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General Survey

White Paper on Welfare: Measures to Cope with Fewer Children

In 1997, the nation's total fertility rate dropped to 1.39, an all-time low. This is evidence that the trend toward having fewer children continues. The total fertility rate is the average number of children born to each Japanese woman during her lifetime. The trend, if it persists, will result in the nation's current population of 126 million decreasing to around 100 million in 2050 and in an increase in the percentage of the population aged 65 and over to 32.3 percent. The Ministry of Health and Welfare recently published a White Paper on Welfare recommending changes to society that will make it more feasible for families to have more children. This conclusion is supported by an analysis of the factors behind having fewer children.

One reason mentioned for fewer children is that many people are marrying later in life or remaining single. The economic cost of childcare and education, the psychological and physical burdens of child rearing, the difficulty in juggling childcare with work, and the inadequate provisions for childcare also affect the decision to have children. Of these considerations, the last two are mentioned in the white paper as relating to Japanese-style employment practices. Such practices have developed along with views assuming a gender-based division of labor and a traditional belief that men should work and women should stay at home to do housework and look after children. One result has been a male-dominated work environment and a corporate climate that made it difficult for married and pregnant workers to keep working in the same workplace. Japanese-style employment practices tend to result in male employees putting work before family and household matters. The keen competition in the company means that male employees feel psychological pressure to cut back on activities in the home and in their local community. Thus, women carry the heavy burden with regard to child rearing and household duties, and there is less incentive for them to have children. This tendency is stronger among women who also have to work, and find it difficult to maintain a balance between work and family. The white paper concludes that Japanese-style employment practices, which have proved a factor accounting for the nation's economic growth, may also be seen as a factor accounting for fewer children.

In recent years, changes are occurring in these Japanese-style employment practices. Fewer jobs are premised on the assumption of long-term employment, and more companies are adopting ability-based treatment. Various new employment patterns are emerging. Given these changes, the white paper calls for changes that will once more make children a feasible option. Toward this end, it argues for an overhaul of the traditional gender-based division of

labor in the home, for the building of common networks in regional communities, which will support child rearing, for a social system that will assist with childcare, and for the de-intensification of competition in education and the diversification of approaches to schooling.

Working Conditions and the Labor Market

Recession Accompanied by Drop in the Demand for New College Graduates

According to a survey on 1999 recruitment plans by Kyodo News Service, 54 of 150 major companies said that they would hire 10 percent fewer new college graduates for the *sogoshoku* (core) jobs that lead to top executive positions. Only 21.3 percent said they would increase the number of new college graduates for such positions. When the same survey was carried out a year earlier, a little less than 50 percent of all companies planned to have more graduates for *sogoshoku*-track jobs. The most recent survey results suggest that the recession has again thrown a shadow over the employment situation. Reasons cited for the drop in demand for university graduates are “the slumping economy and worsening business results” and “uncertainty over the future of the Japanese economy and the business cycle. Furthermore, about 80 percent of the companies replied that they plan to hire people with work experience and that they will hire throughout 1999. With the prolonged recession, recruitment practices are diversifying and the labor market is becoming more flexible.

The Ministry of Labour, meanwhile, released the results of a survey of the labor economy conducted in May. The survey, taken four times each year, covers establishments with 30 or more regular employees in construction, manufacturing, transport and telecommunications, wholesale and retail trades, and services.

About 19 percent of all companies indicated that they were employing more regular workers than they need. Only nine percent reported they needed to hire more regular workers. In the February 1998 survey, the corresponding figures were 13 percent and 18 percent. Companies in construction and manufacturing in particular seemed to be finding that regular workers are in oversupply. The gap between the percentage of companies reporting a “labor shortage” and that for those reporting a “labor excess” was 15 and 16 percentage points, respectively. The survey revealed that 25 percent of companies adjusted their employment levels between January and March of this year, up from 21 percent in the October-December quarter in 1997 and 19 percent during the July-September quarter in 1997. The figures were 26 percent and 31 percent, respectively, in construction and manufacturing.

The survey also inquired about recruitment plans for 1999. Nearly one-half of the companies reported they had yet to decide on their recruitment plans. However, the percentage of those replying they will hire fewer new graduates from high schools, technical colleges, junior colleges, special training schools and universities was above that for firms that will hire more.

Labor Management Relations

Record-low Wage Increases in the 1998 *Shunto*

In this year's *shunto* wage talks, which occurred in an economic slowdown and much lower corporate profits, labor felt compelled to take a defensive stance against management. Uncertain prospects for the economy made the situation even worse. Even companies that recorded an increase in ordinary profits over the preceding year recorded a decline in the size of the wage hike when compared with that of the previous year. According to a survey conducted by the Ministry of Labour on the outcome of 1998 spring wage negotiations, 288 major private companies (which were each capitalized with more than two billion yen and carried a workforce of 1,000 or more employees) reported an average wage hike of ¥8,323, representing a 2.66 percent increase. That amount was ¥604 and 0.24 of a percentage point below the increase won in 1997. The 2.66 percent increase was a record low, undercutting the previous low of 2.83 in 1995.

The prolonged sluggishness in personal spending that resulted from the rise in the consumption tax in April 1997 and the large-scale financial failures, such as the bankruptcy of Yamaichi Securities, contributed to the mood for this year's *shunto*. Moreover, the gross domestic product reported for 1997 dropped for the first time since 1975. Labor had customarily offset the rate of price increases in one year by a boost in the wage base the following year. Excluding the regular automatic pay hikes, the inflation rate was seen as determining the lowest increase rate. In this year's talks, unions aimed for a four-percent wage increase that would incorporate two percent for the regular annual pay raise plus two percent for the increase in commodity prices. However, they settled on a wage hike far below that level. This was the ninth time since the spring offensive began in 1956 that the unions had to accept a *shunto* result that was below that of the previous year.

The Confederation of Japan Automobile Workers' Unions was chosen as a pacesetter in this year's negotiations. The workers at Toyota Motor Corp. had the role of leading the wage talks. However, they agreed on a monthly wage raise down ¥500 from that gained the year before. Management took a hard stance in the negotiations because it felt uncertain about the

company's prospects owing to a decline in production despite expected profits of ¥650 billion. Toyota's pay hike from a year earlier was an indicator for other companies in the auto industry.

This year saw labor and management at the major steel makers adopt multiple-year agreements. Under the new agreements wage talks would be held once every two years. Management offered a ¥1,500 boost in the wage base for a 35-year-old standard worker for both 1998 and 1999. Major steel makers had held the increase in the wage base to within ¥1,000 for the past four years, but in this year's talks unions were able to obtain two successful hikes, over that amount, making the new system proposed by labor successful. However, labor and management in other industries have shied away from the longer-term approach.

Public Policy

Ministry of Labour Presents Guidelines for Sexual Harassment

The amendment to the Equal Employment Opportunity Law, which has provisions to regulate sexual harassment, will come into effect in April 1999. Preparing for that in June 1998, the Ministry of Labour published guidelines for delineating sexual harassment and the employer's obligations in dealing with such harassment. The guidelines will officially be called "Guidelines for Employers Related to Problems Arising from Sexual Remarks and Behavior at the Workplace in the Context of Employment Administration." (See the *JLB*, April 1998 and September 1997)

The guidelines deal primarily with the contents of sexual harassment in the workplace and the care employers are required to take. The guidelines categorize harassment into two types: a *quid-pro-quo* type and a hostile working environment type. It gives typical examples for each type since each involves a variety of factors.

The *quid-pro-quo* type refers to behavior that puts a woman in a disadvantageous position. This occurs when dismissal, demotion and/or a salary cut follows her refusal to respond to sexual remarks and/or behavior. The working environment type occurs when women are made to feel uncomfortable in the work environment as a result of sexual remarks and behavior. This occurs when women are seriously distracted and cannot display their abilities thus confronting considerable obstacles in carrying out their work.

Employers are required to take three steps. First, they must clarify their policy

concerning sexual harassment and make it thoroughly known to their employees. Second, the employers should have in place a system for dealing with complaints and counseling concerning sexual harassment. The system must allow for an adequate and flexible response to situations involving harassment. Third, employers have an obligation to move promptly to assess the extent to which sexual harassment has occurred and to cope effectively with it.

Recent Employment Measures

The unemployment rate reached an all-time high of 4.1 percent in April 1998. To cope adequately with this situation, on June 2 the government convened its Organization for Industrial Structural Transformation and Employment Measures, which is headed by the prime minister (then Ryutaro Hashimoto). The organization decided upon a tentative policy to counter the employment situation. Three measures were provided.

First, expansion of domestic demand was seen as vital to the nation's economic recovery. Toward this end, the government will provide a comprehensive stimulus package worth ¥16 trillion as previously decided (See the July issue of *JLB*). The government will promote the package in an elaborate and powerful manner.

Second, the package will include an emergency employment development program. In particular, emergency measures to stabilize employment in line with the specific needs of regional, industrial and age grouping. In order to implement regional employment measures, the government will encourage public works projects for fiscal 1998 in regions where the employment situation is especially severe. Also, the government will designate regions for emergency stable employment and will see that all companies in the designated regions qualify for employment adjustment subsidies, and that the unemployed in those regions will be allowed to receive employment insurance benefits for an extended period. In the designated regions, companies qualifying for employment adjustment subsidies would be subsidized to cover two-thirds (three-quarters for small and medium-size companies) of a worker's wages when their work ceased or they were transferred, and three-quarters (four-fifths for small and medium-size companies) of the wages incurred when workers were receiving education and training.

To deal adequately with employment by industry, the government will also designate industrial sectors in which firms will be eligible for employment adjustment subsidies. This is particularly needed in the manufacturing sector in which the number of employees is decreasing sharply. In designated industries plans are to increase the subsidy. To cope

appropriately with the middle-aged and the elderly, emergency steps will be taken to provide specific employment development subsidies for those temporarily released from work under which those employing people aged 55 and over will be subsidized for part of the wages of workers. It will lower the age to 45 and older to extend the scope of these benefits.

Third, the government will take a number of steps to assist small and medium-size companies and venture businesses. To counter the banks' unwillingness to offer loans to small and medium-size companies, the government will expand the scope of smaller companies that can seek loans from banks and qualify for credit guarantee and loans from government-affiliated financial institutions. This, the government predicts, will increase the number of companies that are benefiting from this measure to about 20,000 and will bring the number of employees benefiting from this new measure to about 2.8 million. Also, in order to extend assistance to small and medium-size companies trying to increase jobs, the government will inaugurate a special loan system at the Small Business Financial Corp., the People's Finance Corp. and the Central Bank for Commercial and Industrial Cooperatives, and will implement a preferential interest rate and loan period. Furthermore, the government will expand and strengthen debt guarantees for venture businesses, and will aid in issuing their stocks and bonds.

Special Topic

The Labor Market and Career Development in the Small and Medium-size Service Sector

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1.0 Introduction

This paper describes the labor market in the sector of small and medium-size firms¹⁾ in the service industry. Japanese-style employment practices are often described as involving long-term employment. However, such employment occurs mainly in the large-scale sector. However, the realities of the labor market relevant to Japan's small and medium-size service enterprises (which employ the majority of Japan's employees and in recent years have exhibited remarkable resilience in terms of employment) have not so far been very well studied. This paper consists of the following two parts. The first simply compares workers at

Japan's small and medium-size enterprises with those at Japan's larger enterprises in order to identify what characterizes the labor force currently employed in smaller-scale service enterprises. The second part describes the labor market for small and medium-size services and the career development of workers, including their employers, of small and medium-size services while utilizing the outcome of a 1997 survey conducted by the Japan Institute of Labour (JIL)²⁾.

2.0 The Labor Market for Those Who Change Jobs

A breakdown of the labor force of people who have changed jobs by firm size reveals that 12.7 percent are employed at firms with 1,000 or more employees; 9.3 percent at firms with 300-999 employees; 15.6 percent at firms with 100-299 employees; 22.8 percent at firms with 30-99 employees; and 36.2 percent at firms with 5-29 employees. By sector, 0.1 percent are in mining; 14.2 percent are in construction; 21.0 percent are in manufacturing; 0.2 percent are in electricity, gas and heat supply; 9.0 percent are in telecommunications; 21.3 percent are in the wholesale and retail trade, and eating and drinking establishments; 3.1 percent are in finance and insurance; 1.1 percent are in real estate; and 29.8 percent are in services. This indicates that small and medium-size enterprises and services employ many of the people who have changed jobs (Ministry of Labour, Employment Trends Survey 1996)³⁾.

2.1 Job Changing and Tenure

Comparing workers at large enterprises with those at small and medium-size enterprises (Table 1), several points may be made. First, for male regular employees in nearly all age groups, the proportion of those who changed jobs was slightly less than 20 percent at large enterprises, but slightly more than 70 percent at small and medium-size service enterprises. As for the number of job changes, workers at smaller-scale service enterprises changed their jobs more often than did their counterparts at large enterprises. Second, regarding tenure for the same employer, employees have longer tenure at large enterprises and shorter periods of tenure at small and medium-size enterprises. Overall, it is fair to say that smaller-scale service enterprises have fewer workers on their payrolls who are likely to settle down.

These facts suggest workers in Japan's small and medium-size service enterprises may have a different labor market than their counterparts in Japan's larger firms. What career paths have those in the small and medium-size firms followed? What do they think about their working life in the years to come? These questions are considered below.

3.0 Proprietor's Career Path

Workers are the major actors in the labor market. One career option for some workers is to become their own independent boss. More than 90 percent of proprietors before becoming

entrepreneurs were employed workers. About three-quarters are ex-employees of small and medium-size enterprises having 299 or fewer employees. Moreover, 47.6 percent said their last job was in the same industry as they are currently running their business, 40.2 percent said they were engaged in the same job as they presently perform as an entrepreneur. Thus, not a few developed their present know-how and skills in a business or job similar to that in which they are presently engaged.

How did they become entrepreneurs? The largest number (38.3 %) said they switched from being employed to establish their own business; 18.5 percent succeeded in a family business; 10.7 percent started their businesses as a related firm or a subsidiary tied to a parent company; 9.9 percent started their own businesses distinct from their family's business; and 9.5 percent were promoted within the firm or special corporation to head the operation. What motivated these entrepreneurs to run their own business? About 44.3 percent said they wanted to utilize more fully their own ability; 35.3 percent said they wanted to give full play to their skills and expertise; 17.7 percent noted they could earn more income. That factors involving self-realization exceeded economic considerations deserves much attention.

Table 1: Job Change Experiences and Tenure (for male regular employees)

	Average	Previous		Number of job			Years of continuous employment with present employers
	age	change of job		changes			
	(Year)	Yes	No	1	2	3+	
Large Enterprises (N=63) ¹⁾	38.9	19.0	80.8	66.9	19.9	13.2	15.2 (16.2)
Small and Medium-Size Enterprises (N=4774) ²⁾	38.8	71.0	29.0	43.0	23.8	30.5	9.6 (9.0)

Notes: 1) Data for the large enterprises are taken from Ministry of Labour, *Nihonteki Koyo Seido no Genjo to Tenbo* (Current Situation of the Japanese-Style Employment System and its Prospects) (1995). The enterprises for which employees work have an average of 3,700 employees.

2) Data for small and medium-size service enterprises are taken from Japan Institute of Labour (JIL), *Sabisugyo no Kei-ei Kakushin to Jugyoin Fukushi* (Management Innovation and Well-Being in Services) (1997). The enterprises have an average of 50 employees (including part-timers). As the data on employees at large enterprises are available only for male regular employees, the data presented here on small and medium-size service enterprises are also for just male regular employees.

3) The parenthesized figures are from the Ministry of Labour, *Chingin Sensasu* (Wage Census) (1996). Data on large enterprises are for all male employees at enterprises with 1,000 or more employees. The data on small and medium-size service enterprises are for all male employees in enterprises with 10-99 employees.

3.1 Workers' Career Paths

The first thing to be mentioned regarding the career paths of workers in the small and medium-size service sector is the fact that few new employees in the small and medium-size service enterprises are being employed for the first time. In other words, those who started working life at their current job immediately after leaving school are in the minority. This means that the majority of workers experienced some kind of job before finding their present job. They had changed jobs 2.2 times on average. Where did they work immediately before taking their current job, and why did they quit their previous job and change to their current job?

Attributes of the Employee's Previous Job and His/Her Reasons for Quitting

Most (54.5 %) of those who changed jobs came from other small and medium-size enterprises with fewer than 100 employees. Specifically, 16.4 percent left the public service or large enterprises with 1,000 and more enterprises; 10.3 percent came from medium-size enterprise with 300-999 employees; 15.8 percent departed from small and medium-size enterprises with 100-299 employees; 35.9 percent moved from enterprises with 10-99 employees; and 18.6 percent switched from enterprises with 1-9 employees. A quarter (25.5%) said they were previously in the same industry; 16.0 percent answered they were at the job in a similar industry; and 56.1 percent noted they were in a different industry. Similar tendencies were found for the type of work previously done. About 23.8% were engaged in the same job; 16.0 percent were in similar jobs; and 46.0 percent were in different jobs. Twenty percent left their previous employment because they did not receive good pay; 19.3 percent indicated that they left because they had no future prospects in the former company, only 19.2 percent answered that they could not give full play to their ability. Given that “bad working conditions” was cited as the foremost reason for leaving work, one might conclude that many workers left their jobs to obtain better working conditions⁴.

The Motivated to Join the Workforce

What motivated workers, including those just leaving school, to enter their present company and how did they join? The average age at which they joined their company is 29.2 (32.0 for those who changed jobs). Regarding why they selected their current job, 38.3 percent said they liked the kind of job they had; 20.7 percent indicated that they thought the job was “promising” ; and 19.9 percent claimed that their parents and friends had recommended the job to them. As for finding their present jobs, 29.7 percent found their present job through friends or acquaintances; 19.4 percent did so through ads in newspapers and job information magazines; and 12.9 percent did so through family members. A small percent said they found their present work through schools (12.2%) or through public employment security offices (9.9%). Accordingly, it appears that much of the job-search information in the labor market for

small firms flows through people close to the job applicants (e.g., friends, acquaintances and blood relatives).

Future Careers

Finally, 47.4 percent of the workers in the small and medium-size service sector said they would like to continue to work with their present employer. Only 15.5 percent wanted to switch to a better company while 15.4 percent felt they would simply let nature take its course. Another 4.9 percent replied that they wished to retire at an appropriate time and stay at home; 7.2 percent said they wanted to be their own boss in the future, and 8.9 percent replied that they had not yet thought about their future.

As we have already seen, the labor market for smaller-scale service enterprises has many “job hoppers” and is flexible. However, for working life, it has a large number of workers wanting to settle down, more than those who wish to switch jobs or go independent. Of course, these future prospects for working life vary with age and gender. Even so, 25 percent of women in their teens or 20s (the age band where those strongly wishing to change jobs) wish to settle down, compared to 31.6 percent who wish to stay in their present jobs. For men in their teens and 20s, the figures are 17.3 percent and 40.7 percent, respectively. The data show that about 20 percent of those in the generations who are most strongly inclined to change jobs actively do so. Those who wish to settle down represent the majority regardless of gender and age. The percentage of those wanting to settle down climbs to 50 percent to 60 percent among men and women in their 40s and beyond. When observing career paths of workers in Japan's small and medium-size enterprises, it may safely be said that many change their jobs once or twice in their youth, but then come to take a career view of the work in a specific company over into their middle age or older years.

Comparison of Career Paths in Workers between Smaller and Large Enterprises

Table 2 compares the future career paths envisaged by male regular employees in small and medium-size service enterprises with those in large enterprises. While precise comparisons are difficult because of subtle differences in the questions asked, the future career paths envisaged by the employees in the small and medium-size enterprises are similar to those envisaged by their counterparts in the large enterprises: 52.9 percent of workers in the large enterprises and 50.3 percent of those in the small and medium-size service enterprises have a career in their present company. Only 16.1 percent of those at large firms and 13.4 percent of those at small and medium-size service firms wanted to switch to a better firm. In both groups, those wanting to stay employed far exceeded the number wishing to switch jobs or go independent. Those opting to change jobs replied that they “would work for several different firms to be a manager or a functional expert” in the survey of workers at the large enterprises. Those in the small service sector had the category “Want to switch to a

better firm, if any” to choose in their survey.

Table 2: Comparison of Careers Envisaged by Male
Regular Employees in Large and Small Firms

Workers in large firms	
* Will be a manager at one specific firm	33.4
* Will be a functional expert at one specific firm	19.5
52.9	
* Will work for several different firms to be a manager	7.1
* Will work for several different firms to be a functional expert	9.0
16.1	
* Would like to become self-employed	10.0
* Will let nature take its course	10.3
* Am undecided	9.5
* Others	0.7
* Unknown	0.4
Workers in the small and medium-size service sector	
* Would like to stay at my present firm	50.3
* Would like to switch to a better firm	13.4
* Would like to become self-employed	10.5
* Will let nature take its course	14.4
* Am undecided	8.3
* Would like to retire	2.2
* Unknown	0.6
Note: 1) Data are from the sources mentioned in Table 1	

4.0 Conclusion

This report shows that small and medium-size enterprises in the service sector hire a large number of people with previous job experience. Accordingly, the position of small service providers in the labor market is considerable. An analysis of the career paths taken by workers in the small and medium-size service enterprises reveals that around 70 percent of all such workers have changed their jobs at least once. It may safely be said that the percentage of those in long-term employment (who enter a firm immediately after leaving school and then stay with that firm until the mandatory retirement age) is considerably lower at smaller firms than at large firms.

However, one cannot therefore conclude that the majority of workers in small and medium-size service enterprises simply move from one firm to another at “the drop of a coin.” Many of those who have changed work (the average age at which they change to another job is 32.0), have done so several times in their youth, but in their late 30s, they seem to settle down at a specific company and then consider continuing at the same company until retirement.

This tendency becomes much stronger for middle-aged and older people, both male and female. In fact, male regular employees in Japan's small and medium-size service enterprises are in some ways rather similar to their counterparts in large enterprises when it comes to the future career paths they intend to follow. In this sense, it is safe to say that at small and medium-size enterprises many middle-aged and older workers enjoy well-developed long-term employment guarantees.

Finally, workers at small and medium-size service enterprises, are not limited to a career with a single employer. Some will take a job at a small firm and then change to another job at another small firm. Still others will work for a period at a smaller firm and then go into business for themselves. This means that workers in the small and medium-size sector have a number of career paths open to them that offer them various opportunities to improve their working conditions and to have a meaningful life at work.

- Notes: 1) Under the Basic Law on Small and Medium-Size Enterprises, small and medium-size enterprises mean firms capitalized at ¥100 million or less and having 300 or fewer employees in manufacturing, and firms capitalized at ¥10 million or less and having 50 or fewer employees in the retail trades and services.
- 2) In its *1997 Survey on Management Innovation and the Well-Being of Employees in Services*, the Japan Institute of Labour received replies from 5,307 firms (22.6%) and from the 9,467 employees (22.3%), in small and medium-size service enterprises with 1-299 employees across the country. Those in 18 service areas were surveyed. The areas include private tutorial schools, barbershops and beauty salons, advertising agencies, waste disposal services, machinery repair services, software services and hospitals. Employees' fundamental attributes were as follows.
There were 4,884 males (51.7%) and 4,550 females (48.1%).
The educational spread was college education or higher (28.0%), vocational school education (20.4%), technical senior high-school and junior college education (11.5%), senior high-school education (35.5%), and junior high-school education (4.2 %).
Regular employees accounted for 94.2 percent of the sample, part-timers and *arubaito* (temporary workers) accounted for 4.8 percent.
Except Tables 1 and 2 (which are data for regular male employees), data in the text denote totals for the entire sample. Breakdown by industry and job are omitted.
- 3) The Ministry of Labour's *Koyo Doko Kanri Chosa* (Employment Trends Survey) is carried out twice a year among establishments with five or more regular workers. Those who are counted as having had another job are "those who were employed elsewhere during the year before joining the current employer."
- 4) Further study will be necessary in the years to come. When considering a labor union or changing jobs as a means of maintaining and improving their working conditions, it may be that some form of labor mobility will prove to be the better option for those at Japan's smaller enterprises. Incidentally, of the enterprises surveyed, only 4.7 percent had a labor union.

The White Paper on Labour

The 1998 White Paper on Labour:

On July 7, 1998, the Ministry of Labour submitted its 1998 White Paper on Labor to the Cabinet meeting for publication approval. This year's white paper analyzes trends in Japan's

labor economy in 1997 in Part I. Part II, which is titled “Mid- and Long-Term Changes in Working Styles and Lifestyles” provides an overview of the economic and employment situation in the period of stable growth. It considers how the way people work is changing, and the transitions that are occurring in life styles, employment patterns, working life and working conditions and lifestyles. It also discusses measures that might be taken in order to respond flexibly to the structural changes in society that are expected to occur more rapidly in the years ahead, and to the steps that might be necessary to sustain the vitality of the Japanese economy.

1.0 Part I Trends and Features of the Labor Economy in 1997

1.1 Chapter 1 Trends in Employment and Unemployment

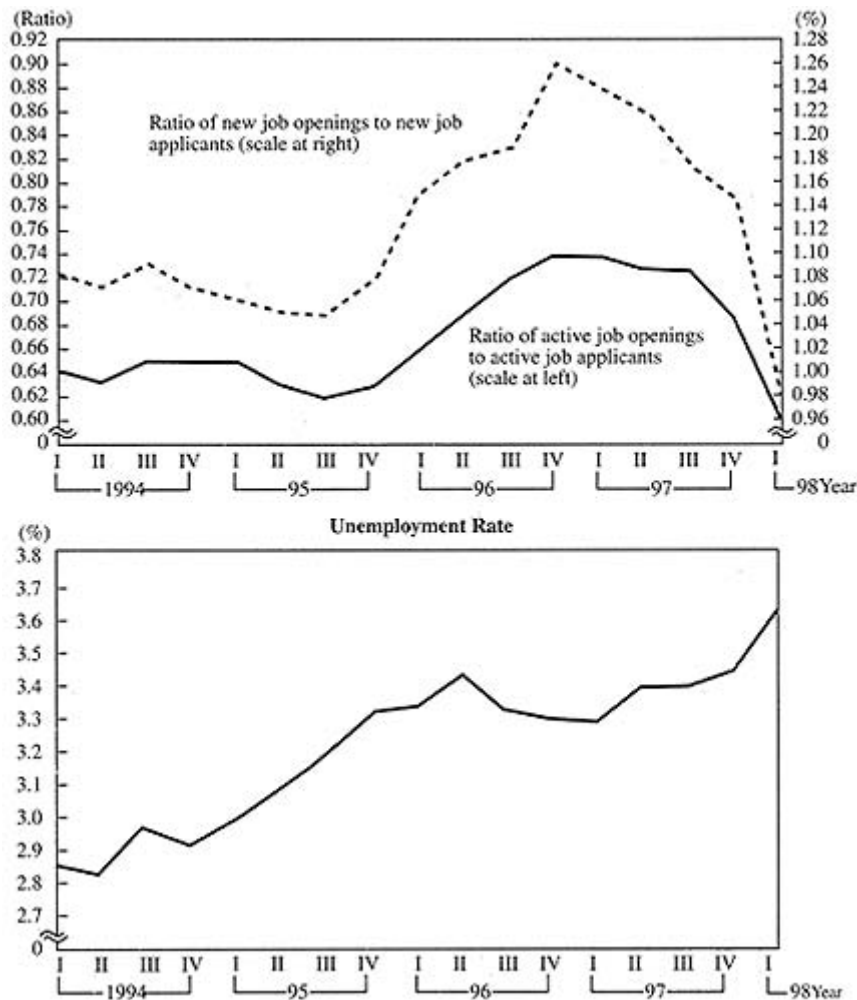
Employment was high but improved in the first half of 1997, before deteriorating in the second half. In March 1998, the unemployment rate was 3.9 percent, the record highest.

(1) Unemployment: In 1997, the seasonally adjusted unemployment rate rose to 3.5 percent in the October to December quarter, up from 3.3 percent in the January to March quarter. In the January to March quarter of 1998, it rose further to 3.6 percent, the highest quarterly rate. The rate continued to climb every quarter and averaged 3.4 percent for 1997, the same level as in 1996 (see Figure 1). The rising unemployment reflects the decreased demand for employment as business conditions deteriorate.

(2) The Ratio of Active Job Openings to Active Job Applicants: The ratio of active job openings to active job applicants remained stable through the July to September quarter, but declined in the next quarter, when the number of new job seekers decreased and the number of new job offers increased. In January to March 1998, the ratio stood at 0.61, a figure comparable to that recorded in the October to December 1986 quarter (Figure 1).

(3) Number of Employees: Mirroring the nations' stalled economy, which slowed further, the number of employees grew very slowly in the July to September 1997 quarter. In particular, the number of male employees barely grew at all, and even declined in the January to March 1998 quarter.

Fig. 1 Trends in Ratio of Openings to Job Applicants and in the Unemployment Rate



Source: Ministry of Labour, Statistics on Employment Security, Statistics Bureau, Management and Coordination Agency, Labor Force Survey.

Note: Figures for the unemployment rate in the graph are given as quarterly values and are estimates provided by the Labour Economy Affairs Division, Ministry of Labour.

1.2 Chapter 2 Trends in Wages, Working Hours, and Industrial Safety and Health

(1) Wages: In 1997, total cash earnings of employees in establishments with five or more employees were up 1.6 percent from the 1996 level, above the 1.1 percent growth rate recorded in 1996. Compared with the preceding year, real wages were lower over the year due to a rise in consumer prices stemming from the April 1997 hike in the consumption tax. Consumer prices rose 1.1 percent in 1997, the same as in 1996.

(2) Working Hours: In 1997, average annual hours of work at firms with five or more employees stood at 1,891 hours, 1.4 percent down from the previous year, due to the decline in

standard hours of work as the 40-hour workweek came to be standard across all industries. This was the first time that average annual working hours have been below 1,990 hours.

(3) Industrial Accidents: The number of industrial injuries (deaths and injuries requiring the absence of four or more days from work) continued to decline in 1997. The total number of such incidents was 156,726, a decrease of 6,136 (3.8%) from the previous year. The 2,078 deaths were 285 (12.1 %) below the number in 1996.

1.3 Chapter 3 Trends in Prices and Workers' Household Consumption Expenditures

(1) Prices: Consumer prices (general) rose by 1.8 percent in 1997. However, they were mostly stable after posting a large stepped increase in April owing to the consumption tax.

(2) Workers' Household Expenditures: In 1997, the annual income of workers' households rose 1.1 percent in real terms, below the growth rate recorded in 1996. Workers' households real expenditures were up 0.1 percent from 1996.

1.4 Chapter 4 Trends in Industrial Relations

(1) The 1998 spring wage negotiations resulted in labor and management settling on a lower wage increase than in 1997. Both the amount of the increase and the percentage increase were smaller. Wage increases agreed upon by major industrial unions were as follows: steel industry 1.73 percent, electrical-machinery industry 0.51 percent (this figure does not include regularly scheduled raises and is based on the average 35-year-old worker), and automobile industry 2.78 percent.

2.0 PART II Mid- and Long-Term Changes in Working Styles and Lifestyles

2.1 Chapter 1 The Economic and Employment Situation in a Period of Stable Growth

(1) Changes in Economic Structure, etc.: Dramatic changes in working styles and workers' lifestyles have occurred against the backdrop of various structural changes in the economy. Those changes include internationalization and informationalization, the greater weight of services in the economy overall, changes in the supply of labor (e.g., the aging population, women's progress in the workplace and higher educational levels), and changes in the personnel systems that affect the labor market and working conditions.

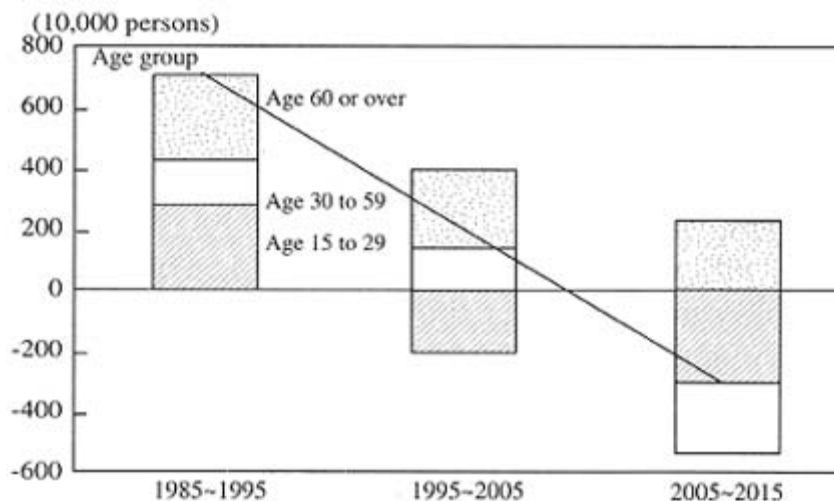
(2) Changes in Employment Structure and Labor Mobility: The number of workers in the tertiary industry, particularly in services, has grown. More workers are taking white-collar jobs. Labor mobility is increasing as the proportion of part-timers in the labor force grows.

However, regular workers, particularly middle-aged and older male core workers, have yet to start shifting jobs in large numbers.

(3) Unemployment on Upward Trend: The unemployment rate is on a long-term upward trend. However, the rate for male middle-aged workers and household heads is rising slightly while that for young and older male workers is growing sharply. In addition to the rise in the balanced unemployment rate, the unemployment rate due to lack of demand has remained at a high level until recently.

(4) Tasks for Stable Employment: In the future, Japanese society will be characterized not only by its older population but also by the small number of children (Figure 2). Policies appropriate for such a society need to be put into place. While maintaining employment levels within firms, some sort of safety net will be needed along with a mechanism to balance the demand functions, premised on corporate efforts to maintain jobs.

Fig. 2 Changes in the Size of the Labour Force by Age Group: 1985-2015



Source: Figures from 1995 and before are from the Statistics Bureau, Management and Coordination Agency, Labour Force Survey. The figures for 2000 and beyond are estimated by the Employment Security Bureau, Ministry of Labour (June 1997).

2.2 Chapter 2 Mid- and Long-Term Changes in Working Styles

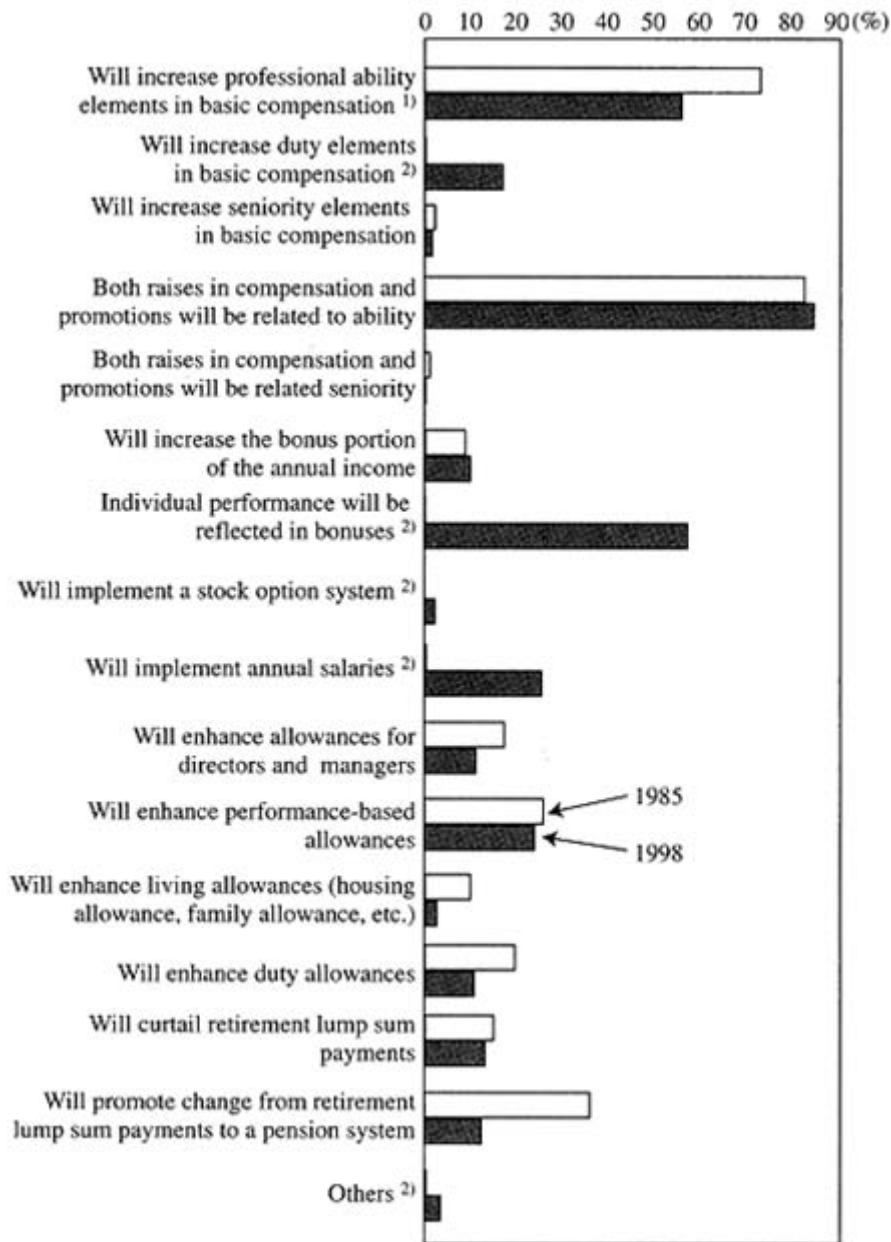
(1) Diversifying Employment Patterns: Employment patterns diversified further for young people, middle-aged women and elderly men. Also, while the number of the self-employed, family workers and home workers decreased, those employed in new employment categories (e.g., as dispatched workers) are increasing.

(2) Changes in Hiring Strategies and Personnel Management Systems: The tendency of firms to stress the hiring of new school graduates and younger people remains unchanged; however, their hiring strategies are diversifying as the active utilization of part-timers, temporary workers and mid-career people becomes more established. With the ageing of the population and higher educational levels, the ratio of those engaged in management posts is rising. However, the competition for promotion is shifting across education and age groupings. In particular, those baby boomers born from 1947 to 1949 and those born afterward are having to wait longer for promotion than the generation before them. Finally, firms are moving to diversify and to individualize their personnel management policies.

(3) Career Development, Vocational Training, Employment Tenure and Retirement: Those in management and clerical jobs tend to stay in their positions for increasingly shorter periods while those in professional, technical and research jobs are tending to stay in their positions longer. Firms seem to be moving to develop broader career paths for those in managerial positions. In vocational training, both enterprises and workers seem to be putting more emphasis on self-enhancement. The length of employment with the same firm seems to be growing for both men and women, and it is longer for those in the older age bracket. Enterprises and workers both seem to want long-term employment at the same firm. While the compulsory age for retirement is moving up to beyond 60 at a growing number of firms, the flexible retirement system is also becoming more common.

(4) Wages and Retirement Allowances, and Working Hours: Wages have been seniority-based, but an overhaul of the wage system is now occurring. This will affect all workers, including those born immediately after the war (who are now in their early 50s). The wage system is becoming more ability-based or performance-based (Figure 3). Employees, however, harbor fears about the accuracy with which their ability or performance is evaluated. The wage disparity between large and small enterprises is narrowing except for such factors as ageing workers and higher educational levels. Working hours have dropped sharply following the revision of the Labour Standards Law in 1988.

Fig. 3 Future Changes in the Wage System



Source: Employment Problems Research Institute. Survey of the Changes in the Economic and Social Environment and Customary Japanese Hiring Practices (1985). Japan Institute of Labour, Survey on Professional Policy Systems and Occupational Consciousness under Structural Adjustment (1998).

Notes: 1)On the 1985 survey, it was “Will increase the ability element in basic compensation.”

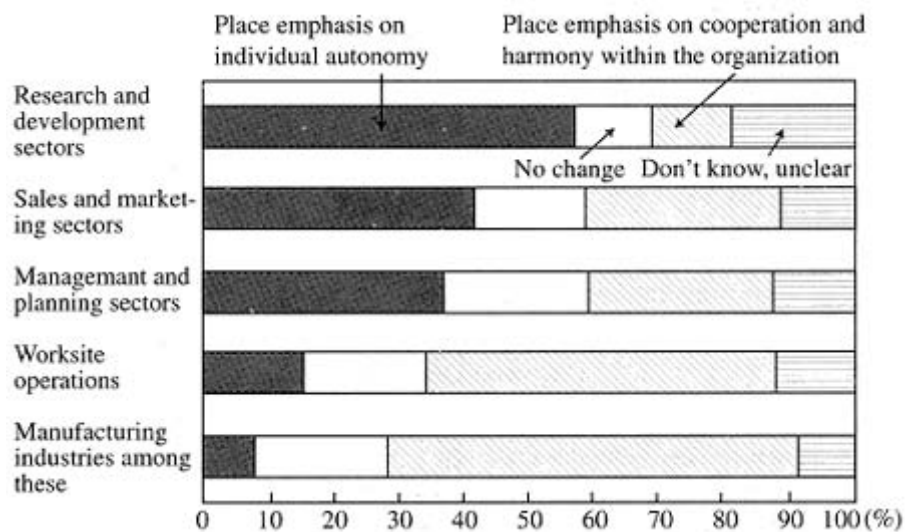
2)Item appearing only on the 1998 survey

3)Multiple responses allowed

(5) Welfare Provisions and Work Environment: The increase in statutory welfare costs is remarkable; however, non-statutory welfare costs have not risen much. The gap between large and small enterprises remains large. Policy measures for welfare provisions are diversified and individualized to meet a variety of needs. The push for efficiency is also a major concern. The number of deaths and injuries continues to decrease in overall terms, but the number of deaths has leveled off in recent years. The proportion of employees feeling fatigue and stress is rising.

(6) Directions of Changes in Working Styles and Challenges for the Future: With more emphasis being placed on individual differences and on maximizing the ability of employees to take the initiative at work, it is essential that firms change the way people are organized to work to maintain long-term employment. Firms will need to allow employees to select the working styles and to come up with new ways to evaluate their employees (Figure 4). Also, it will be necessary to develop adequate policies for middle-aged and older employees. In order to develop new arrangements to accommodate these kinds of change, labor-management and the government all have an important role to play.

Fig. 4 Ways of Facilitating Work in the Future



Source: Japan Institute of Labour, Survey on Personnel Policy Systems and Occupational Consciousness under Structural Adjustment (1998).

Notes: Responses to a question about which priority would yield higher results;
 (1) emphasizing individual autonomy, or
 (2) emphasizing cooperation and harmony within the organization

2.3 Chapter 3 Mid- and Long-Term Changes in Lifestyle

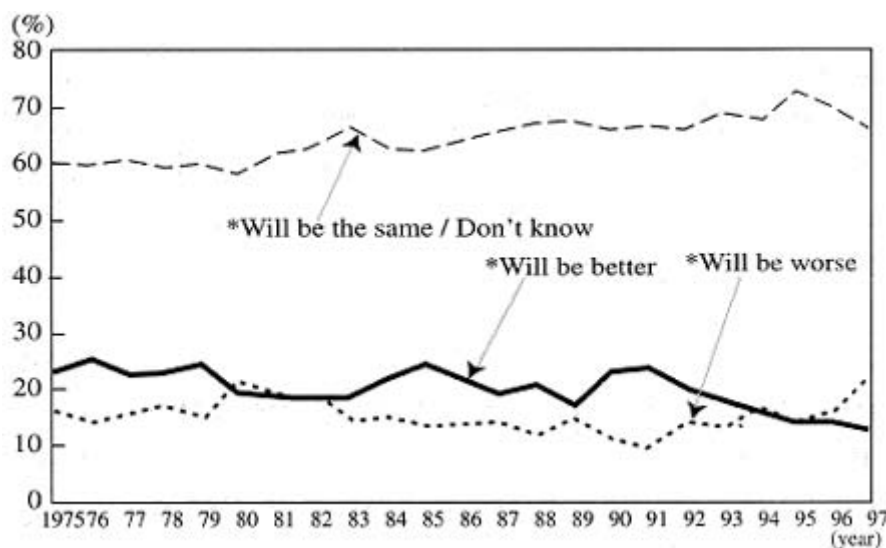
(1) Changes in Consumption Behavior: Income and consumption expenditure by workers' households have increased since 1975. Entering the 1990s, however, income has grown only

moderately and real consumption has leveled off. The average propensity to consume has fallen, however, due to households being squeezed by increases in insurance premiums and repayments on housing loans. The greater sense of uncertainty following the collapse of the bubble economy in the 1990s has also been a factor. Savings have been growing, and the subscription to life insurance schemes has grown remarkably. Household liabilities, on the other hand, were up. They include mortgages on housing and land, liabilities that have become a pronounced burden for many middle-aged workers.

(2) Changes in Lifestyle: Due in part to the spread of the five-day workweek, people work less and have more free time on the weekends. The uses of time by working women undergoes dramatic changes as they shift from being single to getting married and then to having children. The time women and men spend on domestic chores is characterized by a widening gap.

(3) The Changing Awareness of Workers and Issues for Sustaining Their Lifestyle: In order to sustain the lifestyle of employees in the years ahead, it is necessary that the sense of economic uncertainty be diminished. A vision of life in graying society (Figure 5) is also necessary. It is also essential that consumer prices be lowered through the process of reducing the gap between the domestic price and the overseas price for similar goods. Steps to guarantee each employee's free time are also essential to transform the company-centered lifestyle, the way in which society and enterprises are organized and the workers' own way of thinking about such matters.

Fig. 5 Outlook on One's Future Lifestyle



Source: Prime Minister's Office, Survey of Life of the Nation

Statistical Aspects

Recent Labor Economy Indices

	June 1998	May 1998	Change from previous year
Labor force	6,892 (10 thousand)	6,891 (10 thousand)	16 (10 thousand)
Employed	6,608	6,597	71
Employees	5,391	5,372	44
Unemployed	284	293	55
Unemployment rate	4.1%	4.3%	0.8
Active opening rate	0.51	0.53	0.02
Total hours worked	163.0 (hours)	150.2 (hours)	1.1
Total wages of regular employees	(¥thousand) 272.2	(¥thousand) 269.1	0.2

Note: *denotes annual percent change.

Source: Management and Coordination Agency, Ministry of Labour.