

# JAPAN LABOR BULLETIN

ISSUED BY THE JAPAN INSTITUTE OF LABOUR

*Vol.37 - No.02*

*February 1998*

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## Working Conditions and Labor Market

### **¥3.4 Billion of Social Insurance Premiums Remains Unpaid**

A check by the Board of Audit reveals that many worker-dispatching firms had not paid their premiums for health insurance or for the pension scheme. Its report concluded that the unpaid premiums for both insurance schemes amounted to ¥3.4 billion.

In 1997 the Board conducted a special survey on the coverage taken out by worker-dispatching firms for social insurance. The survey was in addition to the regular audits made on provisions for old-age pensions. According to the survey, the examination of wage registers and the employment contracts of worker-dispatching firms revealed that around 1,500 firms had yet to pay their premiums for such insurance. Premiums for employees' pension and health insurance are shared by both employers and workers and are paid by the former. Those employed during the period of less than two months are not eligible for either kind of insurance. However, many of workers registered at the manpower company are dispatched to the client firm, repeat a short-term employment contract of a less than two-month duration and being actually employed long-term. The majority of these manpower firms had failed to report to the social insurance office and pay their premiums, despite the fact that dispatched workers had been hired for more than two months and were qualified for being insured.

With a rising number of worker dispatching firms, the problem of the unpaid premiums has become a major concern. The Board of Audit is asking the Social Insurance Agency to make a more concerted effort to inform the firms about their responsibilities in this regard. The Agency will also be taking steps to collect the outstanding premiums.

## Labor-Management Relations

### **Rengo Seeks a ¥15,000 Wage Hike from the 1998 Spring Wage Offensive**

At its Central Committee meeting on November 20, 1997, Rengo (the Japanese Trade Union Confederation) decided upon its approach for this year's Spring Wage Offensive. The Confederation decides to ask for an average wage increase of ¥15,000 per employee, which is ¥2,000 higher than last year's wage hike and to about five percent of their current salaries. The goal is for an increase which will improve living conditions through a boost in real wages. The ¥15,000 was derived from two components: ¥8,900 (a three percent boost) in the wage base to maintain and improve living conditions and ¥6,100 (a two percent rise) as the regular

annual pay increase.

In its wage policy, Rengo asks for a 2.5 percent pay raise in order to achieve a three percent growth rate. The Government's December 19th economic forecast set the nation's economy to grow by 1.9 percent in real terms during 1998. The government forecast, however, is strongly intended toward economic management and tends to set the rate high. In fact, the government made a downward revision of the expected growth rate to 0.1 percent. Against the backdrop of these economic conditions, Rengo-affiliated organizations had a hard time debating over the contents of the wage hike demand. "We want to raise the economic growth rate to two percent by the effects of wage hikes although even the one-percent growth rate is projected to be difficult," said Rengo General Secretary Kiyoshi Sasamori. In consideration of his remarks, Rengo tried to decide on this year's boost in the wage base by incorporating into two percent of an increase in commodity prices stemming from a rise in the consumption tax rate and an one-percent hike for better living conditions. In view of this demand target, individual organizations will materialize the own wage hike demands.

It is felt by many observers that the unions will have to push very hard to achieve their goal. For the past several years, the annual wage increase has been below three percent. Moreover, the economy has been slowing down since the latter half of 1997 and is unlikely to recover in 1998. Management is likely to insist that the top priority be given to employment rather than to wage increases. The fears of unemployment will no doubt be underlined by the rise in the number of jobless persons. Given this situation, it will be difficult to achieve even a three percent increase.

In this regard, Kinzoku Rokyo (IMF-JC), which is comprised of Rengo-affiliated industrial federation, in the automobile, electrical machinery, shipbuilding and steel industries, and has for some time been the pacesetter in the spring wage talks each year has decided to peg its demand at ¥13,000, the same amount requests in 1997. Given the businesses are continuing to face worsening demand for their products, IMF-JC concluded that it would be difficult to achieve a wage increase which was higher than those won in the preceding year.

Rengo has also set its demand for individual workers by requesting that standard 35-year-old worker (high school graduates and with 17 years of services) be paid a monthly salary of ¥326,000 (excluding the regular annual pay increase), up ¥9,300 from the rate earned in 1997.

## International Relations

### Foreign Employment - How is it Going?

Since 1993 companies have been required to report to the government the number of foreigners they employ through the Public Employment Security Offices to the Ministry of Labour. On November 21, 1997 the Ministry published a report on the number of foreigners directly employed by Japanese firms (i.e., the number of foreigners on their payroll) and the number of foreign workers indirectly employed (i.e., workers on the premises who had been employed by subcontractor) as of June 1, 1997. Reports from 17,859 companies were tallied. The firms employed 185,214 foreign workers. Among these firms 15,702 said they directly employed 113,916 foreigners.

By industry, companies in manufacturing directly hire the most foreigners. Together with firms in services, wholesaling and retailing (includes eating and drinking establishments) they accounted for about 90 percent of all such employment. By company size, firms with 50-99 employees and with 100-299 employees were most conspicuous in directly employing foreigners. Such firms employed over half of all foreign workers. In addition, firms of this size hired 7.3 foreign employees on the average.

Of the foreigners employed, two thirds were male. The largest number of foreign workers were engaged in production process jobs, followed by those in professional, technological and managerial positions. By country of origin, 57.3 percent came from Latin America, followed by those from East and Southeast Asia.

The Ministry received reports from 3,529 companies indirectly employing 71,253 foreign workers. About 90 percent of those workers were engaged in manufacturing. In this regard, companies with 100-299 employees were most numerous. Firms utilizing such labor have an average of 20.2 foreign workers on the premises.

## Public Policy

### Council Proposes Overhaul of the Labour Standards Law

On December 11, 1997 the Central Labour Standards Council (an advisory panel to the Minister of Labour which is headed by Professor Tadashi Hanami, Sophia University) passed its on review of laws concerning working hours and labor contracts to the Minister of Labour. The Council had been studying the overtime work system, the discretionary work system, the flexible working hours system, and the upper limit of the labor contract period.

On overtime, the Council proposes that the standard guideline for annual overtime of 360 hours be given legal standing as a ministerial ordinance. Labor unions had called for the upper limit of overtime to be set at 150 hours a year. Management, however, took the view that it is not appropriate to have an upper limit subject to penal regulations. Management's view was that the upper limit should whatever be adequate as a response to unpredictable economic fluctuations and other contingencies which firms might face. In the light of this view, the Council did not specify on upper limit. Rather it simply sought to provide some guidelines for setting the upper limit. At the same time, it indicated that it would start to study the possibility of raising the penalty rate for overtime and for work on holidays.

The Council recommended an expansion of the categories of work which would be eligible for the discretionary work scheme. Presently, 11 occupations, including lawyers, are eligible for the discretionary setting of specific workloads to a particular frame of time. The recommendation is that those engaged only in "jobs which are difficult to supervise in a concrete manner in planning and designing divisions at head offices" also be allowed to work on a discretionary basis, and that a labor-management committee to be established within companies to decide on which jobs will be eligible for the discretionary work scheme.

On the flexible working hours system, the upper limit of flexible hours will be relaxed to allow workers to work up to 10 hours in a day and 52 hours in a week. The proposal also recommends ways to enable mid-career persons and retirees to work flexibly, while still assigning them holidays.

The upper limit of the labor contract period will be extended to three years from the current one year, but will be limited only to the employment of those with "sophisticated knowledge" and to "older employees".

In line with the recommended revisions, the Council proposed a strengthening of protective measures for workers. Under the Labour Standards Law, the provisions calling for a "clear statement of working conditions" have so far focused on wage-related matters. The Council recommends that other aspects also be included in such descriptions. The Council recommended that employers to make their rules of employment and the contents of labor-management agreements available to all employees. It is expected that the Ministry of Labour will now move to draft the legislation necessary to revise the LSL based and submit them to the current ordinary session of the Diet.

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## Tokyo Metropolitan Government's Refusal to Promote South Korean Ruled Unconstitutional

On November 26, 1997 the Tokyo High Court ruled in favor of a South Korean woman who sued the Tokyo Metropolitan Government for refusing to let her take a promotion test because she did not have Japanese citizenship. The Court concluded that the Metropolitan Government violated rights she had under the Japanese Constitution. It declared that banning foreign nationals from taking a promotion test for managerial positions shut the door on their promotion to a managerial position, and that it violated the Constitution which stipulates that all persons should be free and have equal opportunity to choose their occupation. The Metropolitan Government appealed the High Court's ruling to the Supreme Court on December 9.

Reversing a lower court decision that dismissed the claims of Jung Whyang Kyun, a 47-year-old public health nurse, Presiding Judge Kengo Ishii ordered the Metropolitan Government to pay her ¥400,000 in damages. The ruling provided a judicial justification for local governments which has hired foreigners to administrative posts. Jung, a second-generation resident from South Korea, became Tokyo's first foreign public health nurse in 1988 after the Metropolitan Government scrapped its nationality requirement for nursing in 1986. In 1994 she applied to take a test to qualify for a management position at the level of section chief (*kacho*) or above. But the Tokyo Government declined to accept her application to take the test. It argued that she must be a Japanese citizen. She filed a lawsuit against the Metropolitan Government, demanding that her right to take the test be confirmed and that she receive ¥2 million in compensation.

Recognizing that public-service managerial jobs as highly likely to involve incumbents directly in managing the autonomy of local government through the use of public authority, the court commented that it is not adequate simply to guarantee that all foreigners, like Japanese citizens, have the right to assume all public-service positions. In view of the fact that the contents of local public-service positions are diverse, however, the court ruled that a specific position's relationship to national autonomy, including participating in shaping the national will, are varied. Accordingly, it found that the Constitution did not ban foreigners from all management positions. It pointed to the necessity to distinguish public-service positions which foreigners could assume from those which they could not depending on the contents and authority of the position, its relationship to (and the extent of) the local government's autonomy. The court claimed that the right of any person to attain certain positions is guaranteed under the Constitution which stipulates that every person has the freedom to choose his or her occupation and equal opportunity under the law.

In view of the judgment that around 10 percent of the Metropolitan Government's 2,500 workers in managerial positions do not directly exercise administrative authority, Ishii said the Metropolitan Government's refusal to let the foreign national take a promotion test was illegal. However, he turned down Jung's request to confirm her right to take the test, saying there is no point because the test has already been held." He concurred with the lower court's decision that the Metropolitan Government's promotion test for administrative positions is designed for posts which directly involved in the direct exercise of the national authority and that the refusal to let the Korean woman take the test does not violate the Constitution (For more information, see the August 1996 issue of this Bulletin).

## Special Topic

### Management of "the Creative" in Organizations

Takashi Kawakita  
Professor, Human Resource  
Management  
and Industrial Sociology Business  
School, Hosei University



#### 1.0 The Focus on Creativity as Human Capital

Japanese executives have long been noted for taking a long-term view of things. However, they are now cited by business journalism for switching to a more short-sighted stance often associated with many American firms.

In order to rescue their organizations from the prolonged recession, a number of Japanese firms have sought more creative people within and without the organization. "Good-by, Imitation and Fake" and "Welcome, Invention and Creation" are now popular slogans commonly appearing in the media and often heard among government officials. "Downsize uncreative departments, and upsize creative ones" is yet another popular catch phrase used by those who advocate the re-engineering of Japan's corporations.

However, how does one know who is creative? What evidence is there that "creative people" are more productive than "uncreative people"? The search for innovative people might simply result in eccentric persons being hired. Even if really creative are employed, they might still be unproductive.

The Japan Ministry of Labor recently sponsor the Sanwa Research Institute Co. (SRIC)

to survey the views of managers about these matters. The Institute polled 718 workshop managers and 1909 non-management employees of Japan's large firms in fiscal 1995. The researchers asked human resource managers to select typically creative sections and typically non-creative ones in their organizations. The managers of those sections were then sent the questionnaires. The author was one of researchers involved in that project and wish to report on the findings.

## 2.0 What Sections are Inventive

The initial feedback from the human resource managers is summarized in Table 1. First, the three sections most commonly cited as being creative were the research and development section, the corporate strategy and planning section and the product development section in that order. At the other end of the spectrum were the human resources section as the least creative sections, followed by the financial section and then the general affairs and public relations sections.

Table 1. Creative and Non-creative Sections as Viewed by Human Resource Managers

Creative Sections	Non-creative Sections
1 Research and Development	Human Resources
2 Corporate Strategy and Planning	Financial Affairs
3 Product Development	General Affairs and Public Relations

One can wonder how the human resource sections could properly recruit, select, train, evaluate and promote the creative people needed by Japan's firms if they themselves were so uncreative. Do the human resource managers feel they are simply doing "business as usual" for Japanese organizations which are already full of creative people the HR sections are accustomed to treat? The human resource managers are revealing their non-technical white-collar employees' relatively low status within the Japanese firm. Are the financial sections seen as uncreative as many Japanese organizations have been losing money owing to failures of *zaitoku* (Midas technology used by the financial managers) before recent vagaries of the stock market? One may also wonder about how general affairs sections are able to maintain their complex relations with the *Sōkaiya* (racketeers) without creating some smart dealings. I am afraid that the label "uncreative" is a kind of blaming their incapability to covering such ties.

## 3.0 Uncreative Employees in Creative Sections

Can sections of an organization be value-adding if they have only creative people? The



718 managers reported that only 32 percent of the employees in their sections on average are creative in the very creative sections. 45.4 percent of the managers of the creative sections reported that only 20 percent or less of the people in their sections are creative. A third or a fourth can lead the rest.

**Table 2. The Percentage of Employees Who Can Do Creative Work as Estimated by 718 Section Managers**

	R&D	Product Development	Corporate Strategy & Planning	Marketing & Sales	HR, General, & PR
average	28%	32%	38%	26%	24%

On the average, managers of human relations section and of general affairs and public relations sections report that 24 percent of their employees are creative. Why, then "the forth" in the creative sectors can make their sections creative whereas the fourth in the non-creative sections cannot? One of the answer is that the creativity of organizations depend not on the employees themselves but on some of features of them.

#### 4.0 Diversity of Employees

What sorts of personality features are seen as decisive in doing creative work? The managers pointed to (1) having a good curiosity (63% of the respondents), (2) reliability (46%), (3) volunteering for high risk jobs (46%); (4) having an ability to extend networking outside the organizations (44%); (5) having high expectations both for themselves and for others (42%); and (6) "well-balanced" character (41%).

Non-creative persons were seen as (1) complaining a lot on the job; (2) graduating from well-known colleges and appearing to be extra bright; (3) making many enemies; (4) working at home; (5) having had experience in losing business divisions; (6) being overly sensitive to their own reputation; and (7) having a singular life-style.

Our factor analysis of the responses revealed the people are classified into four types of employees by their managers. These types are quitted varied. And such variety of persons are combined to be a "creative" team (Table 3). Type A (the freelancer) is apt to be a designer, a producer, an editor or a research and development scientist or engineer. Type B (the hard worker) is cherished when he or she is a corporate strategist or planner, a product developer, or a research and development scientist or engineer. Type C (the organization person) is a most useful corporate strategist or planner. Type D (the loyal commoner) may play a great supporting role, waiting silently to be praised while hiding behind the glory of other more conspicuously creative employees.

**Tables 3. Four Types of Corporate People**

Creative Type	Characteristics
Type A the free lancer	Having a singular life-style. Leaving their companies easily. Complaining a lots on the job. Making many enemies. Extremely good at one skill. Having good hobbies.
Type B the hard worker	Having a good curiosity. Extending networking outside the organization. Willingness to assume high risk jobs. Dislike for the seniority principle and achievement -oriented. Does jobs at home. Experience in the cash-cow divisions of the firm. Experience in the losing divisions of the firm. Guaranteed success in their late years.
Type C the organization person	Stress on the intrinsic value of work. Graduated from a well-known university as one of its brightest students. Experience in many sections of the organization. Sensitive to their reputation. Promotion-oriented.
Type D the loyal commoner	Slow but steady. Demanding both of themselves and of others. Separating rigidly their public affairs and from their private lives. Attaching importance to their family life. Loyal to their organization. Volunteering to do jobs disliked by others. Well-balanced. Reliable. Keeping good human relations with fellow employees. Helping.

## 5.0 Managing Creative People

Japanese organizations have tended not to manage especially creative persons or those in the creative sections differently from other employees. Admittedly, Table 4 shows that creative sections consistently turn up having more flexible arrangement, than the non-creative ones. However, Table 5 shows that skill-development and job training methods of creative sections and non-creative sections are implemented in almost the same proportion. But, those results may be misleading. Because the contents and depth of daily on-the-job training are seldom the same for all employees. The job allocation and the management leadership style may be radically different.

**Table 4. Percentage of Creative and Non-Creative Sections Having Flexible Work Practices**

	creative sections	non-creative sections
Employees can go directly to their clients and go home without showing up to their corporate office	76.5	64.3
FlexiTime	57.9	48.0
Home-Office arrangements	12.8	6.6

**Table 5. Percentage of Creative and Non-Creative Sections Engaged in Various Types of Training and Development Activities**

	creative sections	non-creative sections
Job Rotation, Horizontal Transfer	55.2	66.0
Starting from factory or sales shop-floor job	26.1	19.7
Team activities, Quality circles	26.1	24.6
Off JT for professional skills	35.6	34.0
Helping private endeavor to attend classes or tele-schooling	38.9	47.1
On the Job Training	66.0	60.0

## 6.0 Obstacles to Improve Creativity

First line managers point out there are too many impediments for them to enhance creativity in their sections (Table 6). But this big numbers of impediments pointed out by Japanese middle managers might show the keen problem consciousness of them, the high level of their expectations, and the ever-lasting Kaizen efforts of them. Compare the Kaisha (profit organization) having these managers with the governmental organizations which seems to be bogged to be uncreative.

**Table 6. Obstacles Commonly Cited by Workshop Managers as Depressing in the way of Creativity in Their Organizations**

1 No climate for risk-takers	55%
2 No provision for cross-training	36%
3 No free time for self-development	35%
4 Not enough power and responsibilities	32%
5 Homogeneity of employees means little intellectual stimulations	30%
6 Communication barriers between departments.	29%
7 Bosses are a problem.	23%
8 Top management is an obstacle.	22%
9 Employees are poorly matched to jobs .	21%
10 Task are too tightly scheduled	21%

## Statistical Aspects

### Recent Labor Economy Indices

	November 1997	October 1997	Change from previous year
Labor force	6,757(10thousand)	6,833 (10thousand)	48 (10thousand)
Employed	6,529	6,597	32
Employees	5,395	5,390	46
Unemployed	228	236	16
Unemployment rate	3.5%	3.5%	0.2
Active opening rate	0.69	0.7	0.01
Total hours worked	159.2 (hours)	160.6 (hours)	3.6*
Total wages of regular employees	(¥ thousand) 289.6	(¥ thousand) 289.1	0.7*

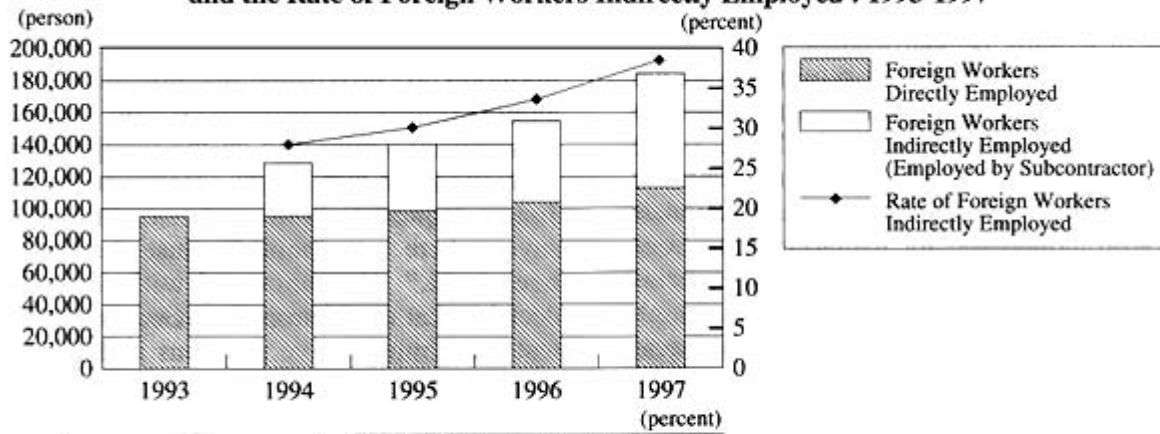
Notes: 1.\*denotes annual percent change.

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

Source: Management and Coordination Agency, Ministry of Labour.

The Number of Foreign Workers Directly and Indirectly Employed, and the Rate of Foreign Workers Indirectly Employed : 1993-1997

**The Number of Foreign Workers Directly and Indirectly Employed ,  
and the Rate of Foreign Workers Indirectly Employed : 1993-1997**



	1993	1994	1995	1996	1997
Foreign Workers Directly Employed	100.0	72.1	69.9	66.6	61.5
Foreign Workers Indirectly Employed	-	27.9	30.1	33.4	38.5