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Working Conditions and the Labor Market

Unemployment Rate Sets New Record at 4.8%

According to the March Labour Force Survey released on April 30 by the Management and Coordination Agency of Japan, the seasonally adjusted unemployment rate stood at a record high of 4.8 percent, up 0.2 percentage points from February. The number of unemployed increased by 260,000 during the month to 3.39 million. The figure is 620,000 higher than in the same month in 1998.

Among those seeking work, 1.06 million had left their previous job involuntarily due to bankruptcy, dismissal, or related reasons, an increase of 100,000 from the previous month. Voluntary quits for personal or family reasons decreased over the previous month by 60,000 to 1.07 million. The number of new graduates who still had not found employment immediately after graduation stood at 300,000, an increase of 170,000 from the previous month.

By gender, the number of unemployed males increased by 50,000 to approximately 2.03 million, while the number of unemployed females increased by 110,000 to about 1.37 million. The unemployment rate for both males and females stood at 4.8 percent, up 0.4 percent.

Despite the deteriorating employment situation, as a whole, Japan's enterprises still feel they employ more people than is necessary. This was revealed in the Survey on Labour Economy Trend, conducted by the Ministry of Labour in February. The survey polled 2,965 private establishments with more than 30 regular employees. The diffusion index (DI) — a diagnostic index for labor excess, calculated by subtracting the percentage of those establishments answering that they possess “excess labor” from the percentage of those claiming a “shortage of labor” — was minus 20 points for all firms in manufacturing, construction, transportation and communications, wholesaling and retailing, and services. The figure rose one point from the November 1998 figure, and indicates the highest excess labor index since February 1994, when statistics for the sum of the five industries were first compiled. The DI was minus 34 points in manufacturing, five points below the index for November, and minus 25 points for construction (down nine points).

The proportion of firms that had adjusted their employment levels during the fourth quarter of 1998 was 33 percent, up from 30 percent over the previous quarter. Specifically, the highest figure was in manufacturing at 46 percent (up from 40 percent); it was flat at 25 percent in construction and at 24 percent in transportation and communications. For the wholesale and retail trades, it dropped from 25 percent to 23 percent, and revealed the same figures for the service sector.

Human Resources Management

Revised Equal Employment Opportunity Law Came into Effect on April 1

The revised Equal Employment Opportunity Law (EEOL) came into effect on April 1, 1999.⁽¹⁾ The revisions primarily affected two facets of the legislation. With regard to discrimination against females in recruitment, hiring, assignment and promotion, employers were formerly required to endeavor to provide equal opportunity. The revised EEOL clearly prohibits discriminatory treatment of women in these categories.

Second, the previous version of the EEOL incorporated the aim of improving the welfare of female workers. This aim has been removed and the law now focuses solely on prohibiting sexual discrimination. Together with this, revisions to the Labor Standards Law also came into effect on the same day.⁽²⁾ They abolished the protective provisions for female workers in terms of overtime, rest-day work and night work.

The practical effect of these revisions on enterprises will be substantial. First, it is now illegal to publish job advertisements which specify, for example, “females only” or set the number of males and females to be hired. This means that employers are prohibited from advertising job openings with job titles such as “waitress,” which have clear gender designations built into the term. Companies violating the law will be punished by having their names officially released. Accordingly, existing recruitment magazines for women and the Public Employment Security Offices for Women have broadened their activities to incorporate the interests of men as well.

The revised laws, however, have created some snags. For example, some enterprises have workplaces exclusively for women, but are now being told to hire men. For female job seekers, on the other hand, it is now more difficult to judge whether or not the enterprises they approach actually intend to employ women.

Another change is that mediation procedures concerning discriminatory treatment can be commenced without the agreement of the employer. On April 1, 27 employees applied for mediation involving three companies, including Japan Air Lines and Sumitomo Chemical Industries. Previously, mediation procedures could only be started with the agreement of both labor and management, so that in 13 years only 106 employees from 14 enterprises had applied for mediation.⁽³⁾ Only one of those cases involving one enterprise and seven employees was ever mediated.

Finally, employers are now obliged to pay due attention to preventing sexual harassment

in the workplace. Enterprises are busily devising measures to deal with this issue, and “A Handbook for the Prevention of Sexual Harassment” was published on February 15 by Nikkeiren (Japan Federation of Employers' Associations). It sold 80,000 copies during the first six weeks.

Notes:

- (1)For more details on the revisions, see “Special Topic” in the April 1998 issue of the Japan Labor Bulletin.
- (2)For more information on the Labor Standards Law, see “Special Topic” in the November 1998 issue and “JIL News and Information” in the May 1999 issue of the Japan Labor Bulletin.
- (3)See also “First Ministry Proposal for Sex Bias Case,” in the May 1995 issue of the Japan Labor Bulletin.

Labor Management Relations

'99 Spring Offensive: Lowest Increase on Record

The 1999 spring wage offensive climaxed on April 17 and 18. The negotiations between labor and management took place in the wake of two consecutive years of negative economic growth and insecurity concerning employment. It thus seems certain that the average pay hike in percentage terms will be a record low (an increase of around 2.1%).

Negotiations in the four major pace-setting industries — automobile, electronics, shipbuilding and heavy machinery, and steel — were dominated by proposals from the management side for cuts in regular pay raises, the remodeling of wage systems, adjustments to employment levels, a reconsideration of pension funds, and other such measures. Management took full advantage of the spring offensive to demand that unions “share the critical situation with management,” citing the need to reduce overall labor costs. The unions were unable to make effective counterarguments, and were eventually compelled to give in.

Although the unions' demands were rather moderate, having asked for a one percent basic wage raise of around ¥3,000, management refused to compromise and negotiations continued until the day before management was due to give its final answer.

In the auto industry, a key pace-setter, Toyota Motor Corporation, agreed to a ¥7,600 raise (including a ¥6,900 increase to the fixed annual increment), ¥1,300 below the figure for the previous year. Although the amount of annual bonus has been customarily fixed on the basis of the union's request, the actual amount this year was not set at the six months of basic wages which the union had requested; rather it was set at 5.9 months of basic salary. At Nissan Motor Corporation, which had registered poor business results over the previous year, ¥6,700 was the agreed increase in the fixed annual increment, with no increase occurring in the basic wage.

The 17 major electronics makers settled on a base wage increase of ¥500, a decrease of ¥1,000 from the previous year. The level of annual bonuses varied among the 17 companies, with none exceeding five months of the base wage. Following the settlement of negotiations in the metals industries, Nippon Telegraph and Telephone (NTT), electric power firms, and major private railway companies gave replies that were between ¥1,300 and ¥1,600 lower than the year before.

Consequently, this year's spring offensive (a negotiation system that started in 1956) seemed certain to result in a wage increase below the previously low record of 2.26 percent which was achieved in 1998. Subsequent wage negotiations in small and medium-sized companies saw a delay in agreements. Due to their lack of confidence about maintaining employment levels, an increasing number of firms put off their settlements until after the holidays at the beginning of May.

Nikkeiren (Japan Federation of Employers' Associations) has been advocating “structural reform” of the present wage negotiation system since around 1995. This is because many employers feel it is necessary for unions and management to be more aware of the changed situation in a highly competitive age and to reach a consensus with each other on employment, internal organization, personnel practices, etc. In line with this, Nikkeiren has come to regard the spring offensive as a “round-table” meeting and sees wage increases as one theme in the debate on structural reform. This year's wage negotiations seem to have been strongly influenced by this idea of having a “spring offensive towards structural reform.”

Public Policy

Job Openings Now Listed on the Internet

On March 29, the Ministry of Labour launched a new service through the Internet providing information on job openings that are listed at 12 “Hellowork” or Public Employment Security Offices in Tokyo. More than 30,000 items covering about 100,000 job vacancies can be checked through this site (<http://www.hellowork.go.jp/>). The ministry plans to expand the service area to other large cities while monitoring the effectiveness of the service in Tokyo.

When an individual's name, age, desired employment contract, required wage, holiday provisions, type of job, and area are input, a list of matched job openings appears on the screen along with other details such as the job duties, wages offered, and the maximum age. Company names and addresses, however, are withheld at this stage. On finding a suitable opening through the Internet, the job seeker goes to a Hellowork office and receives advice

and an introduction to the company. The vacancy information is updated daily.

The homepage also offers information for job seekers on the procedures for filling out job applications and applying for employment insurance, and for enterprises it explains procedures for registering vacancies and applying for various subsidies. It also provides the latest data on the labor market.

With the deteriorating employment situation, Public Employment Security Offices across the country are inundated with job seekers. Accordingly, many individuals are unable to get prompt service. The offices have attempted to improve their services in several ways. Until recently, one could not access job information without going to an office, and the number of computers available in the offices was limited. They now make it possible for job seekers to glance through job vacancy notices on a computer, without inspecting notice cards. Since February, three offices in Tokyo and Osaka are open on Saturdays and weekday evenings.

The Ministry of Labour is pushing ahead with setting up "Hellowork Information Plazas" near train terminals across the country. It plans to install about 20 personal computers at each place, enabling job hunters to seek vacancy information on their own. The plazas will be exclusively for providing vacancy information and will not offer counseling service.

Government Support for Business Start-ups

In 1997 the number of new business start-ups was less than the number of business shutdowns for the first time in 40 years, the Ministry of International Trade and Industry has revealed. The ratio of new business start-ups is calculated by dividing the number of enterprises newly registered with the Ministry of Justice by the total number of registered corporate enterprises as estimated by the National Tax Administration Agency. In 1997 the ratio hit an all-time low of 3.5 percent, down 0.4 points from the previous year. The ratio of business shutdowns leaped by 2.2 points to 4.5 percent under the impact of the recession, outnumbering the ratio of start-ups for the first time since 1957.

To reverse this trend and halt the decline in business start-ups, the government is taking various steps to generate new businesses. One step is in the form of training and seminars. The government provides training to those who intend to set up a firm, providing them with knowledge of the management issues involved in starting a business. It also sponsors seminars concerning methods of enterprise creation, the basics of business management, market information, and so on.

Another support is in the form of financing. For example, under a loan scheme for management improvement of small businesses, an unsecured loan of ¥5.5 million (at an annual interest rate of 2.6 percent) is available for new business starters who have six years' continuous experience in a similar type of enterprise. Also, the Small Business Finance Corporation and the People's Finance Corporation have set up a new preferential interest rate scheme for fledgling enterprises which have within the last five years been established by women or men aged 55 or over. Both corporations have set the interest rate at 2.55 percent, 0.05 points below the current standard interest rate of 2.6 percent. More than 5,000 enterprises will be assisted by the two schemes in fiscal 1999.

A third form of assistance comes from subsidies related to securing human resources. In the case of new enterprises, the government will subsidize one-third of the wages of workers taken on as regular insured employees. When the expense of establishing or improving an existing employment-management system to enter a new line of business exceeds ¥200,000, the government will subsidize half the amount up to ¥1 million. It will also subsidize three-quarters of the expenses needed to educate and train employees when a new firm switches to a different line of business. It will also cover three-quarters of the wage costs of such employees during the training period.

Finally, the owner of a small or medium-sized company in the manufacturing or information technology sector can, within five years of his firm's establishment, claim a special 30 percent rebate or a seven percentage tax exemption on machinery and equipment.

Through such measures as these, the government aims to stimulate economic activity and to create employment opportunities.

CORRECTION

Please be advised that the title of the article Public Policy in the May 1999 issue of the JLB "Employment Security Law Revised: Job-Placement Services Liberalized" should have read "The Bill Revising Employment Security Law Submitted to the Diet Session." We apologize for the error.

Special Topic

Employment and Treatment of Middle-Aged and Older White-Collar Employees After the Bubble

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1.0 Introduction

The current Heisei recession has stimulated the first major debate on overhauling Japanese-style employment practices since the oil shocks of the 1970s. Although employment levels have been adjusted and the practices of long-term employment and seniority-based wages were discussed in every phase of the recession, the nature of the discourse varied from one party to another.

Middle-aged and older white-collar workers, particularly those of the first baby-boom generation (born between 1942-47), have borne the brunt of employment adjustments during the Heisei recession. They have been caught between changes affecting both the supply of labor and demand for labor. Here we can see internationalization and the informationization of work on the one hand, and the graying population and the push for individualization on the other hand.

In the early 21st century, Japanese society will age at a rapid pace not experienced by any country. On the demand side, Japan too is entering the mega-competition era, and will not be able to achieve its previous high growth. The scope of market competition will expand on a global scale along with economic globalization. Voices calling for deregulation emphasize the importance of participating in the global market and of promoting competition. Accordingly, competition among business circles is becoming stronger. Competition in the business world would have been protected by administrative bodies under the name of regulations. Assurances of job security and personnel costs in large companies with low growth should be reviewed adequately from the standpoint of greater corporate competitiveness and higher productivity. And middle-aged and older white-collar workers in large firms were the target of the review.

This paper focuses mainly on personnel management practices as they relate to middle-aged and older white-collar workers at large companies after the bubble economy. It also deals with the mandatory retirement system and the extensions of mandatory retirement

age and re-employment systems, and reviews trends in *shukko* (temporary transfers between companies) and *tenseki* (transfers to another company, or change of permanent employment). In addition, it considers the early-retirement preferential treatment system, *yakushoku-teinen* (retirement from managerial post at a certain age), and assistance for those wishing to find another job.

2.0 Trends in Employment and Treatment

2.1 Trends in Mandatory Retirement, Extended Employment and Re-employment

Retirement and re-employment are sure to be increasingly important issues as the labor force ages. Companies with a retirement system in place have raised the retirement age. Those setting it at over 60 have increased during the period under review (See Table 1).

Table 1. The Percentage of Firms with a Retirement System, Extended Employment and Re-employment as a Percentage of All Firms with a Retirement System

	Year			
	1991	1993	1995	1997
Set retirement age at 60 or above	70.8	80.0	85.8	90.2
Extended employment and re-employment schemes	75.5	73.1	69.5	70.0

Notes: An extended employment system may be defined as “a system which allows employees who have reached retirement age (which remains unchanged) to continue working.” The re-employment system is “a system under which those reaching the mandatory retirement age are made to retire officially but are re-hired.”

Source: Employment Management Survey, Ministry of Labour

In 1997, 90.2 percent of all companies had adopted the 60-years-of-age retirement system. For firms with 5,000 or more employees, the figure would be 100 percent; for those with 1,000-4,999 employees, 99.5 percent; for those with 300-999 employees, 95.8 percent; for those with 100-299 employees, 94.9 percent; and for those with 30-99 employees, 87.7 percent. On the other hand, while the number of companies setting 60 as the retirement age has increased, there has been a slight decrease in the percentage of firms which have extended employment and re-employment schemes for those who have reached the mandatory retirement age. Since the mandatory retirement system also functions to secure employment for workers until the mandatory retirement age, it would appear that middle-aged and older employees have been

looked after better as Japanese society ages. In that context it may be useful to consider recent trends in the employment and treatment of middle-aged and older white-collar workers who will soon reach the mandatory retirement age.

2.2 Recent Trends in Personnel Policies

The figures in Table 2 show how personnel practices have changed from 1991 to 1997. Some personnel measures were implemented by a high percentage of companies in 1997: *zaiseki shukko* (86%) and the use of an annual pay system tied to job skill (65.5%). However, only a small percentage of firms had in place a mechanism to help middle-aged and older workers switch to another career or to otherwise become independent (7.5%), or to adopt job-related pay and work-related pay schemes (9.8%). *Shukko*, classified into *zaiseki shukko* and *tenseki shukko*, was implemented by the greatest number of enterprises. For the survey in question, a little over 80 percent (90% of large enterprises with 3,000 or more employees) engage in *zaiseki shukko*. As for *tenseki shukko*, however, the percentage is 30-40 percent, a figure which seems to be decreasing.

Table 2. The Percentage of Firms in which Various Personnel Practices are in Place for Middle-aged and Older White-Collar Employees

	Year			
	1991	1993	1995	1997
<i>Zaiseki shukko</i> (<i>shukko</i> with employment status retained at the company)	82.7 (94.9)	84.9 (97.8)	86.4 (93.5)	86.0 (94.4)
<i>Tenseki shukko</i> (<i>shukko</i> premised on <i>tenseki</i>)	34.7 (45.6)	35.9 (49.4)	34.3 (39.0)	31.6 (35.2)
* <i>Yakushoku-teinen (ninki)</i> (retirement from managerial post at a certain age, or fixed term appointment for managerial post)	29.1 (32.9)	40.8 (51.7)	46.5 (53.2)	47.9 (55.6)
* Variable retirement age or early-retirement preferential system	36.3 (53.2)	39.2 (60.7)	38.2 (61.0)	43.0 (61.1)
* Assistance provided for middle-aged and elderly workers wishing to switch to another career or become independent	3.5 (11.4)	4.3 (10.1)	6.4 (11.7)	7.5 (18.5)
* System for upgrading qualifications	29.6 (36.7)	33.5 (41.6)	34.8 (45.5)	43.3 (50.0)
* Annual pay system	8.3 (10.1)	11.6 (13.5)	15.3 (9.1)	21.3 (27.8)
System for pay based on job skills	— (—)	59.2 (71.9)	65.7 (81.8)	65.5 (77.8)
System for pay based on job content and work-related criteria	— (—)	15.1 (22.5)	10.0 (13.0)	9.8 (14.8)
* Mechanisms for hiring contract-based employees	15.2 (17.7)	18.9 (24.7)	18.4 (23.4)	24.1 (29.6)

Notes:

1. The figures in parentheses represent the percentages of enterprises with 3,000 or more employees.
2. "N.A." refers to items for which data was not collected in a particular year.
3. The asterisk has been used to indicate those practices which have become more widespread in recent years.

Source:

The figures are taken from the Labour Affairs Administrative Research Institute's Survey on the Implementation of Personnel Management Schemes which is conducted every two years. The sample depends on the year in which the survey was conducted, but covers some 2,500 listed companies and 300-400 non-listed enterprises that are comparable to listed ones (which are capitalized at ¥500 million or more and have a work force of 500 or more employees). Replies were received from 300-400 of the companies surveyed.

There is another set of measures which have tended to be implemented more widely in recent years, indicated by the asterisk in Table 2. For example, the number of firms

implementing *yakushoku-teinen* (retirement from managerial post at a certain age) rose from 29.1 percent in 1991 to 47.9 percent in 1997. The percentage of those which had a variable retirement scheme and an early retirement preferential treatment plan rose from 36.3 percent in 1991 to 43.0 percent in 1997. Those with a scheme for certifying the upgrading of skills rose from 29.6 percent in 1991 to 43.3 percent in 1997. The percentage of firms with an annual pay system rose from 8.3 percent in 1991 to 21.3 percent in 1997. Furthermore, some systems are more widespread among large enterprises. One such system aids middle-aged and older employees who wish to switch to another career or become entrepreneurs. In 1991, 11.4 percent of firms with 3,000 or more employees implemented such a system; the figure was 18.5 percent in 1997. The contract-based employment system, which is not in the narrow sense a measure for only middle-aged and older employees, has also become more widespread in recent years.

Two inferences may be drawn from these trends. One is that the practice of posting middle-aged and older white-collar employees on *shukko* and *tenseki* before they reach mandatory retirement is becoming widespread. In fact, the data shows that jobs are secured for aging employees through *shukko* and *tenseki* in virtually every large enterprise. The second is the use of ancillary steps when companies are unable to absorb the rising number of middle-aged and older workers through *shukko* and *tenseki*. One such step might be the introduction of a fixed-term appointment for managerial personnel. Another might be the use of a variable retirement age which allows the employee to retire before reaching the mandatory retirement age, receiving the full retirement allowance plus an additional allowance. These measures are quickly becoming popular options.

At the same time, the selection of staff for managerial positions is becoming more rigorous, and emphasis is now being placed on ability. A more systematic or rigorous selection procedure is connected to the emphasis on upgrading skills through an examination system. The emphasis on ability and skill is reflected in the introduction of the annual pay system. Many large enterprises are beginning to adopt measures which will put a brake on rising wage costs owing to the increase in the number of middle-aged and older workers and the increasing number of employees who qualify for managerial posts under the "old regime."

2.3 Shukko⁽¹⁾

Although *shukko* has already found general acceptance in large enterprises, the goal in introducing *shukko* is not the same for each firm. The Ministry of Labour's 1993 Employment Management Survey included information about the reasons for promoting *shukko*. *Shukko* was used by 15.3 percent of all firms, but 95.5 percent of firms with 5,000 or more employees

and 76.1 percent of firms with 1,000-4,999 employees, compared with 40.3 percent of firms with 300-999 employees, 22.2 percent of firms with 100-299 employees and 8.7 percent of firms with 30-99 employees. If *shukko* is subdivided into *ichiji shukko* (temporary transfers with the intention of sending employees back to their original company) and *taishoku shukko* (involving a more permanent transfer with retirement from the original firm), 95.2 percent of firms with 5,000 or more employees use *ichiji shukko* and 51.9 percent use *taishoku shukko*.

Looking at the reasons for using *shukko*, 48.7 percent of the firms use *ichiji shukko* and 48.8 percent of the firms use *taishoku shukko* to assist the receiving firm which is experiencing a labor shortage. However, the precise reason may vary according to the age of the employee. The older the worker, the more likely that *taishoku shukko* will be the option. With regard to workers aged over 50, 29.4 percent of firms use *taishoku shukko* to allow the employee job security beyond the mandatory retirement age; 23.2 percent did so to reduce the number seeking limited managerial posts; and 23 percent did so to reduce the number of redundant workers. The older the employee, the more likely this sort of strategy would be used. It is fair to say that in large enterprises *shukko* is used as an employment strategy for dealing with middle-aged and older workers through the internal labor market which has been developed within a corporate grouping.

2.4 Eligible Ages for Tenseki Shukko, for Preferential Treatment in Taking Early Retirement, for Support in Switching Jobs or Becoming Self-employed

The Ministry of Labour's 1997 Employment Management Survey provides information on the age at which employees qualify for *tenseki shukko*, preferential treatment for taking early retirement and assistance with switching jobs or becoming self-employed.

Tenseki shukko is a system whereby workers terminate their employment relations with their employers and become employed with a subsidiary or other related firm. Early retirement preferential treatment (*soki taishoku yugu*) is given to employees of a certain age who retire before reaching the mandatory retirement age in terms of add-ons to the normal retirement allowance. Assistance for workers switching jobs (*tenshoku enjo assen*) is for those who decide to change jobs, and may be in the form of assisting in negotiations with prospective employers or retraining programs. Support for workers who decide to become self-employed (*dokuritsu kaigyō shien*) may take the form of financial assistance or various forms of cooperation to make the new business successful. All of these systems are designed to facilitate the movement of employees who have reached a specific age out of the firm. In this sense, it could be said that middle-aged and older workers in large enterprises are being pressured to leave their enterprises.

For *tenseki shukko*, the highest percentage of firms do not impose a lower age restriction

on either managers or general employees who opt for this method. However, many enterprises begin to pressure those aged 55 or over to take *tenseki shukko*. For instance, 22.9 percent of enterprises with 5,000 or more employees make managers aged 55 and over eligible for *tenseki shukko*. Moreover, the larger the enterprise, the earlier the age at which workers may be pressured to take a *tenseki shukko*.

Second, in implementing schemes for early retirement preferential treatment, 33.9 percent of all firms made the options available to employees aged between 50 and 55. At enterprises with 5,000 or more employees, 42.5 percent provided the option to employees between the ages of 45 and 49. The age at which workers are eligible for the system is a little earlier in the large enterprises.

Third, nearly 60 percent of enterprises assist employees between the ages of 45 and 50 in their efforts to change jobs. The largest percentage of enterprises (excluding those which set no age requirements) also let employees aged 45 to 50 apply for assistance to establish their own business. The larger enterprises are more inclined to push the middle-aged and older employees out and are likely to put pressure on them to move at a slightly earlier age.

2.5 *Yakushoku-teinen* (Retirement from Managerial Post at a Certain Age)

One of the significant facts that has emerged from an overview of the personnel system involving middle-aged and older white-collar workers is the clear shift upwards of retirement from managerial post. According to the Ministry of Labour's Employment Management Survey for 1994, 13.7 percent of the surveyed firms have an age at which managers are to resign. However, the figures are 35.8 percent for enterprises with 5,000 or more employees; 34.6 percent for firms with 1,000 to 4,999 employees; 26.3 percent for firms with 300 to 999 employees; 19.1 percent for those with 100 to 299 employees; and 10.1 percent for those with 30 to 99 employees.

A Ministry of Labour survey⁽²⁾ conducted in the early 1990s of large enterprises employing an average of about 4,000 employees found that 43.9 percent of the firms surveyed had a mandatory retirement age for managerial post in place while 55.1 percent did not. In manufacturing many of the firms had such an age, but in construction and the service industries only a few had established such an age.

Firms which had a retirement age from managerial post were asked about retirement age for different levels of management. The average age set for section managers (*kacho*) was 55.6; for division managers (*bucho*) it was 56.3. The largest percentage of enterprises set the age of mandatory retirement from managerial post for section and division managers at 55. This was followed by those enterprises which set the mandatory retirement age at 57 (17.7%

did so for section managers and 22.6% did so for division managers), and by those which set it at 56 (16.4% and 15.9%).

The setting of a retirement age from managerial post often reflected a firm's decision that it had an excess of college-educated white-collar employees. Almost 60 percent of those firms which felt they have far more college-educated white-collar workers than they need had established a retirement age for managerial post. Only 25 percent of those which felt they had an excessive number of white-collar workers with a college degree have adopted the system.

What career paths do managers pursue after they have retired from their management position? Currently, the largest number (46.5%) continues at the firm in a non-managerial capacity until the mandatory retirement age. Another 24.3 percent work in a different capacity as non-managerial staff within the firm until the mandatory retirement age for ordinary employees. However, 23.9 percent claimed they would immediately be transferred or even change their employment to a subsidiary or related firm or to firms with which their firm had business relations. Another 22.6 percent planned to stay with the same firm for a little while and then will be seconded or change their employment to a subsidiary or related firm before reaching mandatory retirement. In the future, it is likely that a growing number of managers will not be able to stay with their firm after leaving their managerial posts.

Looking at the annual income of managers after leaving their posts, 70.1 percent said it would drop; 21.3 percent replied they didn't know what would happen to their income. For those who saw their income decreasing, the average was an estimated 19.5 percent. The mode, however, was split between 6-10 percent of the fall or 16-20 percent.

3.0 Conclusion

Several factors have combined on both the supply and demand side in the labor market to highlight the position of middle-aged and older white-collar employees. One set of factors consists of internationalization and sophisticated informationization. The other consists of the aging of the population and the individualization of the employee's needs. Middle-aged and older white-collar workers in Japan's large firms, both male and female, have been at the center of Japan's long-term employment practices. The way in which issues of their employment are treated will be one key to understanding the future of Japanese-style employment practices.

Recently, the common retirement age for white-collar workers employed in large enterprises is 60. In this sense, the jobs of those employees are secure until mandatory retirement. At the same time, however, there is mounting pressure on middle-aged and older workers to leave "voluntarily." This is exemplified in the general acceptance of *shukko* and

tenseki before mandatory retirement, and by the emergence of selective retirement systems (including early retirement preferential treatment schemes, placing an age cap on managerial personnel, and the various mechanisms for helping middle-aged and older workers switch jobs or to become independent entrepreneurs). Japan's largest firms have in recent years moved to lower the age at which their workers will be affected by these various policies.

The employment of middle-aged and older workers becomes problematic when the individual's ability, wages and overall treatment become unaligned.⁽³⁾ The frequent reference to skyrocketing personnel costs when middle-aged and older workers are mentioned must be understood in relation to the balance of these elements. Because wages steadily rise along with age and years of employment in line with seniority-based wage components, older workers tend to be more costly. However, the problem is not simply that older workers earn high wages, but that there are not enough sophisticated jobs suited for the cohort of highly-paid, middle-aged and older workers, or that many of the middle-aged and older workers are highly-paid but do not possess the skills necessary to do sophisticated jobs. That is, the current wage system propagates a system whereby those who are not highly skilled are highly paid.

When there is a shortage of sophisticated jobs and some middle-aged and older employees are not highly skilled, the relationship between job content, ability and wages becomes unbalanced. Accordingly, any review of employment and the treatment of middle-aged and older workers should fundamentally be understood in terms of the need to recover the “lost” balance between jobs, ability and wages, and should not be considered ambiguously as the “collapse of life-time employment.”

Attempts to restore the “lost balance” may be considered in terms of the individual enterprise. For the firm, personnel costs will be equal to the multiple of the number of workers times the average wage (which for employees is linked to their age and years of employment in the firm). The “lost” balance is restored by pushing workers out of the company or by cutting the component of earnings which is linked to age and years of employment. Options to decrease the number of employees include *shukko* and *tenseki* before employees reach mandatory retirement (and *tenseki* may contribute to a drop in age-linked wages); forcing workers out by using an early-retirement preferential treatment system or a selective retirement system; or introducing a scheme to help workers switch to another job at a different company.

Attempts to decrease age-linked wages, on the other hand, may include a strong commitment to a skill qualification system so that there are no upgrading qualifications or increased wages when skill requirements are not clearly met. Setting higher standards for

promoting staff to managerial positions through promotion and upgrading tests and the adoption of a double-track personnel management scheme are ways of moving in that direction. Firms may decide not to use the age-linked or year of employment-linked component and the family allowance from the pay package when introducing an annual pay scheme for managers. Finally, the possibility of setting an upper age limit on managerial positions under which employees would surrender their managerial posts at a specific age and accept a reduced salary also needs to be considered.

The seriousness of the employment situation for middle-aged and older workers varies from firm to firm. And so too will the response of the firm. In enterprises with a large proportion of middle-aged and older workers and a well-developed internal labor market within a larger groups of firms, *shukko* and *tenseki* are actively initiated to assure jobs for middle-aged and older workers. But in those enterprises with a lower proportion of middle-aged and older workers and in those enterprises which do not have access to such a developed internal labor market, *shukko* and *tenseki* may not be used. In such firms *shukko* is implemented primarily to provide workers with education and training programs in their younger years.

In stressing the use of strategies to reduce the number of middle-aged and older workers in many companies or to reduce the impact of seniority on wages, it must also be stated that some enterprises continue to employ older workers who have “irreplaceable” skills even after they have reached the mandatory retirement age. Other employees are retained into their early 60s by the extended employment system and the re-employment system. Put in these terms, it is clear that the highly-skilled older worker may not throw the work-ability-pay relationship out of whack.

Lastly, 60 is widely accepted as the mandatory retirement age. Although the need to raise the mandatory retirement age or even to abolish the mandatory retirement age completely is being studied, very few enterprises seem keen to set 65 as a uniform standard, or to scrap the retirement age altogether. Rather it is more likely that firms will move to implement ways to select specific individuals for a longer period of employment. Possible responses include the re-employment of designated individuals based on employment needs and the health of the employees, and the retention of active specialists. Some managers express concern about whether they can offer the older worker a job suited to his or her skills. In these ways, it is likely that the notion of mandatory retirement will be relaxed and that employers will cope flexibly using various means to re-employ or otherwise extend the employment of certain employees after taking into account their health, commitment and ability.

Notes:

- (1) For more on *shukko* and *tenseki*, see also Hiroki Sato, "Keeping Employees Employed: *Shukko* and *Tenseki* Job Transfers: Formation of a Labor Market within Corporate Groups," in *Japan Labor Bulletin* (vol. 35, no. 12, December 1996).
- (2) Ministry of Labour, *Current Situation of and Future Prospects for Japanese-style Employment System (Nihonteki Koyo Seido no Genjo to Tenbo)*, Tokyo (1995).
- (3) The enterprises referred to hereafter as examples are taken mainly from the Employment Promotion Corporation and the Japan Productivity Center for Socio-economic Development, "Employment Trends Stemming from Industrial Structural Change and Issues for Effective Utilization of Labor Force" (*Sangyo no Kozo Henka ni Tomonau Koyodoko to Rodo Ryoku no Yuko Katsuyo no Kadaï*), Tokyo (1998).

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Lavoro e Diritto, Bologna, Italy

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Revue Internationale de Droit Compare, Paris, France

Travail et Emploi, Paris, France

JIL News and Information

Revised Equal Employment Opportunity Law and Other Related Laws Took Effect on April 1

The dozen or so years since the 1985 Equal Employment Opportunity Law (EEOL) came into effect have seen an increase in the number of female workers, a lengthening of their tenure, and a growing number of job categories being filled by women. At the same time, attitudes toward women working and the stance of enterprises have changed fundamentally. To maintain the economy's vitality as the society ages and the birth rate drops, it is necessary to provide a better working environment without any discrimination against female workers so they can fully demonstrate their ability. To that end, the EEOL, the Child Care and Family Care Leave Law (CCFCLL), and other related laws have been amended. The 1997 amendment came into effect on April 1, 1999.

1. The Equal Employment Opportunity Law

(1) The widened scope of prohibited discrimination

Under the EEOL before the amendments, the scope of prohibitions concerning discrimination was limited to fringe benefits, some types of vocational training, mandatory retirement, resignation and dismissal. As for recruitment, hiring, assignment and promotion, employers had only the duty to endeavor to provide equal opportunity. Under the revised EEOL discriminatory treatment in these areas is now prohibited.

The types of training and education in which discrimination was prohibited were formerly designated by ordinance of the Ministry of Labour, but now all training and education is covered.

(2) Administrative assistance for dispute resolution: toward better mediation

Previously, mediation procedures were established under the Equal Opportunity Mediation Commission to produce the speedy and smooth resolution of individual disputes. However, this procedure could only be commenced when both parties to the dispute agreed to mediation. As a result, the system did not work without the employer's consent. Now, to improve the functioning of the mediation procedure, the requirement for agreement by both parties concerned has been dropped so that the procedure can be initiated by just one party.

(3) The prevention of sexual harassment at the workplace

The revised law requires that employers pay due attention in employment management to preventing sexual harassment in the workplace. Guidelines for delineating sexual harassment and the employer's obligations in dealing with such harassment have been prepared by the Ministry of Labour.

2. The Labour Standards Law

Even after the enforcement of the 1985 EEOL, some forms of special protection remained for women. Overtime was limited, and work on rest days and at night was restricted for certain categories of female workers. The revised Labour Standards Law has abolished these protective provisions in line with the 1997 revisions to the EEOL, so as to promote the equal treatment of men and women in employment. However, the amendment still preserved lower limits of overtime for workers who are responsible for raising a child not yet attending elementary school or caring for a family member in need of care.

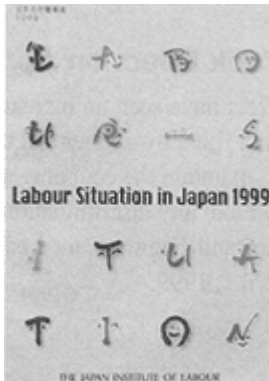
3. The Child Care and Family Care Leave Law

While the revised Labour Standards Law abolished the restriction on night work for women, a new system has been established exempting workers from night work upon request of workers who are responsible for raising a child not yet attending elementary school or

caring for a family member in need of care.

For further explanation of the revisions to this law, see the “Special Topic” in the April and November 1998 issues of the *Japan Labor Bulletin*.

Publications



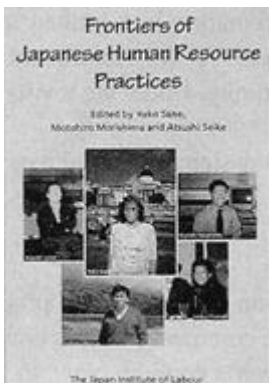
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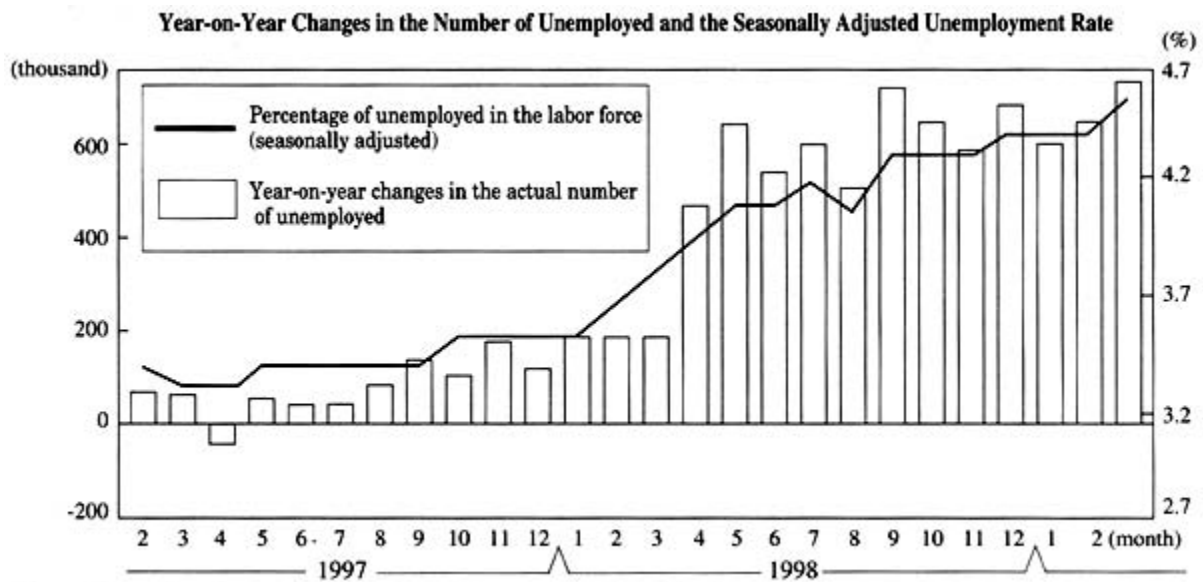
Recent Labor Economy Indices

Recent Labor Economy Indices

	March 1999	February 1999	Change from previous year
Labor force	6,724 (10 thousand)	6,648 (10 thousand)	21 (10 thousand)
Employed	6,384	6,334	84
Employees	5,291	5,283	62
Unemployed	339	313	62
Unemployment rate	5.0%	4.7%	0.9
Active opening rate	0.53	0.5	0.10
Total hours worked	154.7 (hours)	151.1 (hours)	0.7
Total wages of regular employees	(¥ thousand) 262.4	(¥ thousand) 261.6	0.3

Note: *Denotes annual percent change.

Source: Management and Coordination Agency, Ministry of Labour.



Source: Labour Force Survey, Statistics Bureau, Management and Coordination Agency