Japan", Monthly Labor Review (Oct. 1995)

Krugman, Paul "The Myth of Asia's Miracle" Foreign Affairs (Nov, 1994)

1 This survey was based upon 493 high schools in 25 prefectures inquiring about the employment situation at the end of Oct of 1995. A total of 44,973 students sought a job but only 67.9% received an offer, among which 71.2% of male and 63.7% of female students received offers.

General Survey

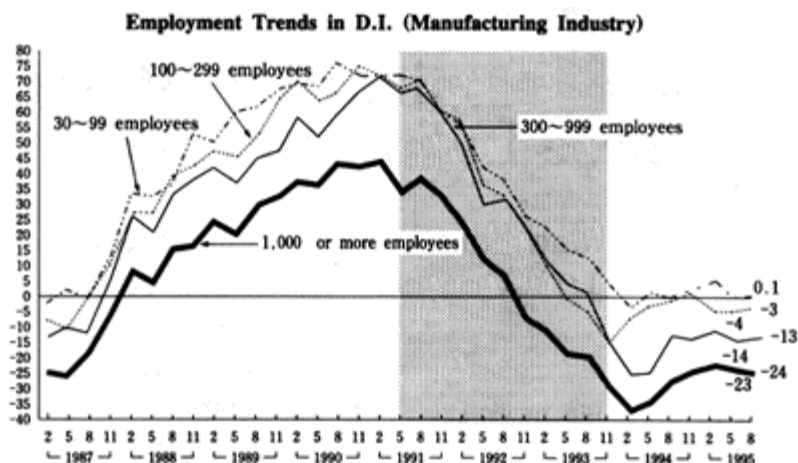
Recent Labor Economy Indices

| | September 1995 | August 1995 | Change from previous year |
|----------------------------------|--------------------|--------------------|---------------------------|
| Labor force | 6,749 (10thousand) | 6,710 (10thousand) | 64 (10thousand) |
| Employed | 6,529 | 6,494 | 45 |
| Employees | 5,294 | 5,261 | 51 |
| Unemployed | 219 | 216 | 18 |
| Unemployment rate | 3.2% | 3.2% | 0.2 |
| Active opening rate | 0.60 | 0.61 | -0.04 |
| Total hours worked | 160.4 (hours) | 153.4 (hours) | 0.3* |
| Total wages of regular employees | 282.2 (¥ thousand) | 281.0 (¥ thousand) | 1.8* |

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: Ministry of Labour "Survey on Labor Economy Trends", Trends in Diffusion index (D.I.) by Size of Enterprise (Manufacturing)

Note: The D.I. is an index for judging the number of regular employees in establishments of principal enterprises. It is calculated by subtracting the percentage of those establishments replying "excess labour" from that of those establishments answering "shortage of labour"