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## CONTENTS

### **General Survey**

- ▶ White Paper on National Life for 1998–Middle-aged Persons' Fears and Hopes–

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

- ▶ Employment of the Physically Disabled and the Mentally Challenged

### **Labor-Management Relations**

- ▶ Rengo Decides upon Policy for 1999 Spring Wage Offensive  
- One Percent Wage Increase Demand -

### **Human Resource Management**

- ▶ Drastic Restructuring in Banking and Financial Circles

### **Public Policy**

- ▶ NPA's Provisions to Regulate Sexual Harassment

### **Special Topics**

- ▶ A Comparison of Career and Skill Development Among White-Collar Employees in Three Countries

### **JIL News and Information**

- ▶ Eighth Briefing on Labor Issues for Foreign People Concerned in Labor Affairs in Japan  
The Effects of Deregulation on Employment in Japan - The Case of Retailers

### **Statistical Aspects**

- ▶ Recent Labor Economy Indices
- ▶ Trends in Actual Employment Rates of the Disabled at Private Companies, by Company Size(Feb.99)

## General Survey

### White Paper on National Life for 1998 –Middle-aged Persons' Fears and Hopes –

The Economic Planning Agency (EPA) annually publishes a white paper on national life. This year's report, focusing on the living environment surrounding the middle aged (those in their 40s and 50s), deals with the effects of demographic changes on the social economy and national life, and issues to cope adequately with them. Here, the white paper will be introduced centering around contents closely related to employment.

In 2015, when the *dankai-no-sedai*, or the generation of baby boomers (those born in 1947-49) reaches over 65, it is predicted that the graying society will be more pronounced in Japan than anywhere else in the world. Of the total population, one out of every four people will be over 65. Those middle-aged people who will be living in an aging society entertain great apprehensions about the inadequacy of social systems, institutions and practices involving work and life in old age to respond properly to the new demographic structure of the population. What changes are called for in the field of employment to allay such fears?

First is to secure the "portability" of vocational ability. Japanese enterprises are characterized by long-term employment practices under which workers are expected to stay with the same company for a long time. Therefore, unless they acquire professional skills that can be used outside of the company, workers face the prospect of having a hard time finding re-employment once they stop working. When they switch to another job or reach mandatory retirement at 60 or older, they will need to acquire vocational skills that other companies need. Support measures toward this end are asked for.

Second, a sharp drop in the young labor force is predicted in the years ahead, and there will be growing expectations and calls for the employment of the elderly in society. Under these circumstances, it is vital to create a mechanism in which those older people eager to work can actually work. The creation of a mechanism that allows individuals, including the elderly, to freely select the age and time at which they start work is called for. In the long term, the nation should be headed toward a "society in which the elderly remain active for life." In such a society, they will be able to work, if they wish to, regardless of age.

Third, moves toward a decrease in the young labor force and therefore a drop in the working population will prompt growing expectations on the female labor force. It is important to consolidate an environment in which women can easily resume work after short breaks and can work with ease.

Through these changes on the employment front, it is desired that middle-aged people will be free from fears of unemployment and living expenses for their old age. To revamp the public pension system is an important task to allay fears over living expenses for life in old age. The nation's public pension system is designed in such a manner that although contributions are made to prepare for future pension benefits, basically the contributions of young people to the pension plan pay for the benefits of those who have retired or of those who are aged. It is necessary to reform the pension plan into a system under which young people come to, while they are active members of society, save for their old age and do not come to rely on members of the younger generation.

Expansion and strengthening of nursing care services, as well as changes in employment and reforms of the employment system, are tasks necessary to allay middle-aged people's fears and worries over living conditions. Toward this end, instead of just relying on public nursing insurance, it is vital to actively introduce private-sector nursing insurance to assure more nursing care services and thereby secure their diversity and efficiency.

Japan has achieved phenomenal economic growth incomparable in world history and income levels have reached the world's highest. It is the elderly and the middle-aged today who have upheld the nation's growth. In the 21st century it is expected that the nation will be a full-fledged aging society that no other country in the world has ever experienced. By that time, members of today's middle-aged generation will enter old age. Japanese middle-aged people are to face the challenge of being forerunners in the creation of a graying society while solving issues in the three fields of employment, pensions and nursing care.

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

### **Employment of the Physically Disabled and the Mentally Challenged**

In Japan, the Law for Employment Promotion, etc. of the Disabled obligates private businesses, the central government and local public organizations to employ a certain number of disabled people, and the percentage of hiring these people is called the legally-set rate of employment.

The Ministry of Labour annually asks those employers who are required under the law to employ one or more physically disabled people to report the employment situation of physically disabled people for compilation. The major details of the survey on the employment situation of physically disabled people, which was conducted as of June 1, 1998, are shown below.

First, when we look at the employment situation of private businesses (businesses with 63 or more regular employees) to which the legally-set employment rate of 1.6 percent is applied, 251,443 disabled people are employed, an increase of 1,413 people over the year before. The actual employment rate\* stood at 1.48 percent, up 0.01 points from a year earlier.

Second, let us observe the actual employment rate by firm size. The conventional trends that the rate is high for small firms and low for large firms remain unchanged, but the actual employment rate, as compared with that for the year before, dropped from 1.91 percent to 1.86 percent for firms with 63-99 employees and from 1.46 percent to 1.45 percent for those with 100-299 employees. Meanwhile, the actual employment rate for firms with 300-499 employees, for those with 500-999 employees and for those with 1,000 and more employees rose from 1.35 percent to 1.37 percent, from 1.36 percent to 1.38 percent and from 1.46 percent to 1.48 percent, respectively. The gap in the actual employment rate between firms has tended to narrow since 1993 (See Statistical Aspects). On diminishing trends in the actual employment rate, a Ministry of Labour officially comments that "the economic slump is a great contributing factor to a fall in the actual employment rate for smaller-scale firms in and after 1993. Meanwhile, administrative guidance and a growing awareness of large firms toward societal responsibility are responsible for the substantial continued rise in the actual employment for firms with 1,000 or more employees."

Third, looking at the employment situation of the disabled by industry, the employment rate was the highest at 1.71 percent for manufacturing. Above all, the actual employment rate exceeded two percent for the three sectors of metal products (2%), textiles and apparels (2.24%) and lumber and furniture (2.44%), recording extremely high figures. Incidentally, the lowest actual employment rate was registered in the wholesale and retail trade, and eating and drinking establishments (1.06%).

The legal employment rate was stipulated in 1976, as 1.5 percent for private firms. The rate was raised thereafter and was set at 1.6 percent in 1988. In 1998, the rate was set at 1.8 percent along with the provisions under which the mentally challenged are to be counted in the employer's number of disabled.

The legal employment rate for the central government and local public organizations is 0.2-0.3 points higher than that for private firms.

\*The actual employment rate = (severely disabled people x 2 + other disabled people) ÷ the number of regular workers x 100.

## Labor-Management Relations

### **Rengo Decides upon Policy for 1999 Spring Wage Offensive –One Percent Wage Increase Demand –**

At its November 17, 1998, Central Committee meeting, Rengo (Japanese Trade Union Confederation) formally decided upon its policy for this year's spring wage offensive. Rengo decided to ask for an average wage increase of more than one percent, or ¥3,200, for the standard 35-year-old worker (with a high-school degree and 17 years of service), which is two percent down from last year's wage hike of ¥9,000, or 2.93 percent.

In its policy, Rengo seeks a rise in the current wage level for the standard 35-year-old worker, the basis of individual wage demands, from ¥320,100 to more than ¥323,300. Rengo decided upon this year's boost in the wage base by incorporating a minus 0.3 increase in commodity prices and more than a one percent hike for union members to maintain and improve living conditions. The average regular annual pay increase, the confederation thinks, will be about two percent.

For the first time, Rengo has set a minimum target for the standard 35-year-old worker, to strengthen a movement toward raising a national minimum wage, and has decided to eliminate a target for wages of less than ¥250,000. Furthermore, Rengo has shown the actual situation of current wage levels for individual workers aged 35. Unions of individual industrial sectors will set a wage demand individually in view of a one percent wage boost target.

Based on a system of demanding individualized wage hikes, Rengo set 1998 as the year for shifting to the new system and committed itself to tackling the issue the year before. Behind the shift lies the following facts. The average wage system is not an adequate yardstick for wage comparisons between industries and companies because of differences in the structure of labor affairs and wage items at individual companies, and a way of representing the absolute amount based on the individualized demand system is effective for narrowing the gap in wages between smaller-scale companies without a regular annual pay increase system and large companies.

However, this year Rengo will face a stern wage hike struggle when the nation is experiencing minus growth for the second consecutive year. In the 1998 wage hike offensive, unions experienced a record-low wage hike of 2.26 percent, or ¥8,323. Given no prospects for an economic upturn, it is certain that unions will see the wage hike lower than previous years'

levels. Labor is likely to face severe wage hike talks with management, which have insisted for the past several years that wage hikes be zero.

## Human Resources Management

### Drastic Restructuring in Banking and Financial Circles

Amid the prolonged economic recession, there have been successive drastic restructuring plans in banking and financial circles.

Sumitomo Bank announced its plan to apply for capital injection from the official fund of about ¥500 billion based on the Law for the Early Strengthening of the Financial Functions. At the same time, it said that it would slash its workforce by about 2,000, or 13 percent of the total, and would close down about 30 percent of its domestic branch offices and about 60 percent of its overseas ones. This will make the self-capital ratio, which indicates the soundness of financial institutions, exceed 10 percent, the same level as that of leading banks in Europe and the United States.

Other major city banks have also announced restructuring plans. Fuji Bank will shut down 50 of its 340 domestic branch offices by the end of March 2001 and will close 170 traditional offices that deal with personal and corporate training. Sakura Bank will reduce its 100 domestic branch offices. Regarding overseas operations, Daiwa Bank has already declared that it will cease all overseas operations. Fuji Bank and Sakura Bank will halve the number of overseas offices. Sanwa Bank will decrease its workforce by about 3,000 to about 11,000 in the next three years. With nine major city banks, including Sumitomo Bank, about 18,000 workers will lose their jobs. Furthermore, individual banks plan to cut employee bonuses by 10 percent-20 percent.

Restructuring is progressing in financial institutions other than banks. Nikko Securities announced that it would slash approximately 2,000 of its 11,000 domestic and overseas workforce. It plans to tie up with America's Travelers Group (currently the Citigroup) and thus will sharply decrease the number of its overseas facilities. It will adopt selective mandatory retirement for domestic staffers and will curb new hiring. In addition, it will unify the Nikko System Center, which conducts computer-related operations at home, and Nikko Business Services, which performs securities-related operations into one larger group in March 2000.

## Public Policy

### **NPA's Provisions to Regulate Sexual Harassment**

The amendment to the Equal Employment Opportunity Law (EEOL) in June 1997 prompted the establishment of Provisions for Employers' Obligations in Dealing with Sexual Harassment for private firms. Along with this, the National Personnel Authority (NPA) has been studying provisions for national government employees who are not subject to the EEOL. On November 13, 1998, the NPA enacted its rules to regulate sexual harassment for national government employees (excluding employees in such non-operational sectors as printing and postal services). The rules will be implemented together with the revised EEOL on April 1, 1999.

The greatest feature of the rules is the stipulation that "sexual remarks and behavior in and outside of the workplace that make others feel uncomfortable" are considered sexual harassment. Whereas provisions for sexual harassment in the revised EEOL are directed toward sexual harassment in and confronting women only in the workplace, NPA's provisions are targeted for sexual harassment in and outside the workplace, as well as that confronting men.

NPA's rules stipulate the formulation of guidelines for regulating sexual harassment, implementation of training programs and an adequate response to deal with complaints and counseling concerning sexual harassment. Of the rules, a guideline for regulating harassment indicates a fundamental and underlying attitude to avoid harassment and lists specific remarks and behavior involving harassment, thus warning that it is likely to take disciplinary action based on the National Public Service Law when occasion demands. On training programs, the rules stipulate that chiefs of individual ministries and agencies should endeavor to undergo training to regulate sexual harassment and see that training will be offered to newly recruited staffers and newly appointed supervisors. The NPA will coordinate training programs undertaken in individual ministries and agencies, and give guidance to them. Also, it will offer training programs to its staff members. Furthermore, concerning complaints and counseling, the NPA says that it will consolidate a necessary system under which several counselors will be in place at individual ministries and agencies, and at bodies under jurisdiction, and that staffers can express to the NPA their grievances and ask for counseling.

**Special Topic**

**A Comparison of Career and Skill Development Among White-Collar Employees in Three Countries**

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**1.0 Introduction**

This paper compares career development and skill formation among white-collar workers. It pays particular attention to employees with a college degree who are working as division and section managers. The study was conducted in three nations: Japan, the United States and Germany. The data are from a questionnaire administered to division and section managers in HRM, marketing and accounting at large companies\*. This paper considers (i) the role of the external labor market in career development, (ii) how employees developed the skills necessary for their present jobs, and (iii) the breadth of their work experience.

**2.0 In-House Training and the Recruitment of Employees Who Meet Immediate Corporate Needs**

The number of previous employers varies greatly between Japan, the U.S. and Germany (Table 1). A high 81.5 percent of the Japanese respondents had worked with only their current employer. On the other hand, only a small percent of the American and German respondents had done so. Moreover, in the U.S. and Germany, the number of other companies worked for was also considerable.

**Table 1. The Percentage Distribution of Managers by the Number of Previous Employers**

	Managers in Japan (N=1,567)	Managers in the U.S. (N=752)	Managers in Germany (N=674)
(1) Number of managers who have worked only for their present company	81.5	18.1	28.3
(2) Number of managers who have worked for companies other than their current employer	18.2	81.8	70.3
For 2 other companies	13.3	27.3	23.9
For 3 other companies	3.5	23.3	24.9
For 4 other company	1.0	15.6	11.9
For 5 or more other company	0.4	15.6	9.6
(3) No reply	0.2	0.3	1.3

Note: Temporary employment (including work as secondments) was not counted as employment for another company in this survey data.



The ratio of those managers who changed companies varies between Japan, the U.S. and Germany. However, the average age at which managers with previous employment experience joined their present company is around 34 and is almost the same in each of the three countries (Table 2). Table 3 shows that in each country virtually every manager from outside joined their current employer in their 20s or 30s. Nevertheless, Japan had more managers who entered in their 20s while the U.S. and Germany had more managers who joined their present employer in their 30s. In Japan, 14.8 percent of the managers had switched to their current employer in their 50s, probably owing to the practice of *tenseki*, a change in their permanent place of employment just before the mandatory retirement age.

**Table 2. Average Age at Which Managers Joined the Present Company**

	Japan	United States	Germany
All managers	(N=1,542) 24.8	(N=739) 32.0	(N=638) 31.0
Managers who have worked at more than one company	(N=283) 33.4	(N=603) 34.0	(N=459) 33.5

**Table 3. Percentage Distribution of Those Who Changed Firms by the Age at Which They Joined Their Current Company**

Country	29 or younger	30-39	40-49	50-59	60 or older	40 or older	N
Japan	48.1	23.6	13.5	14.8	0.0	28.3	283
United States	34.3	42.2	17.7	5.8	0.0	23.5	603
Germany	33.3	44.3	17.4	5.0	0.0	22.4	459

Did those who came to their present job from another company continue to perform the same functions or did they end up performing different functions? Ninety three percent of the 615 American managers and 89 percent of the 474 German managers provided information on the job that they had spent the longest period of time at their present company and at their previous company. Among them, 67.7 percent of the American managers who provided that information and 50.7 percent of their German counterparts said that the jobs on which they had spent the longest period of time in each company were the same.

**Table 4. The Career of Section and Division Managers**

	Japan	United States	Germany
All section and division managers	100	100	100
(1) Managers who stayed with the same firm and were promoted internally	82	18	28
(2) Managers who got internal promotions following a shift to their current firm	15	59	46
(3) Managers who were hired from outside the firm for their present job	3	23	26

Note: The figures for (2) and (3) are estimates.

Table 4 shows the career paths followed by section and division manager. In Japan, the majority of section and division managers never worked for another company and were internally promoted to their current post. In the U.S. and Germany, such section and division managers are the minority, most have come to their current companies from other firms. Of them, the largest number have come to their present company and then been internally promoted. Section and division managers who were employed from the outside directly into their present position account for approximately a quarter of all section and division managers in the U.S. and Germany.

### **3.0 Method of Skill Development for Their Present Jobs**

When answering about learning opportunities and work experience that seemed particularly relevant to doing their present jobs, managers in all three nations, listed two kinds of experience within their top three. Table 5 shows that "experiencing a variety of jobs" and "experiencing a specific job for a long time" were important for their current jobs. Experience or on-the-job training (OJT) in the work currently performed was considered to be the second- or third-most useful preparation for the conduct of their current job. However, broadly based experience in a variety of related jobs was seen as most useful by the managers in all three nations. The other item in the top three for the Japanese managers was "work experience in other areas"; for the American managers it was "education at one's final educational institution"; and for the German respondents it was "education and training undertaken through self-study or otherwise at one's own expense." In Japan and Germany, "education at one's final educational institution" was listed as important by only a few.

**Table 5. Useful Preparation for Doing One's Present Job:  
A Comparison of Values for the Index of Effectiveness**

	Japan	United States	Germany
	(N=1,567)	(N=752)	(N=674)
1) Education at one's final educational institution	0.86	1.50 (3)	0.87
2) OJT offered by the company	0.96	1.15	1.19
3) Education and training undertaken through self-study at one's own expense	1.26	1.34	1.46 (2)
4) A variety of job experiences within closely related areas	1.70 (1)	1.71 (1)	1.58 (1)
5) Specific job experience within the area in which one is currently working	1.46 (3)	1.57 (2)	1.41 (3)
6) Other job experience in the same area	1.47 (2)	1.06	1.19
7) Guidance and advice offered by superiors in the workplace	1.40	1.35	1.06

Notes: (1) The effective index (EI) is calculated from the percentage of respondents ticking one of seven ranked choices as follows:  

$$EI = \frac{2 (\% \text{ answering "fairly useful"}) + (\% \text{ answering "useful to some extent"})}{100 - (\% \text{ who have not had this experience}) - (\% \text{ who did not reply})}$$
(2) The question of value refers in each instance to the value in terms of the job in which the respondent was currently employed.

Which careers are most useful in terms of producing competent section managers (Table 6)? In all three countries, only a few managers chose "having long experience doing the same job in the functional area." In short, having work experience in only a narrow range of functions is seen as unsuitable preparation. Japanese managers ranked "to experience other functions as well as the current one" first, with a high 56.9 percent. They ranked "to have broad-based experience in the current function" and "to experience many functions" second with 16.1 percent. The American managers, meanwhile, ranked "to have a broad-based experience of jobs in the function" first with 57 percent and "to experience a few jobs in the function for a long period of time" second with 23.8 percent. The German managers ranked "to broadly experience jobs in the function" and "to experience other functions as well as the current one" in the 30 percent level. Overall, American managers put more stress on broad-based experience in the relevant area of responsibility while Japanese managers emphasized the importance of experience in other areas of responsibility and German managers attached weight to having experience in a wide range of jobs and in other areas of responsibility.

**Table 6. Percentage of Managers Choosing a Particular Career Path as the Best Preparation to Head a Section**

	Japan (N=1,567)	United States (N=752)	Germany (N=674)
(1) Experience one job in the area of responsibility for a long time	0.6	1.0	3.6
(2) Experience a few jobs in the area of responsibility for a long time	9.0	23.8 (2)	5.8
(3) Experience many jobs in the area of responsibility for a long time	16.1 (2)	57.0 (1)	36.2 (1)
(4) Experience job both in and outside the area of responsibility	56.9 (1)	13.5	30.7 (2)
(5) Experience jobs in many areas of responsibility	16.1 (2)	3.6	15.4
(6) Other career paths	0.6	0.5	5.0
(7) No reply	0.8	0.5	3.3
The sum of (4)+(5)	72.9	17.1	46.1

#### 4.0 Width of the Respondents' Work Experience

The majority of section and division managers in the three countries valued work experience highly. This was especially true of broadly based work experience within their current area of responsibility, as a method of acquiring skills useful in fulfilling those responsibilities.

Looking first at the area in which each respondent had the longest experience, Table 7 shows that the largest percentage of managers in each country are now working in the area in which they have the longest work experience. Within the company (80.1 percent of respondents in the U.S.; 64.7 percent in Japan; and 69.4 percent in Germany).

Table 7. Areas in which Managers Function for the Longest Period of Time

Area in which the employee has worked for the longest period of time	Years of experience in the single area most worked in as a percentage of total time employed with the firm	Japan (N=1,415)	United States (N=619)	Germany (N=523)
Those whose longest stint in their current firm is in the area in which they are currently working	-25	1.7	0.8	2.8
	26-50	19.5	11.1	10.7
	51-75	28.6	17.7	25.1
	76+	50.1	70.4	61.4
	Total	100.00 (64.7)	100.00 (80.1)	100.0 (69.4)
Those whose longest stint with their current employer is in an area other than the one in which they are currently employed	-25	5.4	1.6	5.6
	26-50	41.9	29.3	18.1
	51-75	33.7	22.8	26.3
	76+	19.0	46.3	50.0
	Total	100.0 (35.3)	100.0 (19.9)	100.0 (30.6)
Total		(100.0)	(100.0)	(100.0)
	-25	(3.0)	(1.0)	(3.6)
	26-50	(27.4)	(14.7)	(13.0)
	51-75	(30.4)	(18.7)	(25.4)
	76+	(39.2)	(65.6)	(57.9)
Total	(100.0)	(100.0)	(100.0)	

Table 7 shows the number of years of experience in the single area most worked in as a percentage of the number of years employed at the present company. Those who have spent more than 76 percent of their time in a single area are referred to as the "single function type" (with long experience in a specific function). Those with 51 percent-75 percent of their time in a single area are referred to as the "quasi-single function type" (some experience in other functions, but with relatively long experience in a specific function). Those with less than 50 percent may be referred to as the "plural function type" (with experience in several functions but with no long experience in any single specific function).

In Japan, all three types are found in roughly similar proportions. However, in the U.S. and Germany, the single function type accounts for about 50 percent of all managers while the remaining two types each account for about a quarter of all managers.

In all three nations most managers who have stayed a long time in their current area of responsibility are of the single function type. On the other hand, many of the managers who have spent more time working in other areas than the current one are of the plural function type. However, compared with the other two countries, Japan has many managers of the plural function type and very few of the single function type (Table 7).

Those who have stayed longest in the same area as that in which they are currently employed at their present company were managers in personnel, education, business sales, marketing and accounting.

Table 8 shows that those who had worked elsewhere in another company were more likely to be the single function type. On the other hand, many of those who had worked for the same company for their entire career had accumulated a wealth of experience working in several areas. This tendency is especially notable among Japanese and German managers. In the U.S., this tendency is much less pronounced, and many American managers are the single function type regardless of whether they moved from one company to another.

**Table 8. Time Employed in a Single Area of Responsibility as a Percentage of Total Time Employed by the Present Employer by Whether They Have Worked for One or More Other Firms**

Years of experience in the single area most worked in as a percentage of total time employed with the same firm	Japan			United States			Germany		
	Those who have always worked for the same firm	Those who have worked for more than one firm	Total	Those who have always worked for the same firm	Those who have worked for more than one firm	Total	Those who have always worked for the same firm	Those who have worked for more than one firm	Total
0-25	2.9	3.2	3.0	0.0	1.2	1.0	2.6	4.0	3.6
26-50	27.9	25.0	27.4	19.3	13.7	14.7	14.6	12.4	13.0
51-75	31.2	26.4	30.4	18.4	18.8	18.7	33.1	22.3	25.4
76-100	38.0	45.4	39.2	62.3	66.3	65.6	49.7	61.3	57.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
N	1,197	216	1,415*	114	505	619	151	372	523

Note: The total number of respondents from Japan (1,415) includes two who did not provide information on whether they had worked for more than one firm.

In all three countries only a few managers have experienced just one area of responsibility. Slightly more than half (about 55%) have experienced many kinds of jobs. The remainder have some limited experience in several different kinds of jobs.

## 5.0 Summary

The career path of Japanese, American and German section and division managers differs considerably in terms of the experience they have had in the external labor market. An extremely small number of Japanese managers have changed their employer. On the other hand, only a small number of American and German managers have not changed their employer.

Many American and German managers switched companies frequently. In the U.S. and Germany, many managers have changed their company many times. Many joined their present company before the age of 40 and only a little more than 20 percent changed their company after 40. In short, many American and German managers switch their companies often in their 20s or 30s. Compared with their Japanese counterparts, many American and German managers switched companies in their 30s. Furthermore, more American and German managers were employed directly into their current posts from the outside than has occurred with their Japanese counterparts. In addition, many American managers tend to accumulate experience by working in the same area for their current and their previous

employer. Many switch to their present company to more fully utilize skills acquired at their earlier employers.

Managers in all three countries indicated that broad-based work experience in their current area of work offered them a good background for performing efficiently in their present jobs and good opportunities for skill development. They considered OJT to be the most effective ability-development method. Among managers in the three countries, Japanese managers seem to stress work experience in their present areas of responsibility, as well as in other areas. This is seen as desirable in the fostering of section managers. To develop skills and foster section managers, American managers emphasize the range of work experience in the current area of responsibility while their Japanese counterparts stress not only that experience but experience in other areas. German managers are somewhere between the two in this regard.

When classifying section and division managers into the three different types (the single function type, the quasi-single function type and the plural function type), many American and German managers are of the single function type. Japanese managers, however, are equally in all three types. Looking at their experience in the area in which they have worked the longest at their present company, many of the managers in all three nations have broad-based work experience in the area for which they are currently responsible. This indicates that in the U.S. and Germany, the majority of the managers have much experience in a single function while in Japan approximately a third of the managers have experience in a number of areas of managerial responsibility.

Notes:

The survey was conducted between July and August 1996 in Japan, between June and September 1995 in the U.S. and between November 1996 and January 1997 in Germany. For details of the survey method and attributes of the respondents, see Japan Institute of Labour, *A Comparative Study of Human Resources Development of College Graduates in Industry* Japan Institute of Labour (1998). The reports include the results of case studies in Japan, the U.S., Germany and British managers.

## **JIL News and Information**

### **Eighth Briefing on Labor Issues for Foreign People Concerned in Labor Affairs in Japan**

#### **The Effects of Deregulation on Employment in Japan - The Case of Retailers**

Since 1996, the Japan Institute of Labour (JIL) has held briefings on labor issues on semi-regular base for foreigners who are concerned with labor affairs. The briefings have provided useful information on labor issues including their background considered important in Japan for foreign executives and others in charge of HRM at foreign enterprises doing

business in Japan. The briefings have been also attended by people from foreign chambers of commerce in Japan, foreign correspondents, various international organizations concerned with work issues and those responsible for economic and labor affairs in foreign embassies in Japan.

On October 16, 1998, the JIL provided its eighth briefing on labor affairs at its LINC hall. The theme was "The effects of deregulation on employment in Japan." Professor Michio Nitta from the University of Tokyo told his audience that the nation's economic environment underwent drastic changes after the bubble years and has been grappling with structural adjustment in an age of megacompetition. One result was a series of calls for deregulation in order to invigorate the economy and raise productivity. He then commented on Japanese media reports suggesting that deregulation was occurring at a slow pace, that the government has already set forth a plan to promote deregulation, and that this year's economic white paper reported that deregulation was working to promote employment. He concluded that "it is obvious that deregulation and structural reform are affecting employment in Japan though it is difficult to show quantitatively the net effects of deregulation on employment."

Professor Nitta has recently compiled the findings from a research project on the impact of deregulation on jobs in the retail sector in 1990-1996. A brief summary follows:

- (1) In the retail sector, a variety of public regulations, including restrictions on where and when large retail stores can be set up, are stipulated by the Large Scale Retail Store Law. This approach to retailing has kept the distribution system inefficient, giving rise to a gap between foreign and domestic prices. Some calculations suggest that actual costs could be reduced by 28 percent were a more efficient regime of management installed.
- (2) From 1990 to 1995, deregulation centered around revisions to the Large Scale Retail Store Law and to a review of its operations. Changes in adjustment procedures when large retailers open new outlets, the relaxation of business regulations concerning operating hours and the number of days stores may do business have also been implemented.
- (3) Deregulation spurred the expansion of large retail stores in the 1990s. At the same time, small-size shops with between one and four employees rapidly decreased. In 1990-1996, the number of owner-run wholesalers and retailers dropped by 250,000; the number of family workers dropped by 390,000. However, the total number of people employed in the wholesale and retail sector rose by 480,000 during the same period. By type of employment, the number of owners and family workers dropped and they were presumably
- (4) Despite these drastic changes in the retail sector owing to deregulation, jobs and job opportunities are certainly increasing, though many are in the form of part-time work. Whether the new opportunities will allow people losing their jobs in the small-scale and



self-employed sector to make a similar income still requires examination.

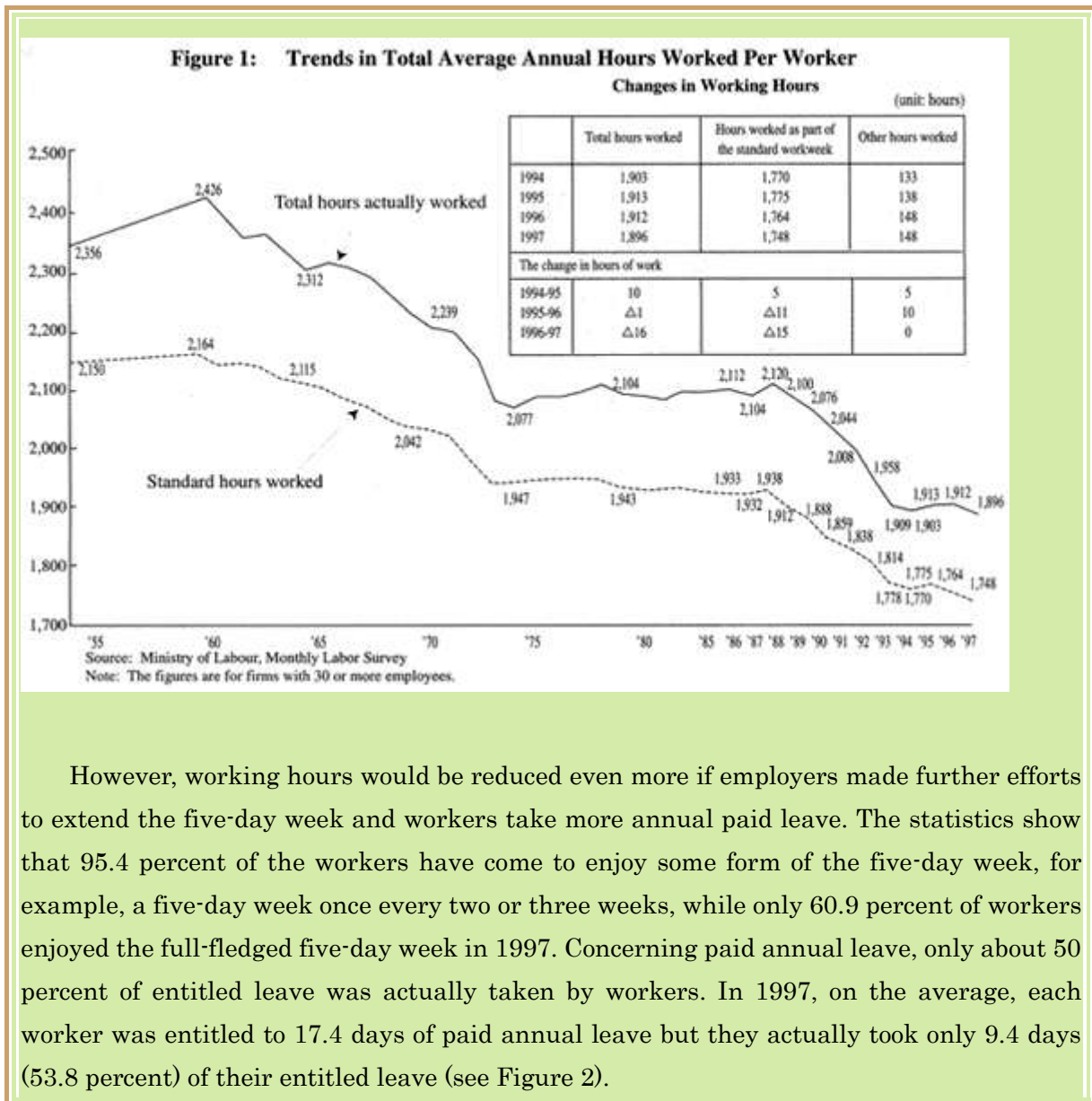
## Focus on Japan's Labor Policies (2): Working Hours

### Outline of Administrative Efforts for Shorter Working Hours

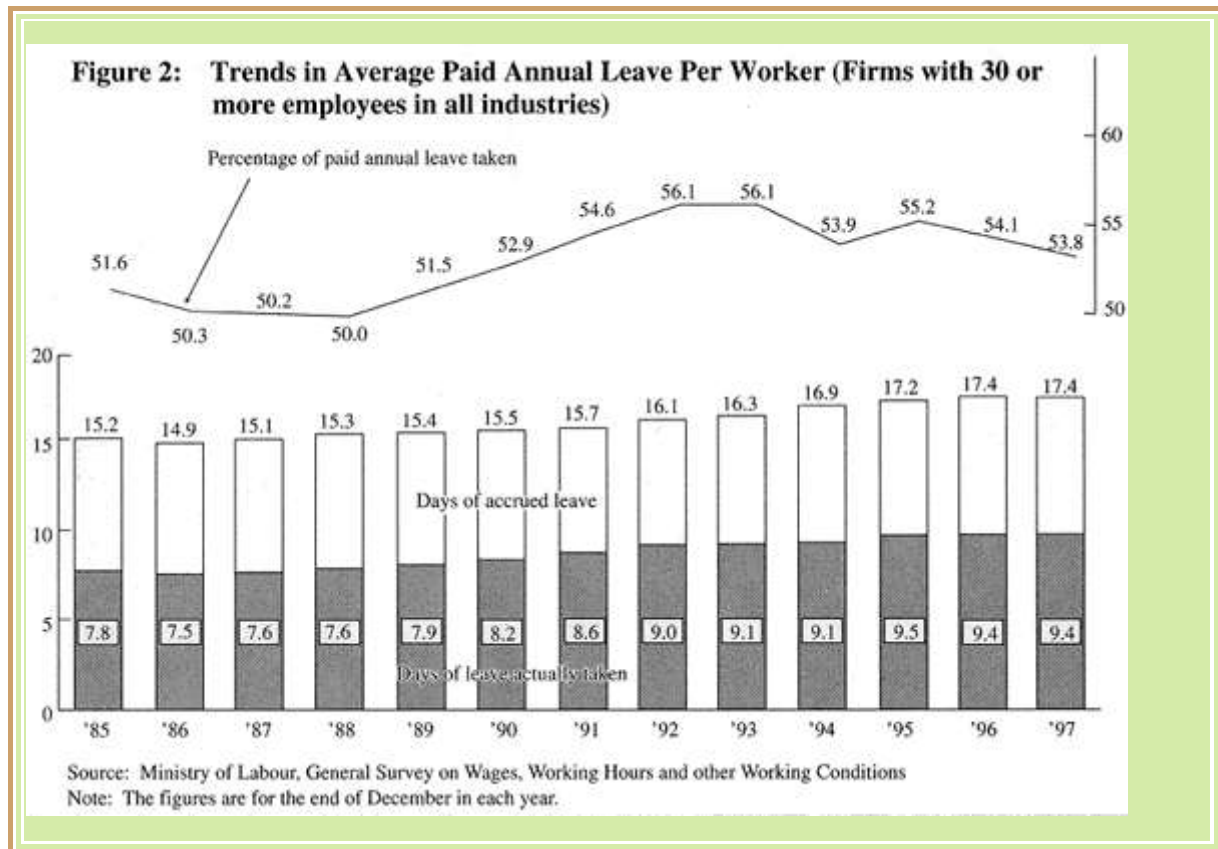
The Japanese government has been concerned for a long time with the reality of longer working hours as a result of continued rapid economic growth during the 1960's and 70's. However, despite a modest shortening after the oil crisis the average total working hours per year was more than 2,100 hours until the mid-80's. Around 1965 the government made an official commitment to achieve 1,800 total working hours as a target of the government policy for shorter working hours as one of the concrete steps for promoting a more enriched and comfortable life for the general public. Accordingly, the Ministry of Labour introduced various measures to encourage employers to introduce the five-day workweek, to promote actually taking the entitled annual paid leave and to reduce overtime, etc.

At the same time, in response to the growing international expectation of Japan as a newly emerged economic giant, the 40-hour workweek became a major goal for the government. As a result, the 1907 Amendment of the Labour Standards Law was enacted to introduce the principle of 40 hours as the maximum weekly working hours. Under this Amendment, the 40 weekly hour system was enforced gradually until April 1 of 1997 when all employers regardless of size or type of the enterprise were required to observe this maximum limit of the regular workweek.

The average worker's regular working hours during 1997 stood at 1,748 and the total average working hours, including overtime and restday-work, stood at 1,896. Thus, we can see that the average working hours in Japan steadily declined after the late-80's (see Figure 1) as a result of the above described government efforts for shorter working hours including the Labor Standards Law Amendment.



However, working hours would be reduced even more if employers made further efforts to extend the five-day week and workers take more annual paid leave. The statistics show that 95.4 percent of the workers have come to enjoy some form of the five-day week, for example, a five-day week once every two or three weeks, while only 60.9 percent of workers enjoyed the full-fledged five-day week in 1997. Concerning paid annual leave, only about 50 percent of entitled leave was actually taken by workers. In 1997, on the average, each worker was entitled to 17.4 days of paid annual leave but they actually took only 9.4 days (53.8 percent) of their entitled leave (see Figure 2).



## Statistical Aspects

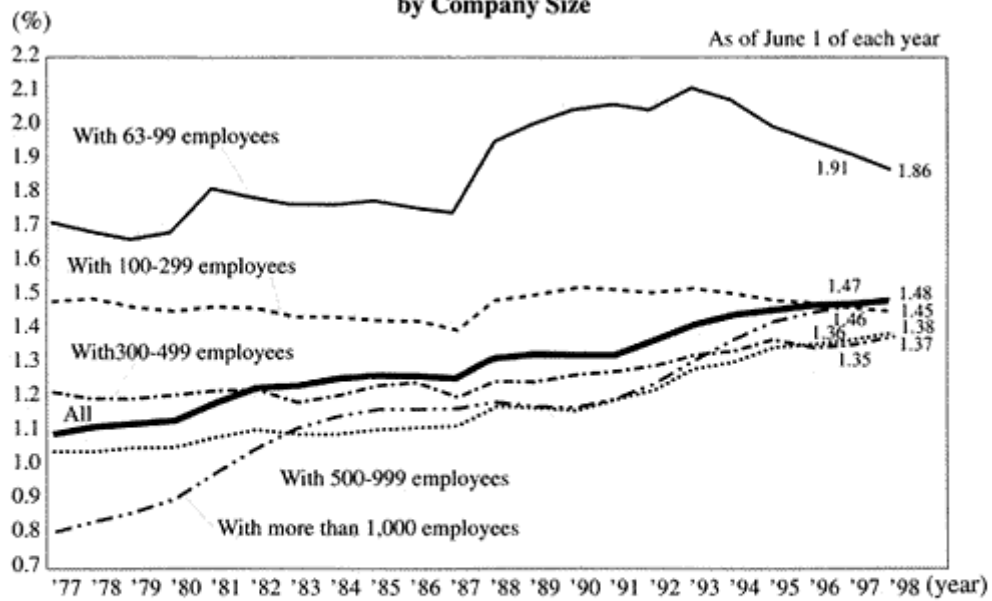
### Recent Labor Economy Indices

	November 1998	October 1998	Change from previous year
Labor force	6,772 (10 thousand)	6,816 (10 thousand)	15 (10 thousand)
Employed	6,481	6,526	48
Employees	5,376	5,380	19
Unemployed	291	290	63
Unemployment rate	4.3%	4.3%	0.9
Active opening rate	0.50	0.51	0.23
Total hours worked	158.7 (hours)	160.8 (hours)	0.3
Total wages of regular employees	(¥thousand) 270.7	(¥thousand) 270.2	0.4

Note: \*denotes annual percent change.

Source: Management and Coordination Agency, Ministry of Labour.

**Trends in Actual Employment Rates of the Disabled at Private Companies,  
by Company Size**



- Notes: the number of disabled people was calculated from the total number of those listed below.
- 1982~ Physically disabled people (heavily physically disabled people are double-counted)
  - 1983~1992 Physically disabled people (heavily physically disabled people are double-counted)  
Mentally challenged people
  - 1993~ Physically disabled people (heavily physically disabled people are double-counted)  
Mentally challenged people (heavily mentally challenged people are double-counted)  
Heavily physically disabled people who work short hours  
Heavily mentally challenged people who work short hours