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## General Survey

### 1995 White Paper on Working Women

On March 5, the Prime Minister's Office published the 1995 annual report on Working Women (White Paper on Women in the Labor Force). This year's report reflects on changes in the status of women in the family and the workplace with the theme of women's history over the 50-year period following World War II.

The proportion of female employees stood at only 26.2 percent in 1950, but in 1990 it had shot up to 75.4 percent. The number of female employees grew from 4.67 million in 1953 to 20.34 million in 1994, 4.4 times the 1953 figure, far exceeding 2.7 times growth of male employees. By job type, women employees also showed large growth; female clerical staffs increased from 29.4 percent of the total in 1950 to 59 percent in 1990; women in professional and technological jobs grew from 30.5 percent to 42.4 percent; and those in managerial jobs jumped from 1.3 percent to 9.2 percent.

The percentage of households where the wife is exclusively engaged in housekeeping in all employees' households was 55.3 percent in a 1985 poll. In 1990, however, the percentage of double-income families at 49.1 percent actually exceeded that of families with full-time housewives at 48.5 percent. Women who do not favor the traditional belief that "men should work outside the home and, women inside" surged from 34.2 percent in 1979 to 53.9 percent in 1995. But according to a 1990 survey on the roles played by both sexes in two-career households, 38.7 percent of women and 46.7 percent of men answered that "women should play a greater role in housekeeping and childbearing and men should only help them." Furthermore, a 1990 poll on daily working hours by gender showed that the average female employee worked 9 hours and 52 minutes, allocating 5 hours and 33 minutes to work outside the home and 3 hours and 37 minutes to domestic duties - including the time spent on commuting. On the other hand, their male counterpart works 7 hours and 18 minutes, but spent only 35 minutes a day on home duties. Including commuting time men work 8 hours and 57 minutes, and they have 40 more minutes of free time than women do. The new concept of the roles played by both sexes-"men work, and women work as well as stay at home and do the washing"- has been established, the annual report concludes.

Major changes have been taking place also in marriage and childbirth, the government report says. The average age at which women marry for the first time stood at 26.2 years in 1994, up from 22.9 in 1947, according to the report. The average age at which women have the first child was 24.4 in 1950, versus 27.4 in 1994. The report for the first time uses the wording

that "women want to have children later in life." "The traditional view of a proper age for marriage is disappearing," it adds.

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### **Business Trends for January and February**

In the "tankan" quarterly survey of business confidence, released on March 1, the Bank of Japan (BOJ) confirmed the view that corporate business sentiment has been recovering. The economy, strongly bolstered by low interest rates and the yen's recent retreat against the dollar, is showing signs of recovery, though they are gradual. There is no need to change the current monetary policy, a BOJ official said.

The diffusion index (number of respondents saying business conditions are improving minus the numbers stating that conditions are deteriorating) for major manufacturers improved to minus 18, up 4 points from the previous level. Among the bright spots in the economy were as follows. In manufacturing, the paper and pulp industry, showed strong recovery in profits, aluminum and other non-steel materials are enjoying brisk demand due to strength in electronics and the textiles industry which is witnessing recovery in demand for apparels. In non-manufacturing, meanwhile, the construction sector showed strong improvement as a result of increasing demand for public works projects and housing investment.

Ordinary profits for 1995 in manufacturing are expected to rise 31.1 percent from a year earlier. They will also grow 11.3 percent in 1996, and BOJ foresees two-digit profits for the next three years running. Major firms expect plant and equipment investment in 1995 to increase by 3.8 percent, the first such rise in 4 years. "Monetary and fiscal policies are bringing brighter prospects for the economy. We will continue closely watching whether growth in plant and equipment investment will further prompt the trend toward economic recovery in the months to come," the BOJ official noted.

Employment trends in January were not necessarily positive, however. The ratio of job offers to job seekers rose to 0.67, or 67 job openings for every 100 applicants, a meager 0.03 point improvement from the previous month, and the nation's jobless rate stayed at a record 3.4 percent for the third straight month.

### **Working Conditions and the Labor Market**

## **1994 Basic Survey on Employment Management of Working Women - Implementation of Protective Measures for Working Women -**

On February 14, the Ministry of Labour published the outcome of the 1994 Basic Survey on Female Employment Management - Implementation of Maternity Protection Measures. Each year, the Ministry's Women's and Minors' Bureau conducts the survey to determine employment management conditions of working women in major industries. In 1994, the survey was taken among about 8,000 establishments with 30 and more regular workers in 9 major industries across the nation. The specific purpose was to determine the extent to which provisions for maternity protection measures under the Labor Standards Law (LSL) are being observed by companies in major industries. Replies were received from 77.3 percent of the 8,000 firms.

In 1994, those women employees who gave birth to a child during the past year accounted for 1.4 percent of all female regular employed workers and 3.0 percent of all married women. The proportion of those who had a child among married women stood at 6.2 percent in the 1971 survey and has tended to decline since then. However, in the 1994 survey, the percentage rose 0.2 percent from the previous survey taken in 1991.

Under the LSL, women workers are to be given maternity leave of 6 weeks before and 8 weeks after childbirth. The percentage of those establishments surveyed which comply with this provision represented 83.5 percent, up 0.4 percent from the figure recorded in the previous survey. Moreover, the proportion of responding firms which stipulate that the maternity leave period exceeds that stated in the LSL stood at 11.5 percent, up 0.6 percent from the previous survey. In addition, days off per person taking maternity leave before childbirth averaged 40.2 days, an increase of 1.7 from 38.5 days in the previous survey. The average days off taken after childbirth were 61.1 days, an increase of 3 days. On the other hand, the percentage of women workers who left work because of pregnancy and childbirth rose 0.4 percent from 31.2 percent in the previous survey to 31.6 percent.

The Ministry attributes the increase in number of women workers who had a child and who took maternity leave to enforcement in 1991 of the Childcare Leave Law which led to better benefits for childbirth and childcare at corporations. Regarding the rise in number of women workers who quit their jobs due to childbirth, the Ministry says "This is due to the recession. There are many workers, male and female, who left the labor market. In the long term, with working women's attitudes toward work changing, those who quit working due to childbirth and childcare have been on the decline."

## Human Resources Management

### Restructuring in Banking

Pressed to deal with a massive amount of problem loans, Japanese banks are accelerating their drive to slash the workforce in an effort to restructure themselves. They feel it inevitable to make management more efficient in the face of the government's planned liquidation, using taxpayer money, of *jusen*, or housing loan companies.

In the past few years, city banks had reduced staff to cope with deteriorating business conditions stemming from the burst of the financial bubble. On top of this, it is expected that some financial institutions will show a huge loss due to large provisions for bad loans. In addition, some banks adopted an in-depth policy of reducing their workforce in order to thwart an avalanche of criticism against the government's plan to use taxpayers' money to help liquidate the failed *jusen*.

Dai-ichi Kangyo Bank will slash its workforce by 2,000 in the 4 year period starting in fiscal 1996 to 17,000. Sakura Bank will reduce its payroll by 1,200 workers in 1996 to a workforce of 19,300 by March 1997. The Bank of Tokyo and Mitsubishi Bank, which merged in April, plan to shrink their giant workforce by 1,000 people over the coming year and by a maximum of 3,000 people over the next three years, from 20,000, at the time of merger. Furthermore, Sumitomo Bank, Fuji Bank, Tokai Bank and Asahi Bank will all proceed with restructuring plans. In its 5-year plan to reduce workers by 1,000 which started in 1993, Hokkaido Takushoku Bank has begun to study a possible decrease of 500-600 more jobs in the following two-year period to slim down in later years. Daiwa Bank which has withdrawn from the U.S. will cut its staffs from the present 9,635 at the end of September 1995 to 7,000 over the next four years. However, none of these banks are taking such drastic measures as dismissal, to reduce staff. Instead, they will restructure by natural attrition, constraints on new hiring and farming-out of some operations to other companies. Further reduction of bank staffs will worsen the market for banking jobs.

## International Relations

### 1996 Asian Regional Conference on Industrial Relations

The Japan Institute of Labour (JIL) cosponsored a two-day conference together with the Japan Industrial Relations Research Association (JIRRA) at its LINC Hall in Shinjuku, Tokyo on March 14 -15. The 1996 Asian Regional Conference on Industrial Relations featured

discussions on the main theme of Industrial Relations and Changes in Labor Legislation in Asian Regions. Attended by about 80 researchers and government officials including presenters from Asian countries, the conference also discussed three sub-themes - fair labor standards in individual Asian nations, collective bargaining and working conditions, and transition to a market economy and industrial relations.

Mr. Herbosa from the Philippines pointed out that "Fairness is based on different standards in Asian and Western nations." Many participants expressed the view that the international debate over fair labor standards is based on Western values.

Regarding collective bargaining and working conditions, the participants were particularly interested in the present labor movement in Japan and other individual Asian countries. Dr. Ayadurai, a participant from Malaysia which has advocated the Look East policy expressed the view that "in Malaysia, as in Japan and South Korea, labor unions have switched with fruitful results from industrial and craft unions toward enterprise unions."

Participants from such countries as Vietnam and China which are in the process of building market oriented economy pointed to "the growing number of disputes, including strikes, due to the lack of recognition of labor laws by both employers and workers." They stressed the need to train workers on how to respond properly to changing labor-management relations in their own countries which are undergoing drastic structural changes. Referring to child labor in his own country, Dr. Lae from Thailand expressed concern that "child labor is a serious problem from the standpoint of fair labor standards; but abrupt, tighter controls on child labor and trade sanctions by other countries will rob children of adequate means to earn income. Also, there is a possibility that such measures will prompt underground organizations to emerge." Responding to the views and opinions, Prof. Yamaguchi of Sophia University, who chaired the conference, remarked that "the issue of poverty is here to stay in individual Asian nations, despite their explosive growth rates. The new and reinvigorated effort on the part of both labor and management is necessary to improve working conditions, and to insure an adequate level of income."

## Special Topic

### Small and Medium-sized Enterprise (SME) Moving Offshore

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#### 1. Small and Medium-sized Enterprise (SME) Shifting Production Offshore in Earnest

Direct overseas investments by Japanese corporations totaled 1,023 cases in 1985, and in 1988 increased rapidly to 2,725 cases against the backdrop of the strong yen following the Plaza Accord. In 1992, however, direct investment fell to 1,397 cases, due to completion of many overseas production facilities and the recession in the world economy. After 1992, it once again turned upward against the backdrop of further strengthening of the yen and fast-growing Asian economies. <sup>(1)</sup>

The overseas business activities of Japanese firms have expanded considerably in terms of production volume, amount of investment and employment of local staff. In particular, one of the recent characteristics is the increase in smaller firms' direct overseas investments which account for half of all foreign investments.<sup>(2)</sup> In 1989, 60 percent of overseas investments were made in the non-manufacturing sector. In 1994, three fourths of foreign investments were made in the manufacturing sector. Direct investment in the textile industry, among other sectors, grew quickly from 5 percent to 40 percent in the same 1989-1994 period. In 1989, 43 percent of investments by Japanese firms went to Asian regions, but in 1994, the figure soared to 83 percent, with more than 60 percent going to China.

By using International Input-Output Tables, reimports from Japanese-owned offshore firms in Asia, North America and Europe and the local supply of components and materials were analyzed in terms of transactions between Japanese firms and their offshore counterparts. <sup>(3)</sup> The result is that reimports from offshore entities in the three-pillar regions of Asia, North America and Europe accounted for only 2.4 percent of total imports in 1986, but in 1994 the percentage surged to 13.6 percent. Furthermore, the ratio of components and materials Japanese-owned firms in the three-core areas procured from Japan dropped sharply from 54.6 percent in 1986 to 26.2 percent in 1994. The ratio was nearly halved to 35.0

percent from 62.3 percent for North America, and it also was reduced by 7.8 percent to 37.8 percent Asia, though the amount in value terms rose threefold. Meanwhile, the ratio of components procured locally in Asia shot up from 5.6 percent to 15.4 percent. If components and materials, procured in other parts of Asia are added the share procured in the region, grew to 59.7 percent, comparable to the figure for North America. This, in short means the rapidly ongoing localization of Japanese-owned offshore firms in the context of procurement of components and materials. The contributing factor to this trend is the fact that SME are launching joint ventures with local company to enhance their capability to supply components and materials locally. The more actively smaller-scale firms are expanding their overseas operations, the greater is the growth in their onshore business.

Shifting to offshore production of intermediate input at such a rapid pace inevitably impacts significantly on domestic manufacturers. According to a Labor Force Survey<sup>(4)</sup>, the number of employed workers engaged in manufacturing decreased by 1.13 million in the 1992-95 period while falling by 410,000 in the textile industry and 710,000 in the metal and machinery industry. The effects of recession following the burst of Japan's bubble seem to be responsible for the decline in the number of employed persons in these sectors, but the advent of movement to full-fledged overseas production by smaller firms which absorb large numbers of workers is also a major contributing factor.

Behind the increased number of small-and medium-sized companies going abroad lie two kinds of special "push-" and "pull-" factors. The "push" factors involve the difficulty of maintaining production in Japan where labor costs and land prices are high, due to the high yen as well as sluggish domestic demand and expectations for expansion of the market in the target country. The "pull" factors, meanwhile, include the government's policy of encouraging investment, requests by local enterprises for joint venture businesses, requests by suppliers to move into the country and securing of sources of raw materials. Developing nations, among others, have high hopes for smaller firms as the backbone of economic development. Also, they expect supporting industries to be fostered actively to continue foreign investment. To this end, they welcome direct investment by smaller Japanese companies. But for smaller firms with scarce funds and limited human resources many hurdles must be cleared to conduct overseas business successfully.

## **2. Issues Involving Small and Medium-sized Enterprises' (SME) Moving Overseas**

Many companies, even if they are smaller-scale, pump a minimum of several hundred million yen into full-fledged overseas production facilities, sometimes far exceeding the amount estimated in their initial plans. Difficulties in funding overseas production facilities which require massive amounts of money will likely jolt the foundation of the company's

headquarters in Japan. Some firms carefully work out and steadily proceed with their plans for overseas production, but others move offshore without much thought because of lack of know-how. The foremost issue facing SME in making their overseas investments is whether or not they can secure people to whom they can give a free hand in day-to-day management affairs. Their key problems are "selection of a partner," "personnel management" and "securing local managers." Many corporations regard "selection of a partner" and "personnel management" as special problems in Asian regions and "securing of local managers" is the key issue in Europe<sup>(5)</sup>. Followed by the above two problems are "funding," "infrastructure and lack of information on commercial practices" and "securing subcontractors and parts suppliers." To SME which find themselves under severe constraints regarding sending employees from Japan, whether they can secure reliable persons to whom they can leave local management is a matter of life and death.

At the stage of production start-up, many companies provide intensive training to general workers and supervisors at their headquarters in Japan, in a relatively smooth manner. But in some countries, many firms worry about developing higher level employees such as engineers and managers because job hopping is so frequent. The way core employees are trained and internalized is important to efficiently go ahead with the transfer of technology from Japan.

Eighty percent of SME have had some kinds of problems in launching overseas operations <sup>(6)</sup>. Notable among these are such problems as "poor quality of products," "delayed delivery" and "shortage of and poor quality of raw materials," all of which are areas involving quality and delivery in which Japanese companies excel. In reality, local employees have yet to be trained or secured to cope properly with these problems. When such a problem arises, the employer himself or employees of the company's headquarters in Japan go to the overseas production site to solve it. This is true with an overwhelmingly large number of corporations. Only 10 percent of corporations ask those well versed in local conditions to solve the problem or call local managers to Japan for this purpose. A meager 1.4 percent ask experts to solve such problems.

Asked about how they make up for lack of management ability, 30 percent of firms replied the boss himself deals with it "single-handedly." Twenty percent said they train employees" or "recruit new employees." A few ask experts on the matter or turn to special entities for advice. Slightly less than 20 percent still find themselves stifled, unable to secure the needed management techniques. Thus, management of smaller firms is forced to rely on themselves in moving overseas.

According to another survey taken among small- and mid-sized firms in the machinery and metal working industries <sup>(7)</sup>, increasing numbers of companies cite as central management issues in overseas production such specific problems of personnel management as "difficult to provide technical guidance to local employees," "difficult to secure employees to send to production bases overseas" and "hard to manage local employees." On the other hand, firms which pointed out "local industrial infrastructures remain insufficient" and "difficult relationships with the joint venture partner" were rather few. Management of the local corporation offshore, and issues involving human resources among others, are the major management tasks facing small companies going abroad.

Employers at some smaller firms often leave management of offshore firms up to their juniors. This allows for good liaison with their headquarters in Japan and for introduction of new technologies. Also, things go well with many firms which are able to employ, as top management, those talented locals who have studied in Japan, due partly to ease of communication. In addition, quite a few corporations hire retirees from major trading or manufacturing companies and have them manage locally. SME moving overseas would be able to deal with these matters by themselves, but many tie up with local investors for financial reasons. It is natural that Japanese firms and their local partners split sharply over management, but what is important is how they can give full play to partnership in areas of risks, shared management and marketing. In other words, many of unsuccessful cases are attributable to problems with partners.

### **3. Issue of Middle-Ranking and Small and Medium-sized Enterprises' (SME) Fade Out**

Recent statistics show a growing tendency for middle-ranking and SME to pull out of overseas operations. The ratio of fade out from overseas production for manufacturers (the number of local corporations which left the overseas market x the number of local corporations which moved overseas at the end of 1994 x 100) was only 1.0 percent for large enterprises, while the ratio was 4.2 percent for middle-ranking enterprises and 5.2 percent for small- and mid-sized ones. In the non-manufacturing sector, the ratio of pullouts was 1.2 percent for large firms, 4.7 percent for middle-ranking firms and 8.4 percent for SME, indicating that in both sectors the ratio was high for middle-ranking and SME which had relatively weak competitiveness. Many firms fade out from the fast-growing tiger economies, or NIEs (South Korea, Taiwan, Hong Kong and Singapore), among other nations. A high ratio of companies also indicated that they were studying whether or not to fade out of NIEs. In many cases, companies fade out from Asia for such reasons as lack of demand for locally manufactured products, problems with the partner, difficulty in securing workers, demand for localizing the firm, pay hikes and tougher competition. By sector, many companies in

electronics, general machinery, chemicals, textiles and food products industries fade out of overseas operations. Electronics makers notably fade out of NIEs due to wage increases.

Failure to sell production facilities to another firm will likely lead to dismissal of local employees along with closure of the facilities. When the problem of worker dismissal crops up, lack of knowledge about local labor laws and practices will, in many cases, prompt confusion over industrial relations.

In some cases, Japanese companies have clashed with their local partners regarding plans for management improvement, such as product change and investment in automation. Also, when Japanese engineers return home, maintaining the quality of products has become difficult and furthermore, products, unless improved back in Japan, may not be exported. In other cases, a change in the employer of the state-run enterprise resulted in broken promises. Despite strenuous efforts to solve all these problems, firms were forced to pull out, unable to keep up their competitive edge. There are also many companies, however, which did not take adequate measures to deal with problems which, they were aware, would likely emerge at the stage of preparations for going abroad. The problems surfaced and later left them bitter taste. For instance, many firms face such problems as corporate pensions, the necessity of establishing a retirement reserve fund and to assistance in re-employment, considerations that were unique to the target country. Nearly half of firms which had fade out concluded "We left too late," and reflected that putting off resolution of the problem made it more difficult in the end. When liquidating relationships with local employees and customers, Japanese firms will need to spend ample time proceeding with an elaborate and phased manner, averting friction to the extent possible, while staying strong.

#### **4. Conclusions**

Overseas direct investments by SME have been surging. In developing countries, however, they have not been greatly sought after if the purpose was only to gain access to cheap labor. For SME switching to other nations for lower wages, when economic development proceeds personnel costs rise. Besides, such investments contribute to more job opportunities for non-skilled workers in the short run, but to a small extent. To put it in another way, what is expected of SME's direct investments by the country accepting them is the transfer of such management resources as funds, equipment, technology, fostering of people and management know-how. SME shifting production off shore, meanwhile, expect much from the new market, as an export and production base and for securing of the work force. How requests from both sides should be matched is the home government's policy task for SME's advance overseas. Even for industries which have lost their comparative advantage in Japan, there is high growth potential in developing nations. Especially in those countries whose basis of

economic growth are exports and industrialization, it is necessary to expand opportunities for economic growth through advanced nations' positive efforts to help industries in which they hold a comparative disadvantage. But many SME with limitations in the areas of funds and people have many management tasks. Many of which are affected to a large extent by whether they can secure people to whom they can leave management. This is because employers themselves must take the lead in solving problems unless they can secure such people. In this sense, success hangs on whether they can get a good local partner. If poor business performance, unfortunately, forces them to pull out, whether they can maintain good relationships with a sympathetic local partner, makes a big difference in keeping problems to a minimum.

In this paper, I have studied the current situation of local management of SME advancing overseas together with the related problems. In the midst of sluggish domestic demand, it is likely that reinforcing overseas production will simultaneously create the issue of adjusting domestic plants. I will discuss this issue on another occasion.

Notes:

- (1) Based on Ministry of Finance statistics. These are not strictly reliable because of the change in standards of investment amount. Starting in 1994, standards were altered to 100 million yen and more. There were 684 cases for smaller firms.
- (2) White Paper on Small and Medium Enterprises, Small and Medium Enterprises Agency, 1995.
- (3) Outline of 25th Survey on Japanese Business Activities Abroad, MITI, March 1996.
- (4) Labor Force Survey (preliminary report), Management and Coordination Agency, January 1996.
- (5) Accelerating Overseas Expansion of Small Businesses-Supplementary Survey to 141st Survey on Trends in Small and Medium Businesses, a Monthly Report by Small Business Finance Corporation, November 1994.
- (6) Smaller Businesses Challenging an Age of Globalization, Japan Chamber of Commerce and Industry, March 1996.
- (7) 5th Survey Report on Realities of Division of Labor in Smaller Machinery and Metal Working Industries, Shoko Chukin, March 1995.
- (8) White Paper on Small Business, MITI, March 1996.
- (9) Cases of Small Businesses' Fade Out from Overseas Operations, Small Business Promotion Corporation, March 1996.
- (10) Report by Small Businesses Labor Welfare Promotion Conference-Toward Sophisticated Infrastructure of Making Goods and Promotion of Skills at Small Businesses-Ministry of Labour, March 1996.  
In the report, the Ministry studies tasks for and responses to inheriting and sophistication skills domestically in order to maintain the infrastructure from making goods, surveying smaller firms in the machinery and metal working industries in Japan.

## Statistical Aspects

### Recent Labor Economy Indices

	January 1996	December 1995	Change from previous year
Labor force	6,551 (10thousand)	6,610 (10thousand)	32 (10thousand)
Employed	6,322	6,399	2
Employees	5,263	5,307	67
Unemployed	230	211	34
Unemployment rate	3.5%	3.2%	0.5
Active opening rate	0.67	0.64	0.03
Total hours worked	144.7 (hours)	162.1 (hours)	0.4*
Total wages of regular employees	(¥ thousand) 280.5	(¥ thousand) 285.2	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.

