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## General Survey

### Ratio of Offshore Production Up at Over 80% of Companies

In the past five years from 1989 to 1994, 82.2 percent of companies witnessed a rising ratio of offshore production and 77.3 percent experienced an increase in the number of employees stationed at overseas plants, said the Japan Institute of Labour (JIL) in a survey. JIL conducted the survey at the end of 1995 covering 3,774 Japanese manufacturing firms with 300 or more employees that went abroad. Of the 3,774 firms, 10 percent, or 354 firms responded to the survey.

The survey queried why companies encourage offshore production and procurement in terms of both human resources management and other factors, and from the viewpoint of domestic and overseas factors. As domestic factors involving human resources management, 60 percent of the companies cited "soaring labor costs in Japan." Overseas factors involving human resources management varied depending on which countries the companies advanced into. Many companies that moved to industrialized countries referred to "outstanding people suited as managers" and "superior people for research and engineer posts." On the other hand, many companies that advanced into the newly industrializing economies (NIEs) of Asia and into developing countries cited "cheap labor" and "ready supply of local labor."

As domestic factors unrelated to human resources management, many companies said "the high yen rate made exports costly" and "our competitors have started adopting globalization strategies." Meanwhile, they referred to a greater interest in "overseas demand" and "growing markets" as overseas factors not involving human resources management.

Furthermore, 88.4 percent replied that their major products possess "strong" qualitative competitiveness in the global market, but 52.2 percent answered the price competitiveness is "not strong." Thus, the survey suggested that in the world market the competitiveness of Japanese products is high in terms of quality but has been deteriorating in terms of prices affected by labor costs and the strong yen.

On future domestic as well as overseas adjustments of production functions, the survey found a strong tendency for companies to particularly substantiate "product development and product planning" and "production of high value-added specialty goods," while scaling back domestic production of standard mass-produced goods" but expanding it in developing nations.

## Working Conditions and the Labor Market

### Unemployment Rate Hit a Record High 3.5%

According to a Management and Coordination Agency (MCA) survey, the jobless rate in May and June, tallied on a seasonally adjusted basis, experienced a record high average of 3.5 percent since 1953, the first year when the government was able to make a valid statistical comparison. By gender, the May and June unemployment rate for males stood at 3.6 percent and that for females stood at 3.4 percent. Meanwhile, the Ministry of Labour said the ratio in June of active job openings to active job applicants (seasonally adjusted) stood at 0.71, up 0.02 point over the previous month. However, though the ratio of active job offers to active job seekers is on an upward trend, the needs of companies and those of job seekers do not actually match each other, which results in the deteriorating unemployment rate. Therefore, in spite of signs of a business recovery, the employment situation is still dismal.

The unemployment rate is calculated as the percentage of unemployed persons in the workforce. Statistically, unemployed means those who are out of work and are looking for work and who are ready to work. It includes those who were dismissed and are looking for work and those who are non-working persons and have started a job-search activity. Therefore, the rising number of those who start looking for work along with the economic recovery will increase the number of jobless persons, which in turn leads to a rise in the unemployment rate.

The MCA said that the number of unemployed totaled 2.26 million in June, up 240,000 from June 1995. By reason of job scarcity, the number of those who did not look for work after quitting their previous job but who began to seek a new job grew 170,000 to 620,000 from the same month in the preceding year. This supports the fact that the recovery in the economy has brought jobless persons a growing job-search consciousness. On the contrary, the number of involuntarily unemployed persons, such as those who were dismissed, hit a high of 530,000. As one of the reasons for the rise in the jobless rate especially for males, the MCA cited the fact that corporations have not relaxed their restructuring efforts despite the fledgling economic recovery being felt.

Concerns are expressed also about rising joblessness for young persons. By age group, the jobless rate for people from aged 15 to 24 was at the highest level, standing at 6.9 percent for males (up 1.2 point from the same month the previous year) and at 6.2 percent for females (up 0.5 point from the same month the previous year). Commenting on the figures, the MCA pointed out recent trends in young people's acceptance of switching to another job in addition

to new graduates' having a hard time finding work. Many young jobless persons are singles who live with their parents without looking for a new job. Mirroring these work attitudes of young people, the number of new graduates who are not working grew by 30,000 from the same month the year before to 150,000. The Ministry of Labour says it will do its utmost to prevent unemployed new graduates from joining the unemployment line in the coming months.

## Public Policy

### **Cemedine's Refusal to Negotiate with Managerial Union Recognized as Unfair Labor Practices**

On July 9, Tokyo's Metropolitan Labour Relations Commission ordered major adhesive maker Cemedine Co. Ltd. to comply with a request by its managerial union to open negotiations over pay cuts, substantially recognizing the union's claim that the company had committed unfair labor practices. CSU Forum, the managerial workers' union at Cemedine, had raised complaints of unfair labor practices against the company which stated that CSU Forum is not a labor union and thus refused to negotiate with the managerial union.

In 1983, Cemedine decided to extend the retirement age for non-management employees to 60, and at the same time introduced a "retirement age for managers." Under the system, the company cuts all allowances and reduces bonuses for managers from section chiefs on up when they reach age 56. In 1991, the managers set up CSU Forum, a labor union, to counteract the decision and later twice demanded negotiations over the pay cuts. But the company refused to sit down at the negotiating table, arguing that the managerial workers' union is not considered a legitimate labor union. Thus in 1994, CSU Forum raised complaints of Cemedine's unfair labor practices at Tokyo's labor dispute settlement panel. The Trade Union Law stipulates that the union is not to be considered a legitimate body if it involves executives, managerial workers responsible for human resources management as well as those involved in the confidential corporate matters. In the order issued, the labor panel said that in Cemedine's case, the provision does not apply to section chiefs, excluding those in the general planning division, the general affairs management division and the personnel management division. Examining who represents the labor union, the labor panel judged that "CSU Forum is considered a qualified labor union." The decision is viewed as the first case that acknowledged unfair labor practices against the managerial workers' union. A group of lawyers for CSU Forum hailed the panel's order as "a landmark decision because it was the first of its kind in Japan to bring relief for managerial workers at Japanese firms."

It is still rare in Japan that workers in middle-management posts who are generally

considered on the "elite course" to make their way up the corporate ladder have unionized at companies. However, at many companies middle-management staff have become easy targets of company restructuring efforts in the form of hints and personnel cuts during the prolonged slump. To defend themselves against what they consider irrational measures such as these taken by the company, increasing numbers of middle management workers have unionized or have joined existing unions at a number of corporations in recent years.

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### **Association-Managed and Government-Managed Health Insurance Facing Financial Crisis**

The association-managed health insurance that covers employees of large enterprises and the government-managed health insurance for employees of small- and medium-sized enterprises are in dire financial straits. Of the 1,817 health insurance associations across the country, approximately 160 raised premiums in the spring of 1996, going far beyond the 130 associations recorded in the previous year. The associations were forced to raise their premiums in response to falling insurance revenues brought on by slackened growth in employees' salaries and a decrease in the number of employees (the number of subscribers) due to corporate restructuring. Regardless of the number of persons they insure, individual associations must contribute towards the burden of medical costs for elderly people on the basis of the ratio of elderly persons in the total population and the number of insured persons. Therefore, with the continued graying of the population, even health insurance associations experiencing a drop in insurance premium revenues have to bear the burden of ever-increasing medical costs. Consequently, the National Federation of Health Insurance Societies (NFHIS) estimated the total balance of payments for all associations from fiscal 1995 to fiscal 1999. Estimates predict that the total balance of payments, which posted a debt of ¥77.4 billion in 1994, will rise to more than ¥800 billion in 1999. To avoid a growing mountain of debt, it predicts the NFHIS will need to raise the premium rates from the current average 8.3 percent to 9.8 percent in 1999.

The government-managed health insurance for employees of smaller-scale enterprises is also saddled with a further deteriorating financing that stems from slackened growth in the insurance premium revenues and the rising burden of medical costs. The gap in wages between large- and smaller-scale enterprises drove down the average monthly pay for employees at smaller-scale enterprises, resulting in further sluggish growth in premium revenues. On the top of this, corporate restructuring programs carried out by large enterprises affected the number of employees (the number of insured persons) at the smaller enterprises they subcontract to. In a move to remedy the medical insurance situation, the Ministry of Health and Welfare submitted to the Medical Insurance Council the results of its

calculations on the financing of government-managed health insurance. Based on the premise that it will keep the premium rate at the present level and will set the rate of growth in subscribers' monthly salaries at 1.1 percent, 1.4 percent and 2.7 percent, the Ministry estimates that the revenue deficit will reach ¥620 to 780 billion in fiscal 1997 and will surge to over ¥1 trillion in fiscal 2001.

Thus, the deficit of medical insurance is no longer a problem limited only to national health insurance associations for self-employed persons. The government-managed health insurance has slipped into the red; and so has the total balance of payments for the association-managed health insurance due to the current system which sets medical costs for older persons regardless of corporate trends. In view of this, the health insurance associations are calling for an overhaul of the burden of medical costs for elderly people. Such calls will lead to a greater need for an overall review of medical insurance since medical insurance for senior citizens involves each of the health insurance schemes.

## Special Topic

### The Pensionable Age and Extension of the Mandatory Retirement Age

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#### I. Significance of Promoting Employment of the Elderly

With the ongoing graying of the population, the financing of pensions is in increasingly dire straits. To cope with this situation, in 1994, the government undertook a drastic revision of the Employees' Pension Plan. One of the key points of the revision was a gradual raising of the age at which people will be eligible to draw the annuity in full from the present 60 to 65 in 2013 (Note 1).

The question here is how the elderly will make a living from age 60 to 64 after the pension age is raised to 65, for many enterprises today have set their mandatory retirement age at 60. While it is true that starting in fiscal 1998 the mandatory retirement age under 60 will not be valid under the Law Concerning Stabilization of Employment of Older Persons, employers are not obligated to extend the compulsory age limit beyond 60, and they are only requested to "endeavor" to continue employing workers until 65.

The plan currently underway is that between the ages of 60 and 64 people will receive half of the annuity in full which they would receive at 65 and they would be paid wages by being re-employed and or having extended employment after they have reached the compulsory age limit, in order to make ends meet. Of course, re-employment and extended employment after the age limit would generally mean less work and lower salaries for elderly people. We, however, should give due consideration to the situation of 1994 when the pension system was revised - in short, the continued growth of the youth population coupled with the recession which ruled out the employment of older persons. Given the year 2013 when the pensionable age will actually be 65, the rationality is high that the legal mandatory retirement age will be extended to 65.

## **II. Sharp Drop in Younger Population**

First, one of the major changes that will take place is a decline in the younger population. Certainly, we are now in the last period of a minor younger-population explosion. Assuming that those in their 20s (aged 20-29) belong to the younger population, this age bracket grew by over 1.5 million from the early 1990s to the mid-1990s. Due partly to the rise in the younger labor force, the overall labor force grew by nearly 3 million to 66.66 million in 1995 from 63.84 million in 1990. It is predicted to continue growing until the end of the century and to increase 2 million more to 68.46 million (Note 2).

Furthermore, employers now have members who are baby-boomers born between 1947 and 1949 and who are the parents of younger people currently on the rise. They are encountering a tough time with a considerably heavy burden. In the midst of corporate restructuring aimed at middle-aged and older persons, the middle-aged and elderly are main targets of employment adjustment. For enterprises trying to trim as many members as possible of a middle-aged and older work force who are approaching retirement age, it is no easy task to expand the full-fledged employment of those over 60.

This population structure, however, will soon undergo a major transformation. The Ministry of Health and Welfare's Institute of Population Studies predicts that those in their 20s will peak in 1996 at 19.24 million, and then will fall to below two-thirds over the next 20 years. In 2015, they will drop to 12.52 million (Note 3). On the other hand, those in their 60s will increase around 4 million over the next 20-year period.

Even though the labor force participation rate for people in their 20s and for those in their 60s is the same as that of 1995, the labor force aged 20-29 will decrease by more than 5 million, while those aged 60-69 will increase by about 2 million (Note 4). Companies should be encouraged to more effectively utilize the older workers who offer vast resources and have skills to perform specific jobs rather than to compete in the pool of young labor.

This, of course, is not automatically linked to an extension of the mandatory retirement age. There are a variety of ways, such as re-employment, extended employment and out-sourcing by which work is subcontracted to retirees, to actively utilize the talents of elderly people (Note 5). In the least, the changing labor supply and demand, or a smaller younger labor pool, are a sine qua non for getting employers to extend the mandatory retirement age.

### **III. Shouldering Costs in an Aging Society**

Extending the pension eligible age in 2013 is essential from the viewpoint of sustaining the vitality of society as a whole. In 2013, the proportion of those 65 or older in Japan's overall population will top 20 percent, while those over 75 will also exceed 10 percent. Total costs for pensions and medical and nursing care will soar rapidly.

One measure to deal adequately with this is to increase the per capita social insurance premiums. In the Employees' Pension Plan alone, the premium rate in 2013 will be 24.5 percent or a quarter of monthly salaries will be borne by both employers and employees (Note 6).

Increasing pension premiums would mean smaller disposable income and more pressure on workers' lives. Additionally, in the long-term this will likely undermine the willingness of people to work. Worse yet, the increase in the social-security burden could lead to a rise in labor costs for enterprises since half of the social insurance premiums are paid by employers. This could decrease the number of domestic jobs and accelerate the already feared hollowing of the workforce.

Another measure to cope appropriately with rising costs is to curb benefits for the elderly. The 1994 revision of the Employees' Pension Law was aimed at this. The revised Law raised the pensionable age. Also, it introduced what is known as a "net slide system" to link the amount of the pension not to workers' wages but to disposable income which is calculated by deducting taxes and social insurance premiums from workers' wages, thereby keeping the rate of increase in the amount of the pension below the wage increase rate.

However, what is the merit of economic growth if excessive curbing of benefits for older persons markedly deteriorates their living standards? Besides, with the Japanese economy led by domestic demand in the years to come, the demand for services, including medical and nursing care, from a larger population of older persons will be one of the important pillar of economic growth. Thus, the excessive curbing of benefits is not desirable from a macroeconomics standpoint.



An increase in per capital burdens and curbing of benefits for elderly people are inevitable; but even so, there are limits to it. Thus, another measure which should not be forgotten is to institute a fairer allocation of costs to be borne among persons in an aging society.

Examples are having consumers as a whole, including elderly people, bear consumption taxes and encouraging employment of women to increase the number of persons who share costs. What is particularly important is an attempt to encourage elderly people to be employed.

That would mean having the elderly contribute to the costs in an aging society as long as possible and delaying the time when they are covered by pensions. Encouraging employment of older persons would contribute to better social-security financing in two opposing facets - more social insurance premiums paid by these elderly people and fewer social-security benefits brought on by extending the time they receive the annuity in full. In this sense, extending the legal age limit of mandatory retirement in order to increase full-fledged employment of the elderly will be a significant measure to level off the burden of costs and halt the waning social vitality amidst the graying of Japanese society.

## **VI. Elderly's Will to Work**

Of course, promoting the employment of older persons should not mean fully mobilizing all the elderly to work. Providing the freedom of choosing retirement for those who feel they have worked long enough and wish to retire from the workforce is a measure of an affluent society. Extending the mandatory retirement age to promote the full-fledged employment of the elderly should also be restricted to those elderly people with the will and ability to work.

In this regard, Japan has an edge over other industrialized nations - the elderly's strong will to work. In 1995, the labor force participation rate for the elderly stood at 74.9 percent for males in their early 60s (60-64 years old) and 39.7 percent for females in the same age group. The figures for elderly males in their late 60s (65-69 years old) and for their female counterparts were 54.2 percent and 27.2 percent, respectively. This means three quarters of males in their early 60s and one in two older males in their late 60s have a willingness to work. They are strikingly high figures by international standards (Note 7). The problem is how long the elderly's will to work will stay strong. Actually, the nation's labor force participation rate for the elderly had long been on a downward trend and has recently turned upward. For example, the labor force participation rate for males in their early 60s was 84 percent in the early 1960s but fell to 71 percent by the end of the 1980s; the figure has now crept back up to 75 percent (Note 8).

To forecast changes in the elderly's willingness to work, we must know which factors determine the elderly's will to work. According to this writer's calculation results, factors affecting the elderly's labor-force participation decision are divided into three broad categories (Note 9).

The first involves their eligibility for receiving a pension and the pension level. Being eligible for a pension means a 15 percent drop in the probability of labor-force participation.

The second factor is the mandatory retirement system. The retirement age is the age at which an employee must leave a company - generally a company for which he or she worked the longest, although many employees return to work again after retirement. Even so, however, reaching the retirement age decreases the probability of continued working by about 18 percent.

The third factor involves working conditions. Wages in particular have an enormous impact on the elderly's decision to work. Calculating a wage coefficient for older people, we can see that the more highly educated the elderly are and the less they were affected by mandatory retirement, the higher the wages they receive. And the higher wages they are paid to work, the more likely they are to participate in labor-force.

What would be a future forecast for the probability of the older persons' labor-force participation from the results of these calculations on the three employment-determining factors? Referring first to the pension, the age of eligibility will be raised while limits will be put on benefits, and therefore, these changes will work to raise the probability of the older persons' labor-force participation. Moreover, the proportion of highly educated persons in the elderly will grow in the next 20 years. Although the effects of higher education will be smaller due to the higher numbers of the highly educated elderly, the higher educational level pushes up wages. This, too, will increase the probability of the elderly's seeking employment.

The point at issue is the mandatory retirement age system. Experiencing mandatory retirement in itself will lead to departure from the job market, discouraging individuals from returning to work. Those intending to work after the retirement age will receive much smaller salaries in "second careers" than they did before mandatory retirement. This also weakens the willingness of people to take new jobs.

Extending the mandatory retirement age at least until 65 is significant in order to also utilize the elderly's strong willingness to work. Specifically, laws and systems should be consolidated in a manner to gradually extend the retirement age by stages up to 65 by 2013,

the year when the pensionable age for the Employees' Pension Plan will be 65.

To extend the mandatory retirement age to 65, it is vital to sharply alter the wage and employment systems. The present pay system based on seniority must be flattened to institute a system under which, regardless of age, workers' professional skills and ability can be appropriately valued. These reforms will naturally continue since demographic changes mean more pressure on companies to actively utilize the elderly. However, clarifying policy schedules will make it possible to accelerate changes and bring them about for certain.

The mandatory retirement age of 65 is more flexible than that of 60. Already, workers can retire once they turn 60, and society should provide some options, guaranteeing that they can retire even before mandatory retirement age. Furthermore, as people get older, individual differences in their professional abilities widen; thus, employers must ask elderly workers unable to maintain the abilities to choose between two options, lower salaries or retirement. Thus, it is important from the standpoint of management to maintain the flexibility of early retirement before the age of compulsory retirement (Note 10).

In this sense, it will be essential to prepare both for a system under which persons receive a part of their pension before they reach the pensionable age but have their pension progressively reduced throughout their remaining life, and a system of lucrative early-retirement packages of private pensions. The former system, however, should be a mathematically fairer pension than the soon-to-be instituted partial pension. Instead, the way the latter private pension is offered should be more elaborately devised; the current regulations should be relaxed to enable a pension plan to be established which will work in favor of those who retire at a specific age (Note 11).

#### Notes

- (1) The remaining major revisions are the introduction of the so-called "net slide system" when deciding the amount of pension and relaxation of income limits due to pension payments.
- (2) The Study Meeting for Employment Policy (1995).
- (3) The Ministry of Health and Welfare's Institute of Population Problems (1992)
- (4) As of 1995, the labor force participation rates for people in their 20s and those in their 60s stand at 77.7 percent and 48.8 percent, respectively.
- (5) Refer to the Association of Employment Development for Senior Citizens (1996) on the possibility of the elderly to conduct services on their own for out-sourced jobs from companies.
- (6) Pension Bureau of the Ministry of Health and Welfare (1994)
- (7) Considering males between the ages of 60 and 64, Japan's labor force participation rate of about 75 percent is almost 1.5 times the American and British rate of 50-55 percent, about twice the German rate of 35 percent and 4 times the French rate of 18 percent.
- (8) The falling labor force participation rate from the early 1960s to the early 1970s was ascribed to a decline in the ratio of the self-employed, particularly farmers, who more strongly tend to continue working even when they are older than salaried workers.
- (9) Seike (1993)
- (10) Kotlikoff-Wise (1986) represents characteristics of private pensions at American companies which offer more preference to those who retire at a specific age. This is a case in which the retirement age cannot be set because of The Age Discrimination in Employment Act and represents the importance of private pensions as a labor-management variable.

- (11) Refer to Seike (1993) on the realities of Japan's retirement allowances and private pension plans.

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## White Paper on Labor

### White Paper on Labour 1996 -Outline of the Analysis-

On July 2 the Ministry of Labour submitted its 1996 White Paper on Labour to a Cabinet meeting for publication approval. This year's white paper analyzes trends in the 1995 labour economy in Part I. Part II, titled "Coping with Structural Changes in Economic Society by Fostering Human Resources and Utilizing Their Abilities," points to the fact that fostering quality workers and utilizing individual workers' talents and abilities will grow in importance in the midst of changes in the need for quality human resources by companies and changes in the labor supply structure. Also, it examines the current state of and tasks for ability development efforts in Japan as well as consolidation of the conditions necessary for workers to fully display their hard-won abilities.

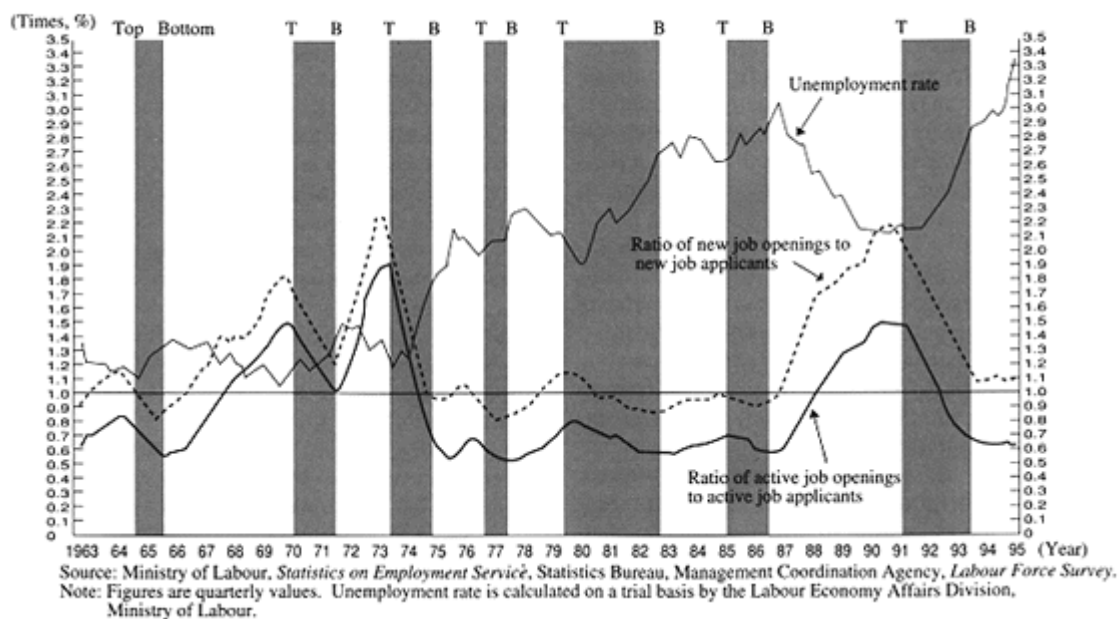
### PART I Trends and Features of the Labour Economy in 1995

#### 1. Trends in Employment and Unemployment

##### (1) Unemployment Rate

The unemployment rate in 1995 registered 3.2 percent, higher than the 1994 figure of 2.9 percent, and the number of unemployed reached 2.1 million. Both figures were the highest-ever recorded since the government began compiling these statistics (Fig. 1). Behind the rising unemployment rate during the current recovery phase, it seems to lie two combined factors: first, lack of labour demand, which is a facet of a boom-bust cycle, will continue over the long term; and second, the mismatch of the labour supply and demand is increasing.

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



## (2) Ratio of Active Job Openings to Active Job Applicants

The ratio of active job openings to active job applicants dipped slightly in the middle of the year due to the stalled recovery in new job offers. The ratio turned upward again in the latter half of the year, but it stood at an annual average of 0.63, falling below the 1994 figure of 0.64.

## (3) Number of Employees

Persons employed in 1995 increased by 270,000 over the year before, showing the smallest growth since 1975. By industry, 1995 witnessed a smaller growth in many sectors. In manufacturing, the number of employees continued to decline, illustrating a modest recovery in all sectors.

## 2. Trends in Wages, Working Hours, and Industrial Safety and Health

### (1) Trends in Wages

In 1995, the growth rate of total cash earnings was up 1.1 percent from the 1994 level, showing a smaller growth than the 1994 rise of 1.5 percent, in establishments of 5 or more employees. This is due to a smaller growth of scheduled cash earnings and a dip in special cash earnings, such as bonuses, despite a rise in the growth of non-scheduled cash earnings. However, mirroring stable prices, real wages rose 1.4 percent over the prior year from a 1.0 percent rise in 1994.

### (2) Trends in Working Hours

In 1995, working hours at establishments with 30 or more employees totaled 1,909, a rise of 5 hours from the year before, the first slight increase in 8 years. Due in part to efforts made

in the 1993-1994 period by many enterprises, smaller-scale ones in particular, toward shorter working hours, the scheduled working hours totaled 1,772, the same figure as the previous year. Non-scheduled working hours, meanwhile, increased 5 hours over the prior year to 137 hours, reflecting the modest recovery of the nation's economy.

### **(3) Trends in Industrial Accidents**

In 1995, the number of industrial injuries (deaths and injuries requiring absences of four or more days from work) continued its decline, totaled 167,316, a decrease of 8,731, or 5.0 percent down from a year earlier, showing a continued decline. However, the number of deaths rose to 2,414, an increase of 113, or 4.9 percent higher than the previous year, due in part to the effects of the January 17 Great Hanshin Earthquake.

## **3. Trends in Prices and Workers' Household Consumption Expenditures**

### **(1) Trends in Prices**

General consumer prices in 1995 dropped by 0.1 percent from the year before (the 1994 increase of 0.7 percent). This is the first decline since 1971, since when the government was able to make a valid statistical comparison.

### **(2) Workers' Household Income and Expenditure Trends**

In 1995, workers' annual household income increased 0.9 percent in real terms, showing an upward turn from the 1994 drop. Workers' household real expenditures were down 0.7 percent in real terms, the third consecutive year-on-year decline.

## **4. Trends in Industrial Relations**

In the 1996 spring wage negotiations, labor and management are expected to settle on the same or a slightly higher wage increase than in 1995 in both the amount and the rate. Major industrial unions in large enterprises accepted the following employee-based wage hikes: steel companies agreed on a 1.54 percent increase settlement; electrical machinery companies received a wage hike of 3.14 percent; auto companies settled for a 2.79 percent increase; and private railway unions accepted a wage increase of 3.19 percent.

## **PART II Coping with Structural Changes in Economy and Society through Human Resources Development and Utilizing Their Abilities**

### **1. Current Situation of and Tasks for Human Resources Development in Japan**

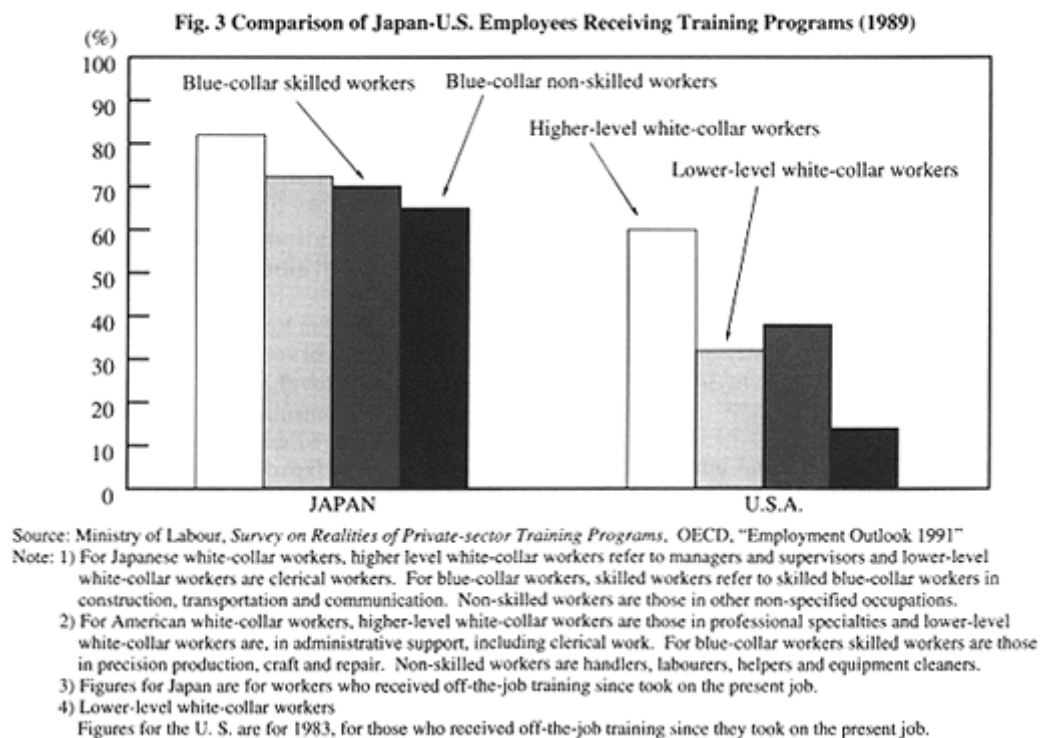
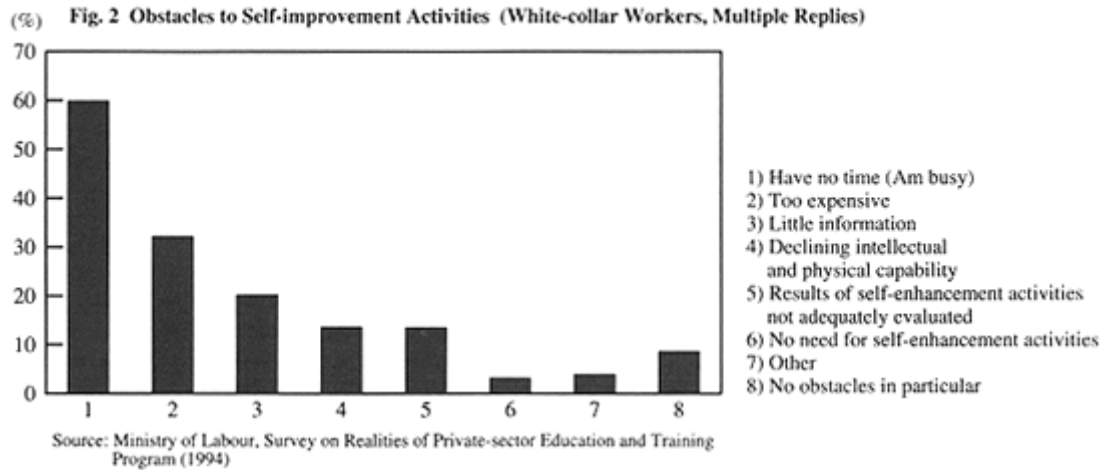
#### **(1) Need for Human Resources Development**

Japanese workers' vocational abilities have reached a high level thanks to a variety of human resources development in and outside the company as well as widespread education

and higher education attainment. Now Japanese enterprises are expected to scramble for higher value-added manufactured goods and venture out into new field and more and more worker will belong to the white-collar worker group. New forms of development of vocational abilities will grow in importance that can response to these structural changes in the labor market including changes in each workers' vocational abilities such as creativity and specialized expertise, progress of informationization, the graying of the Japanese society and diversified forms of employment.

## **(2) Realities of and Tasks for Developing Human Resources**

In the midst of rapid technological innovation, off-the-job training (Off-JT) programs, worker self-enhancement activities as well as traditional on-the-job training (OJT) programs are becoming increasingly important to nurture talented workers with sophisticated and highly professional skills. Among white-collar workers in particular there have visibly emerged moves to take part in self-enhancement activities as a means of individualized skill development. However, lack of time, need for large expenses, and a scarcity of information are a hindrance to workers' successful self-enhancement efforts (Fig. 2). Both enterprises and administrative bodies need to support an environment for workers self-enhancement activities and to study measures and policies for extending direct support to individual workers.



### (3) Comparison of Japan's Human Resources Development with that of the U.S. and Europe

The percentage of those participating in vocational training programs is on the whole higher in Japan than in the U.S. and European nations. Furthermore, Japanese enterprises characteristically provide education and training programs to virtually every level of workers (Fig. 3). In the U.S. and European countries, a variety of support systems and qualification systems have been developed to foster quality workers. The percentage of those aged 25 and over who enter colleges and universities is high, and corporations vigorously utilize public organizations, including universities and colleges. Among facilities targeted for white-collar workers, business schools and community colleges are especially helpful in Japan for promoting the continuing education of white-collar workers.



#### **(4) Response to Technological Innovation**

Human resources development of researchers and engineers is vital for enterprises to push ahead with the high value-added nature of products and venture into new fields. In the years ahead, exchange of personnel between companies and dispatch of engineers to academic research institutions, such as universities and graduate schools, will also be important. What is more, diversified career paths offer to researcher and engineer will be necessary. In addition, along with technological innovations such as those in microelectronics, skilled workers in production line are expected to be more sophisticated and multi-skilled. To this end, it is also essential to develop their vocational abilities and improve the way skilled workers are treated

#### **(5) Progress in Informationization and Tasks for Human Resources Development**

Along with progress in informationization, workers are expected to have new abilities: the ability to collect and process information in general jobs, and the ability to analyze information and organize operation in response to informationization in middle-management jobs. Also, it is essential that in the years to come, training institution outside the company, such as public Human resources development facilities, will be offered as a forum for corporate education programs in response to informationization. Educating middle-aged and older employees or informationization is also a major task that enterprises must tackle.

## **2. Creating an Environment for Utilizing Workers' Skills**

### **(1) Importance of Skill Utilization**

Structural changes in labor supply are continuing, such as the further aging of the labor force, women's advance into the job market and the changing consciousness regarding work particularly among young persons as evidenced by the waning tendency for the single-company, single-career path and a growing tendency for having a field of expertise. Amidst these changes in labor supply, there have emerged problems associated with utilization of workers' skills, such as the high job turnover rate among young persons, few job opportunities available that meet the employment needs of women and a strong sense of labor excess among middle-aged and elderly persons. Furthermore, amidst the changing industrial and occupational structure in future years, the role of labor mobility between industries and companies, will be likely to increase in order for workers to have a place in which they fully can demonstrate their skills.

### **(2) Enabling Different Types of Workers to Demonstrate Their Skills**

Coping with tasks associated with employment management is necessary to enable different types of workers to display their skills. The rising tide of job separations and job changes among young people is sometimes ascribable to their inadequate attitudes toward work during the short period of job-hunting and to corporate employment management that

does not match the change of young persons' work consciousness. Furthermore, in order for women to be able to demonstrate their abilities, it is necessary to flexibly utilize individuals in response to their desires and abilities and relieve them of heavy domestic burdens. To fully utilize the skills of middle-aged and older persons, efforts should be made to secure them a place in which they can be active, by reviewing the organizational setup and introducing a system which allows middle-aged and elderly workers to be treated properly in a manner other than by just offering them management positions.

### **(3) Toward Realization of Stability for Workers' Lives**

The country's enterprises are under pressure to review the employment system amidst the recent rapid changes in economic society. In response to this situation, some companies have adopted a personnel management system based on skill and performance. What is important about adoption of the system is appraisal and evaluation of the worker's skill and performance. Thus, it is necessary to establish rules with a dialogue between labor and management as a base and to implement them in a fair and just manner, in order to create an environment which enables workers to work with ease.(Fig. 4)

### **(4) Tasks for Consolidation of the Labor Market that Responds to Greater Labor Mobility**

The following may be pointed out as problems arising from job changes. When older workers switch jobs, they are more likely to receive smaller salaries or lose jobs. Also, the gap in welfare provisions between sizes of companies and the system of welfare provisions could constitute factors likely to work against job changing (Fig. 5). Furthermore, in order to cope with the mobile workforce which is predicted to be greater in the years to come, the following tasks should be addressed: first, strengthening the nation's supply and demand adjustment functions; second, consolidation and substantiation of objective work skill indicators; and third, the need to study consolidation of a job environment immune to a mobile workforce.

Fig. 4 How Labour Unions Recognize Tendency toward Personnel and Wage Systems Based on Ability and Performance

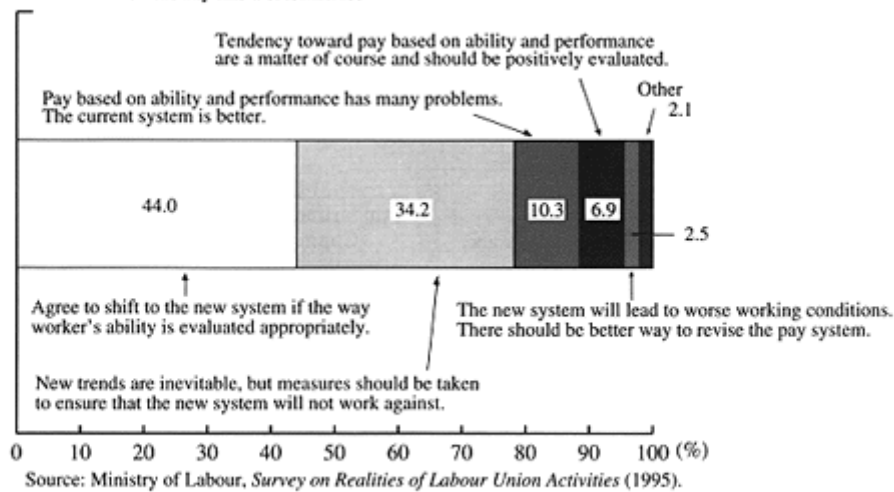


Fig. 5 Trends in D.I. of Wage Fluctuations due to Job Turnovers (Employees at Previous Job)



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## Statistical Aspects

### Recent Labor Economy Indices

	July 1996	June 1996	Change from previous year
Labor force	6,810 (10thousand)	6,816 (10thousand)	66 (10thousand)
Employed	6,589	6,590	47
Employees	5,355	5,367	63
Unemployed	221	226	19
Unemployment rate	3.2%	3.3%	0.2
Active opening rate	0.72	0.71	0.01
Total hours worked	165.9 (hours)	165.0 (hours)	0.6*
Total wages of regular employees	285.9 (¥ thousand)	285.6 (¥ thousand)	1.4*

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.

