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Human Resources Management

HRM at Foreign-Capital Companies

In recent years, Japanese corporations have been shifting human resources management (HRM) from the time-honored seniority based program toward skill-based one. Foreign-capital companies, however, are more thoroughly committed to a policy of skill based payment than Japanese companies, according to a Ministry of Labour survey published on October 28, 1996.

The survey on the realities of industrial relations at foreign-capital companies has been conducted nearly once every 4 years since 1973. Last year's survey, taken in August 1995, covered about 2,000 companies including Japanese corporations capitalized at over one-third by foreign companies, Japanese branches as well as offices of foreign companies, with 732 responding.

What do foreign-capital companies think about HRM? On the issue of lifetime employment, the proportion of companies replying "Do not adhere to lifetime employment" represented 51.6 percent of the total. On what they stress in hiring and personnel treatment, the percentage of companies that stressed "the ability to perform" represented 44.9 percent. Regarding organizational management, 59.4 percent answered to "clarify which portion of the work individuals are allotted" so as to facilitate the skill-based pay system. On wages, 56.7 percent said they "take into considerable account employee skills," and 54.4 percent referred to the merit-rating system as a fundamental of HRM, far surpassing the 1.5 percent which referred to the "seniority-based system" and the 28.6 percent which "combined the skill-based system with the seniority-based one."

What kind of HRM do foreign-capital companies implement? 40.2 percent of the companies responding have adopted "a self-appraisal system" and 20.7 percent have implemented "a double-track system" under which employees are treated differently depending on their job categories. Looking at Japanese companies for comparison, a Ministry of Labour survey on employment management for 1997 showed that 15.9 percent of Japanese companies implemented a "self-appraisal system" and only 11.5 percent adopted a "double-track system".

What will be their future policy for hiring employees? "Will put emphasis on mid-career hiring" answered 41.9 percent and 25.4 percent replied they "will combine the hiring of new graduates with that of mid-career individuals," going beyond the 4.9 percent which "will mainly take new graduates." This makes a striking contrast with the many Japanese

companies which normally hire the bulk of their employees from new graduates in April.

Real State of Personnel Management for Part-Time Workers

The percentage of part-time workers in the total workforce in major industries stood at 14.9 percent, up 3.6 points from the figure recorded 5 years ago, according to a survey released by the Ministry of Labour. The general survey on the real state of part-time workers for 1995, conducted in October 1995, covered about 13,000 establishments employing 5 and more regular workers (86.1% replying) and about 30,000 part-timers excluding regular employees with the above mentioned establishments (86.1% replying). The previous survey was taken in 1990.

The survey also found that non-regular workers such as dispatched workers were 7.98 million, of whom 6.69 million were part-time workers. The percentage of companies which have adopted a system under which employees can switch their employment status from part-time to regular full-time, posted 42 percent and that of those which apply rules of employment to part-timers stood at 66 percent. Furthermore, 29 percent of the companies implemented a periodical wage increase for part-time workers, 31 percent implemented pay raises based on seniority and 56 percent offered semiannual bonus payments to them, down 5-10 points, respectively, from the figure recorded in the 1990 survey. Part-timers clocked an average 5.6 scheduled hours daily, the same hours recorded in the previous survey. They received an average hourly wage of ¥856, up from the preceding survey's hourly wage of ¥705. Under the current tax system, part-timers enjoy the privilege of minimum non-taxable income (currently up to ¥1.03 million as of 1995) and are exempted from income tax if they receive a smaller than the level of ¥1.03 million. In addition, spouses of part-timers benefit from the special deduction offered for themselves.

The survey also asked about what steps part-timers will take when their annual income is likely to top the minimum non-taxable ¥1.03 million, 31.6 percent said they will "adjust their working hours", up from the figure of 26.4 percent in the previous survey and 27.8 percent replied they will "work regardless of the situation," up from 24.2 percent recorded in the 1990 survey. Those who answered their annual income "will not top the minimum non-taxable income" represented 18.6 percent, down from the previous figure of 27.3 percent.

When their annual income exceeds the minimum non-taxable income, part-timers face a decrease in total take-home income for their household. But now, unless their annual income tops ¥1.41 million, their spouses can benefit from the special deduction offered for them, thus

slightly mitigating a turnaround although the phenomenon still remains when taking account of corporate family subsidy payments.

International Relations

APEC Symposium on Training Quality People

From November 7 to 9, the Ministry of Labour and Overseas Vocational Training Association (OVTA) sponsored a symposium on talented people of the Asia Pacific Economic Cooperation (APEC) forum. The three-day long symposium was attended by representatives from administrative and private bodies in the field of vocational skill development in 17 APEC-member nations and regions. On the theme of NGO-type training of quality people, the participants presented cases of training quality people and discussed future support measures. A vocational training school that a Japanese camera maker established jointly with a Thai local industrial complex was introduced at the meeting as a successful example of NGO-type training of talented people. Officials of the local industrial complex had considered it necessary to supply on their own high-quality engineers to lure business companies, but had found it difficult to recruit local engineers. A Japanese company, which moved into the complex, meanwhile, wanted to use local talent because of the enormous relocation costs needed to send Japanese engineers to Thailand. Thus, both sides agreed to establish in 1991 the Ayutthaya technical training center. The merit of joint management with the local industrial complex, the presenter said, is that it is possible to learn the technological needs of the local people.

Japan's technological cooperation has thus far centered around an ODA-based dispatch of engineers or invitations of trainees to Japan from developing countries, with attention mainly given to training talent through private sector business activities. However, according to a questionnaire survey carried out by the Japan Institute of Labour among Japanese corporations in ASEAN nations, 53.8 percent of private companies were using local talent, achieving specific results of fostering human resources. In light of this, the Ministry of Labour plans to conduct a survey on support programs for companies in APEC region and is currently selecting areas and companies which will benefit from government support.

Labor-Management Relations

Mitsui Kinzoku Labor Union OKs Scrapping Pay Hike Negotiations

The labor union of Mitsui Kinzoku (Mitsui Mining and Smelting Co.), a major nonferrous manufacturer, agreed with management to introduce, in 1997, a new wage system with the scrapping of negotiations on annual wage hikes at the core. They will maintain annual regular pay raises based on seniority will also reflect the company's annual profits in the semiannual bonus payments. Mitsui Kinzoku is the first of leading mining companies under Rengo (Japanese Trade Union Confederation) to scrap the annual wage hike negotiations. Moves toward review of spring wage talks are spreading throughout some quarters of the business community, with steelmakers considering a proposal to hold spring wage talks once every two years. The latest agreement at Mitsui Kinzoku symbolizes a substantial departure from spring wage talks and will likely spur reform of wage talks.

The new wage system, to start in April 1997, will be based on annual pay. Of an employee's annual pay, the company will pay a fixed monthly salary and will basically maintain regular pay raises based on seniority (about 1.8 % per annual regular increase). The company will pay fixed employee bonuses regardless of business performance in consideration of employees' cost-of-living and another amount that may be proportionate to the company's annual profits. It will negotiate with the labor union every spring on the amount of pay tied to business performance on the basis of corporate profits posted in the preceding business year.

The labor-management agreement calls for review of monthly pay once every three years. Also, it calls for an overhaul of the pay level when cost-of-living increases sharply, when regular pay raises in the business world are too high and when the ratio of bonus payments to monthly pay rises notably. Labor and management will zero in on the proportion of the fixed bonus payments and the detailed method of operating the new system by March 1997.

The new wage system will enable the company to stabilize management by linking the company's business performance to labor costs. Employees will experience only periodic pay raises. When they receive large bonuses, their company is enjoying good business performance and when they receive less, their company is in bad shape. The company has already adopted an annual salary system for managers, and the new system will also involve rank-and-filers.

Debate is continuing on review of wage determination partly due to a severe business environment in the nonferrous and steel-making industries. Some new companies will tackle the proposal to scrap the system of annually negotiating wage hikes and regular pay raises at Mitsui Kinzoku, employee bonuses alone will be negotiated in spring labor-management talks, and the new system will differentiate itself from the general system of wage increases.

Corporations without Unions Decide on Working Conditions: JIL Survey

In 1993, the Japan Institute of Labour (JIL) began a research project on industrial relations and decisions on working conditions at companies without labor unions (Head: Prof. Tsuyoshi Tsuru of Hitotsubashi University). In a report compiled recently, JIL said that more than 60 percent of companies without unions have an employee organization, of which about 80 percent have an organization which is more like a social gathering and a scant 20 percent brought up working conditions issues. The report, however, found that systems and interviews as a channel to learn the views and opinions of individual workers were consolidated even at companies without unions. The project team conducted a survey on 1,250 private companies that employ 50 and more workers, selected by random sampling, and are headquartered within a 30-kilometer radius of Tokyo Station. The survey received replies from 516, or 41.3 percent of the private companies.

According to the report, of the private companies surveyed, 29 percent had organized labor union and 71 percent did not. By size of the company, over 70 percent of companies with 1,000 and more employees have unionized their workers but around 20 percent of companies with 99 or fewer employees, have organized labor union. Joint consultation is held at 24.6 percent of the companies, a fairly low figure compared with 79.3 percent of the companies with unions which do so. Companies which have a standing joint consultation committee represented 16.9 percent of all companies without unions.

More than 60 percent of companies without unions have an in-house employee organization, of which 80 percent have a "fraternity-type" organization, and under 20 percent have an organization in which "employees have a say." The organization in which "employees have a say" means those who replied that they have "labor talks with management on revision of wages and matters pertaining to such working conditions as working hours, holidays and vacation and welfare provisions" or "labor discusses production plans and management policy."

As for an individual voicing body, a high of 47 percent of companies without unions adopt a self-appraisal system, followed by the proposal system (34.2%) and a round table discussion by those responsible for personnel management (26.1%). Even among companies without unions, 42.2 percent stress employees' participation in decisions on working conditions, and 44.7 percent stress their participation in formulation of strategies, thus showing an emphasis on employees' overall participation in both areas. This, it seems, is the background for introducing a variety of in-house organizations where employees can have a say, the report

analyzes.

Public Policy

Economic Council: Scrap of Deductions for Wage Earners Spouses and Liberalize Paid Job-Placement Services

In October, the Committee for Action Programs of the Economic Council, an advisory panel to the prime minister that drafts measures for promoting economic structural reforms, published a recommendation on three areas of finance, employment and labor and telecommunications. In the area of employment and labor, the Committee calls for scrapping various systems which seemingly discourage the willingness of women to work and for removing the principles of national monopoly in job-placement services.

On the recommendations involving female workers, the Committee stresses the "importance to actively utilize housewives full-time before the advent of the aging society." In the recommendations the Committee clarifies that it plans to scrap measures which constitute constraints on married women's willingness to work in the areas of taxation, social insurance and corporate welfare provisions. In the recommendations, judging that the system of deductions offered for spouses of wage earners bars housewives from entering the labor market fully, the Committee incorporates such recommendations as elimination of spouse allowances at private companies and scrapping of related preferential tax systems as well as scrapping of protective provisions for women which forbid women, as a rule, from working overtime on holidays and late at night.

On the recommendations involving job-placement services, the Committee calls for liberalization of private companies' participation in temporary employment services, judging the "fear that workers with weak negotiating power will be exploited unlawfully is largely a non-issue." Thus, the latest recommendations ask for positive introduction of market principles to services involving the system of labor supply and demand such as job-placement and worker-dispatch services. At present, the Ministry of Labour adopts the positive list system in dealing with private temporary employment services, and the Committee calls for switching to the negative list system which individually prohibits jobs likely to create social problems.

The Ministry said it "will cope with deregulation in employment and labor areas in light of the gist of the deregulation promotion program decided upon at a Cabinet meeting" and expressed the view that "since regulations in labor are social in nature, we need to proceed

with them while building a consensus of the parties concerned from the standpoint of protecting workers."

Special Topic

Changes in Wage Disparity in Japan

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Modest Increase in Wage Disparity

It has been widely recognized that even by international standards, Japan is a country where income including wages is highly equally distributed. In recent years, however, it has been said that the intracompany wage systems have shifted from one based on equality under which wages are paid among employees as equally as possible to one based on individual workers' performance which allows a wage disparity to be greater through, say, introduction of an annual salary system. Furthermore, companies, it is said, are moving toward an emphasis on individual companies' performance from an emphasis on general wage trends and wage trends set among industries, to allow for disparity in pay among themselves rather than to curb the disparity as practical as possible.

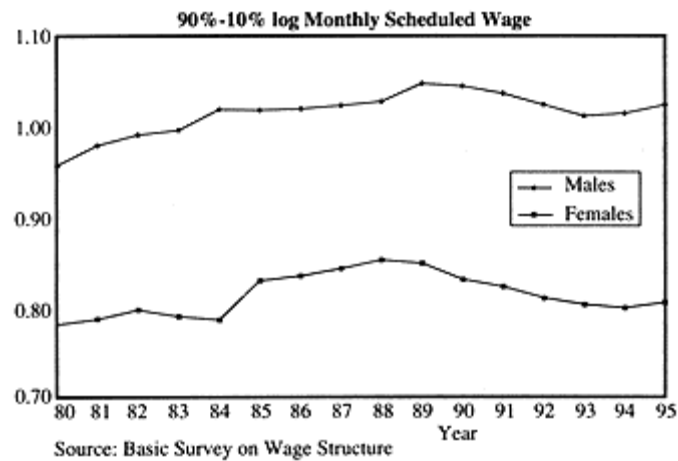
Other countries, the United States and Britain, for example, witnessed a greater wage disparity in their societies as a whole from the 1980s. This led to a wider disparity between the rich and the poor causing a serious social problem. Is Japan as a whole also witnessing the ongoing wage disparity? The figure below shows how one of the indicators, which measures a wage disparity, underwent change.

This indicator shows that when 100 persons are arranged in descending order from those who are highly paid, the rate of the gap in wages between the tenth person from the top to the tenth person from the bottom is found and is expanded among all regular employees. From the figure, the nation's wage disparity between males as well as females, slightly widened in the 1980s. But the tempo at which the disparity widened was considerably slow as compared with the rapid tempo at which the disparity widened in the U.S. and Britain in the same period. Entering the 1990s, the wage disparity even narrowed at a moderate pace. ⁱ⁾

A view that the wage system which allows for a wider disparity in pay is spreading; but

on the contrary, a growing wage disparity has yet to be notably confirmed statistically. In addition, the wage disparity diminished in the recession following the collapse of the speculative "bubble economy", showing a different trend from the conventional one that a wage disparity widens in a recession.

Why is the tempo at which the wage disparity widens slower in Japan than in the U.S. and Britain? Also, why has it even shrunk in recent years? Do the trends in the wage disparity relate to recent employment problems such as the difficulty of new school graduates in finding jobs and an overhaul of long-term employment? And what shape will the wage disparity take in future years? I would like to consider these issues, with a focus on the wage disparity between male workers ranging from those immediately graduating from school to those approaching retirement age.



Decline in Less-educated Workers

Behind the greater wage disparity in the U.S. and Britain lies the weakening willingness of the company to hire less-educated persons. Computers spread through the workplace rapidly and took their places. Furthermore, in the intensifying heat of international competition, jobs were transferred to low-wage workers in countries where the growth rate is high. This shift in labor demand, American and European studies point out, possibly led to deteriorating working conditions for less-educated persons, compared with those for more educated persons.ⁱⁱ⁾ Calculation of Japan's situation by the same method as adopted in the above studies produces results similar to those in the U.S. and Britain- the relative decline in demand for workers with middle- and high-school education throughout the 1980s.ⁱⁱⁱ⁾

The results from the common pattern of changes in labor demand, however, different from country to country. In the U.S., the decline in labor demand further shrank the real wages of those less-educated youths who had been low-paid, which in turn made the overall

wage disparity wider.

In the Japanese job market, meanwhile, the decline in labor demand does not immediately link to a drop in wages. The nature of Japan's job market is that wages do increase but not decrease. The downward wage rigidity in effect curbed the wider gap in wages. In Japan, the decline in demand for such low-wage workers among less-educated youths has yet to affect wages, but it has become pronounced in the form of the deteriorating employment opportunity.^{iv)}

Let us consider young high school-educated men. In Japan, they work with the same company for a shorter continuous period of years. Also, they tend less to find jobs at large companies. Beneath all this grim talk may perhaps lie the fact they are no longer bound up in the restrictions of white-collar corporate society. What is more important, however, is changes taking place in corporate society - in recent years young less-educated workers are rapidly being deprived of opportunities to work long-term and develop their skills through on-the-job training within the company.

What kinds of career-development programs will be necessary, then, for these less-educated people? Will it be necessary to offer programs which do not depend on companies, in such forms as improved quality of middle- and high-school education, encouragement of more people going on to institutions of higher learning and increasing of the trend toward acquiring qualification for professional jobs? Or will career development be ineffective unless elaborate on-the-job training programs within the company which were the hallmark of Japanese firms are offered?

The answer depends on whether skills, which are expected to be highly productive, are in recent years widely effective across companies or whether they are those accumulated over long years of service at individual companies.

College Graduates' Difficulty in Finding Jobs

Who could have imagined in an age of young labor shortages before the collapse of the bubble economy how difficult it would be for four-year college graduates to find jobs? In fact, until the 1980s the proportion of college graduates who found jobs rose steadily among males and skyrocketed among females. In 1991, the proportion peaked at 81 percent for males and 82 percent for females began to fall thereafter. In 1995, the proportion plummeted to 69 percent for men and 64 percent for women.^{v)}

Thus, dramatic changes occurred in the rate of those who found employment among

college graduates, while wages for young college-educated recruits continued to rise over the long term and real wages did not decrease at all from the 1980s to the mid-1990s. This is a fact that cannot be overlooked in explaining why recent college-graduates now have a hard time finding work.

Let us look at the size of the long-term shift in demand for college graduates and high-school graduates and also for the young and for the middle-aged and elderly throughout the 1980s. Demand was the smallest for middle-aged and elderly persons with high-school diplomas. On the other hand, it was the largest for young persons with college diplomas.^{vi)} Mirroring these changing trends in job openings, wages for young persons with a college degree swelled throughout the 1980s.

But in the recession following the 1990s, in the job market characterized by the downward wage rigidity, wages for new college graduates which stayed at a high level worked against their difficulty in finding jobs. The recession temporarily decreased the demand for young college graduates, and also, the second baby-boom generation reached the age of their college graduation. These two effects came together, leaving the job market for college graduates in the early 1990s in the so-called labor glut. Even so, wages which soared in the 1980s remained constant, curbing the expanded number of new hires.

When compared with that for young persons, an increase in wages for middle-aged and elderly persons was not so large in the early 1990s, which I will detail later. However, skyrocketing personnel costs for young persons and those with a college education in particular, began to be too heavy a burden for corporations. The wage discrimination for the same jobs between college-educated males and their female counterparts was legally prohibited. Costs for young female college graduates were as high as those for their male counterparts or even higher than the latter when considering an overall difference in the percentage of those settling down at the company. This led to a serious difficulty in hiring the females particularly.

Wages for young college-educated persons rose sharply in the 1980s and stayed at the same level even thereafter, making employment during the recession more costly. Thus, the smaller demand for labor accelerated the reduction in new college-graduate hiring. This came together with a marked increase in the supply of new college graduates resulting from the second baby boom, sharply reducing the proportion of new college graduates who found work.

The competitive job market in which wages quickly respond to changes in supply and demand, is different from the actual Japanese job market.

Effects of Long-term Employment

The Japanese-style employment system represented by lifetime employment and pay based on seniority, it is said, is in jeopardy. However, among those with middle- and high-school education, those who benefited the most from long-term employment are in fact those who are recently approaching middle and old age.

Most recent middle-aged and elderly people with junior and high school education joined the work force as new graduates during Japan's high-growth period. In the 1960s, companies, looking for cheap labor, were vigorous enough to hire new graduates of middle and high school. The shortage of junior high school graduates entering the work force, who decreased in number in the midst of the rising tide of those going on to senior high school, was strongly felt, and they were dubbed "prodigies."

The vigorous demand for drastically improved working conditions for new graduates enabled them more than before to land jobs at companies which had the system of long-term employment and pay based on seniority. In the period between the 1980s and the early 1990s, junior- and senior- high school graduates who were hired during Japan's high-growth years were approaching middle or old age and were beginning to enjoy the merits of long-term employment and seniority-based pay. In fact, high school-educated workers aged 40-49 in 1990, were those who began entering the job market as new graduates in the middle of the 1960s high-growth era.

To a greater degree than those who were hired before them, they enjoy high wages coming from long-term employment. Let us compare the average wage for high school-educated people between the ages of 35 and 54 in 1990 when there were many people who joined the work force during the high-growth years and that in 1980 when there were many who entered the labor market years before. We can see that one third of the increments of real wages during the past 10 years were generated by increasing years of service within same firms and the rising tendency for people to work with large companies. ^{vii)}

There are no such cases as this, in which the effects of long-term employment on higher wages were so strong, among middle-aged and elderly workers with a college education and young workers with high-school and college education. With the effects of long-term employment excluded, the rise in wages for middle-aged and older workers with middle- and high-school education is not so large. When comparing young workers with high school education and middle-aged and older ones with high school education, the disparity in wages widened, in the 1980s to the early 1990s, contrary to the impression that the policy of pay

based on seniority had collapsed. This was brought on by the bipolar divergency that young persons tend to work short-term, while middle-aged and elderly persons tend to work long-term. If the effects of the fluctuating tenure are excluded, wage differentials between ages have gradually narrowed.

The high possibility is that the rising wages brought on by progress in long-term employment for less-educated, middle-aged and older workers will fade from the scene in the near future. The smaller demand for labor is rapidly depriving recent less-educated graduates of job opportunities which enable them to work long-term. Furthermore, the dwindling demand for labor is particularly serious for less-educated elderly people. This indicates that in future years elderly persons with middle- and high-school education will face a tougher situation than now in terms of jobs and wages.

Redundancies of Experienced College Graduates

The wider disparity in wages was curbed in Japan as a whole due to a smaller increase in wages for college-educated, middle-aged and elderly people, who are in the top wage-group, than in wages for college-educated youths and high school-educated, middle-aged and elderly persons, who are in the lower wage-group.

For college graduates who have reached middle and older age, wage increase comes with promotion. The wage disparity between managers and non-managers may be smaller in Japan than that in Europe and the U.S.; yet, the gap in wages between the two cannot be overlooked. Let us consider male college graduates aged 35 to 54. Directors receive an average 1.5 times, and section managers, an average 1.2 times, the monthly pay of regular workers.

Following the 1980s, the percentage of college-educated, middle-aged and elderly persons who got promoted dropped dramatically. In the early 1980s about one in three college-educated males in their late 40s could be promoted to the post of director. But in the 1990s, the percentage of those who are promoted to director dropped to a one-in-five chance. Even for college-educated persons in their early 40s, six out of every ten could become a division manager or a section manager in the early 1980s, but in the 1990s onward, the percentage was less than half.

The sharp drop in the percentage of who can get promoted deprives middle-aged and older persons with a college degree of a chance for a wage increase. From the 1980s to the 1990s, the rise in wages for college-educated, middle-aged and older persons was considerably smaller than that for those in different age groups and who have different educational backgrounds. Behind this lie the fact that the falling percentage of those who are promoted

reduced the average wage for middle-aged and elderly people with a college degree. viii)

The glut in college-educated persons who have reached middle and old age is responsible for a decline in the percentage of those who get promoted. The number of employees with a college education in their 40s who work for companies with ten and more employees substantially doubled in the ten years following the 1980s. Behind the large number of college-educated middle-aged and older persons lies, first, the rapid rise in the percentage of those going on to institutions of higher learning following the 1960s, and second, the recent rapid increase in the number of those who have reached middle and old age. The increase in the number of those who have become middle-aged and older was brought on by the bulk of the first baby boomers who are approaching middle and old age. These changes took place also in Europe and the U.S., but no country in the world saw the changes occur at a higher pace than did Japan. Moreover, this is the first time in its history that Japan experienced a rapid rise in the number of college-educated, middle-aged and elderly persons in so short a period of time. Such sharp changes as these will not take place in the years to come.

Thus, the era in which experienced college-educated persons would be able to earn high wages came to an end during the 1980s to the early 1990s. The curbed expansion of wage differentials in Japan was ascribable to two factors, one, the downward wage rigidity for low-wage workers in the job market and the other, a sluggish wage growth stemming from the fact that high-wage, college-educated, middle-aged and older workers became redundant within the company. In the U.S. surplus college-educated persons produced by the baby boom and the rising percentage of those going on to institutions of higher learning triggered an excess supply of college graduates in the job market in the 1970s, prompting a drop in wages for college graduates relating to those for less-educated persons under the principles of market competition. In Japan, meanwhile, the effects of redundant college-educated labor on wages were only gradually felt due to the immature competition of the job market. And for the first time, and after in the 1980s, when it was clear that many college-educated persons found it difficult to be promoted within the company, did wages decline sharply.

Future of Wage Disparity

Will the wage disparity further widen in future years in Japan as it recently did in the U.S. and Britain? Or will it dwindle along with the trends in the early 1990s?

As far as the discussions up to now are concerned, I consider the possibility to be high that the wage disparity will be wider over the long term also in Japan. Two main reasons may be cited.

First, the demand for less-educated persons, or those with middle- and high-school education, has been on a continuous decline over the long term. Against the backdrop of the spreading of computers into the workplace and tougher competition with cheap labor in high-growth nations, the demand for less-educated workers will continue to fall off in the years ahead. Accordingly, in and after the 1980s young persons with middle- and high-school degrees will find it hard to land jobs in companies which offer good working conditions.

As long as companies continue to be less eager to hire such persons, a future rise in wages will come to a halt. Further continuous pressure on wage declines for middle- and high-school-educated persons who are already low-paid will prompt expansion of the wage disparity among the overall working population.

Second, the future will see the surplus of college-educated, middle-aged and elderly persons dwindle. Of course, middle-aged and elderly persons with a college degree will steadily increase in future years. However, the pace at which they increase will be much slower in coming years than that from the 1980s to recent years.

If so, the possibility will be greater than now that employees could be promoted to management positions and could again expect their wages to be higher. If wages for those college-educated, middle-aged and elderly persons who are in the top wage-group among the overall working population increase more sharply, then the wage disparity will also be greater.

Level of education, age, length of service, firm size and promotion which have been considered in this paper are all important factors to have effects on the wage disparity. There are also other significant factors, however. Examples are wage disparity by gender, wages conditioned by forms of employment such as part-timers, temps and dispatched workers wages for those who are re-employed after mandatory retirement, and labor quit by deregulation of public sectors. Whether the wage disparity will be greater in Japan in the future depends also on these trends.

The greater wage disparity will lead to a serious gap between the rich and the poor, and therefore, many consider that it should be prevented by all means. But on the other hand, the present wage system in Japan is "overly equality-based," and thus some people argue that it discourages many people from working to their potential and that the expansion of wage disparity should be allowed to some extent. In either case, an elaborate analysis of why distribution of income including wages fluctuates, which serves as the basis of future debates on the matter, is currently.

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Statistical Aspects

Recent Labor Economy Indices

| Recent Labor Economy Indices | | | |
|----------------------------------|-----------------------|-----------------------|---------------------------|
| | October 1996 | September 1996 | Change from previous year |
| Labor force | 6,772 (10thousand) | 6,792 (10thousand) | 62 (10thousand) |
| Employed | 6,545 | 6,569 | 49 |
| Employees | 5,329 | 5,346 | 33 |
| Unemployed | 227 | 224 | 13 |
| Unemployment rate | 3.4% | 3.3% | 0.2 |
| Active opening rate | 0.73 | 0.71 | 0.02 |
| Total hours worked | 161.5 (hours) | 159.1 (hours) | 0.3* |
| Total wages of regular employees | (¥ thousand) 286.4 | (¥ thousand) 285.1 | 1.5* |

Source: Management and Coordination Agency, Ministry of Labour.

Notes: 1.*denotes annual percent change.

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

Share of Part-time Workers in Total Number of Employees(%)

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