

# JAPAN LABOR BULLETIN

ISSUED BY THE JAPAN INSTITUTE OF LABOUR

*Vol.38 - No.08*

*August 1999*

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## Working Conditions and the Labor Market

### Fewer Regular Employees, Longer Periods of Unemployment

The Management and Coordination Agency of Japan has released the findings of its Special Survey of the Labour Force Survey which it conducted in February. Supplementary to the monthly Labour Force Survey, this particular survey is designed to provide a more thorough understanding of the situations affecting unemployment, underemployment, job mobility and so on. The survey's sample covered approximately 100,000 people aged 15 or older from some 40,000 households, selected nationwide through a stratified two-stage random sampling process.

According to the findings, the number of employees other than corporate executives was about 49.13 million, down by about 540,000 from the previous year. The number of regular employees decreased over the previous year by 1.06 million to 36.88 million, the second successive annual decline in that figure. The number of non-regular employees (part-time workers and temporary staff members) increased by 380,000 to about 10.24 million, the fifth consecutive rise for that category. Although male regular employees accounted for 88.9 percent of all male employees, the actual number fell by 420,000 over the year. Part-time and temporary male workers accounted for 7.1 percent, an increase of around 120,000 compared with the previous year. Among female workers, the number of regular employees fell by about 650,000 from the previous year, and accounted for 54.8 percent of all female employees. On the other hand, part-time and temporary female workers accounted for about 40.9 percent of all female employees, up by about 260,000.

With the employment situation still deteriorating, it was found that the period of being unemployed was lengthening. Among the 3.13 million people who were unemployed (a figure estimated for the date the survey was conducted), those who had been jobless for less than three months totalled 1.16 million (37.1%); three to six months, 570,000 (18.2%); six months or more to less than 12 months, 690,000 (22%); and 12 months or more, 700,000 (22.4%). The proportion unemployed for less than three months dropped below 40 percent for the first time since 1984 (when comparable data first became available). However, the percentage of people unemployed for 12 months or longer was the highest figure since 1984.

Looking at the reasons for being unemployed, 2.16 million people had quit a previous job. Among them, some 1.02 million (260,000 more than in the previous year) had resigned involuntarily. About 300,000 involuntarily gave up their jobs due to "personnel adjustments, company bankruptcies, etc." (an increase of 110,000 from the previous year). Those who quit their jobs due to "poor prospects within their companies," for "other reasons originating with

their business or their employer,” for “reaching retirement age, etc.,” totalled 190,000 (an increase of 40,000), 260,000 (an increase of 90,000), and 260,000 (an increase of 10,000), respectively.

The Agency's April Labour Force Survey revealed that the number of involuntary separations was greater than the number of voluntary separations. More than half the involuntary unemployed were aged 35 years old or over. Accordingly, it seems likely that workers in this age group have been the chief target of labor-shedding policies.

## Human Resources Management

### Measures to Prevent Sexual Harassment in the Workplace

The revised Equal Employment Opportunity Law (EEOL) became effective on April 1. It details the employer's obligation to pay due attention to preventing sexual harassment in the workplace, and enterprises have started to deal with the issue.

When the EEOL was revised on June 18, 1997, enterprises had not yet determined how best to meet the new requirements. According to a survey of 2,254 enterprises conducted in June and July of that year by the Ministry of Labour (with a response rate of 34.8%), only 5.5 percent of enterprises were already implementing measures against sexual harassment. Another 14.3 percent were planning or considering the implementation of such measures. However, 79.9 percent answered that they were doing nothing.

Accordingly, in March 1998, the Ministry of Labour established three guidelines which called for each enterprise (1) to clearly state the measures it was taking to prevent sexual harassment in the workplace, and to promote knowledge of the measures among employees; (2) to establish a grievance and counselling center within the enterprise as a means of preventing the occurrence of such harassment; and (3) to ascertain the facts in a speedy and satisfactory manner, and to take appropriate steps when harassment has occurred.

With regard to (1), enterprises have come up with a variety of measures such as mentioning the company policy in work rules and establishing educational programs. At the Daiei, one of Japan's largest supermarket chains, the union and management have signed an agreement which clearly states the employer's responsibility for preventing harassment. As for (2), many companies have set up a counselling center in their personnel sections. Others are utilizing their existing grievance committee, while still others have contracted with outside agencies to offer their employees professional counselling.

According to a survey of 3,000 enterprises conducted in October 1998 by the Tokyo Metropolitan Government (with an effective response rate of 46.8%), 20.5 percent of all enterprises with 300 or more regular employees had already taken steps to prevent sexual harassment and another 19.5 percent were actively considering such steps. However, only 6.8 percent of enterprises with less than 50 employees had taken such action, and 71.0 percent answered they "did not feel it necessary to take action."

The Ministry of Labour's Prefectural Women's and Young Workers' Offices are receiving an increasing number of inquiries concerning sexual harassment. The figure was 968 inquires in fiscal 1995, 1,615 in fiscal 1996, 2,534 in fiscal 1997, and 7,019 in fiscal 1998. The figures include not only complaints from female workers, but also inquiries from companies concerning prevention.

## Labor-Management Relations

### **Rengo's Action Plan to Promote Equal Participation by Men and Women**

At the 23rd meeting of its Central Executive Committee held on April 15, 1999, Rengo (Japanese Trade Union Confederation) decided that it would adopt supplementary measures to augment the fourth phase of its plan to increase the number of female union officers to promote equal participation of men and women in the union movement. Specifically, two types of guidelines are in place which will affect the way Rengo and its affiliates operate.

The plan calls for Rengo to have two more female officers elected at this year's conference so the proportion of female union officers will reach 10 percent; to reconsider the criteria for electing representatives so as to increase the ratio of female representatives at Rengo congresses; to conduct hearings on how implementation of the plan is progressing; and to organize forums and training sessions and to distribute printed material promoting an increase in the proportion of female officials and the number of women to come forward to participate in the union movement.

Affiliated unions are also expected to take measures to encourage women to participate more actively in all fields of endeavor, thereby creating a gender-equal society. Specific measures call for affiliates without a female officer (top three officials or on the central executive committee) to appoint one as soon as possible. Affiliates which already have one or more female officers are asked to increase the number to 15 percent. All affiliates will be pushed to develop and implement a plan to increase female participation in union activities.

At the end of 1998, 102 female officials accounted for 6.5 percent of all officials in Rengo's

affiliated unions. Although this was the first time for the figure to exceed 100, it was still short of the 15 percent target set for 2000. The supplementary measures decided on by the Central Executive Committee underline the determination of Rengo's leadership to achieve that target.

While Rengo has established some specific goals on how to increase the proportion of women in union activities, many doubt whether women can handle the added demands of union involvement when they already have difficulty in coping simultaneously with their domestic chores and their job. It will be interesting to see how much Rengo can achieve.

## Public Policy

### National Supportive Policies for the Increasing Number of Homeless

A liaison conference on the homeless — with representatives from the Ministry of Health and Welfare, the Ministry of Labour and other related government agencies, the Tokyo Metropolitan Government and five other local governments — resolved to set up a project to help the homeless stand on their own feet. This is the first time governments have sought to tackle this issue.

According to the Ministry of Health and Welfare, the estimated number of homeless people in cities across the country stood at 16,000 in August 1998. The figure included 8,660 in Osaka, 4,300 in Tokyo, 758 in Nagoya, 746 in Kawasaki and 439 in Yokohama. This means that over 90 percent of Japan's homeless people are concentrated in these five cities. The average age is around 55, a statistic which indicates that the homeless are getting older. With the prolonged recession, the number of homeless people in Japan's big cities is increasing. In Tokyo, the figure stood at 3,500 in August 1996 and at 3,700 in August 1997, before jumping to 4,300 in August 1998. Unless officially recognized as incapable of working, homeless people in the past were usually not eligible for social security. Even when employment opportunities were scarce, problems concerning their well-being were left to local governments.

The conference formulated a number of policies to help the homeless achieve independence. These include measures to improve the scale and quantity of counselling on the streets which is provided by social welfare offices and others, to provide homeless people with free accommodations for a certain period if they wish, to provide medical checkups, to confirm their identification, and to offer advice and training related to their everyday life. Such services are to be followed up with help in getting a job through a Public Employment Security Office. Because 60 to 70 percent of all homeless people are unemployed even though they would work if employment were available, measures were conceived to help them secure

a job. Together with such support for the homeless themselves, the proposed policies would provide rewards and subsidies to enterprises which hire a large number of day-laborers or hire people aged 45 or older for a continuous period.

To promote such activities, the government is to set up some 20 “Self-Dependent Support Centers” across the country, which will be capable of accommodating people for up to six months. The government is to subsidize half the costs of the centers' maintenance and management. In addition, those who are addicted to alcohol, those who are ill, and the elderly (10 to 20 percent of all homeless) will also be helped to be independent. They will be admitted to hospitals for treatment, placed in appropriate institutions or otherwise given access to welfare facilities. In cases where homeless people refuse to return to normal social life, the government will continue to encourage them to become useful members of society, and will work at getting them out of tents pitched in public parks and elsewhere, while strengthening its patrols of the areas concerned.

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### **Emergency Employment Measures**

On June 11, the Japanese government announced an emergency package of measures to increase job security and strengthen industrial competitiveness. The mainstay of the package — which was launched at a time when the employment situation is still deteriorating, with unemployment at a postwar high — consists of a series of measures to create more than 700,000 new jobs in the public and private sectors.

Of the 700,000 new jobs to be created, the national government and local bodies aim at directly creating 300,000 new jobs. It expects another 150,000 new jobs to be created in growth sectors such as information and telecommunications by rewarding enterprises if they bring forward their plans to hire workers. In addition, measures to deal with mismatching in the labor market and to facilitate job mobility are expected to result in a further 70,000 jobs.

The major employment measures for the private sector call for the government to increase long-term employment opportunities by easing regulations on setting up new enterprises, developing and encouraging new industries, aiding business start-ups, and releasing government information concerning intellectual property to the private sector. Other measures will include the immediate creation of jobs by promoting job creation in growth industries. The government selected 15 recently established or growing sectors\*, and will give incentive grants to employers who speed up their plans to hire middle-aged or elderly people who have involuntarily left their former jobs, and to employers who are offering on-the-job training.

The government will also work to diminish mismatch in the labor market and to facilitate job mobility by giving a wider range of private companies permission to act as employment agents. It will also form an employment information network to take advantage of information residing in private employment agencies. Finally, as a measure for the swift re-employment of people forced out of jobs, it will set up “Career Information Exchange Plazas” to provide support to middle-aged and older white-collar workers who are seeking employment. The Plazas will also provide seminars and counselling services conducted by private institutions and organizations.

It is also envisaged that the national government and local public bodies will take a number of measures to create temporary employment and job opportunities. These include a scheme to provide special grants for emergency regional employment which will provide funds for educational and cultural, welfare, environmental, recycling and other public works projects which local bodies entrust to private companies and nonprofit organizations (NPOs). Information on laws and ordinances, budgets and account settlements, government newsletters, and white papers are to be digitalized in the interest of disclosure, with the project to be entrusted to private companies to generate more jobs. To deal with the decline in the number of children, measures will be taken on the local level (city, town and village) that include the establishment or improvement of nurseries, which will simultaneously create more jobs. Finally, the measures call for establishing “NPO Human Resources Job Placement Offices” to register those who wish to participate in the voluntary activities of NPOs and to provide information on these people to NPOs looking for staff members.

Apart from the above mentioned measures, the report also calls for more efficient utilization of human resources through measures to raise workers' employability and to develop their vocational skills, and for reform of the employment security system involving a radical reappraisal of the system in terms of the livelihood of the unemployed, the prevention of unemployment, and the promotion of re-employment.

Note:

\*The 15 sectors are the medical and welfare, life and culture, information and telecommunications, new manufacturing technology, transportation, environment, business support, marine, biotechnology, urban environment, civilian aircraft and space, new energy sources and energy-saving, human resources, internationalization and housing.

## Special Topic

### Recent Trends of Foreign-affiliated Companies in Japan

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#### 1.0 Introduction

The purpose of this paper is to survey recent trends of foreign-affiliated companies in Japan.

Japan has long ceased to be a target country that offers low labor costs. The manufacturing sector, the technology-intensive industries, and the tertiary industry provide more benefits for investing in Japan than do labor-intensive industries. Foreign investment in Japan comes, not only from the U. S. and Europe, but also from Asian and Latin American countries.

A study of the business activities of foreign-affiliated companies in Japan shows that the common pattern is to first establish a main manufacturing base, then to set up a sales and marketing system, and finally to establish a research and development division. Nevertheless, this pattern varies depending on which industry is the target for investment and where it is located. It has been widely discussed that the employment system and labor-management relations in foreign-affiliated companies are quite different from those of Japanese companies. Misunderstandings about possible company practices, such as sudden dismissal, make university graduates seeking jobs avoid foreign-affiliated companies in Japan.<sup>1</sup>

The plan of this paper is as follows: Section 2 contains an overview of foreign-affiliated companies in Japan. Section 3 compares human resource management in foreign-affiliated companies with that of Japanese companies. Section 4 considers a foreign-affiliated company model and the Japanese company model.

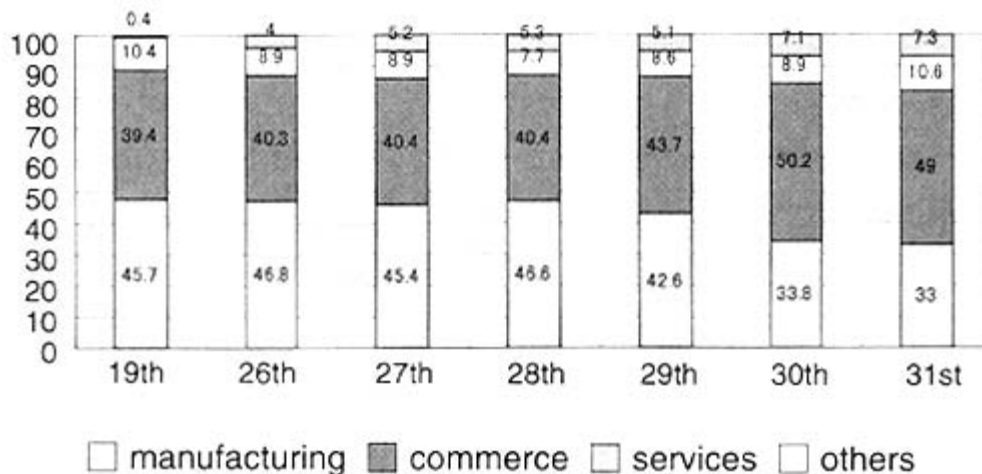
#### 2.0 Trends of Foreign-affiliated Companies in Japan

If a foreign-affiliated firm is defined as a firm with a foreign ownership of 50 percent or more, then there are more than 2,500 foreign-affiliated companies in Japan. However, if the proportion of foreign ownership is only one-third or more, then there are over 3,000 foreign-affiliated companies in Japan.<sup>2</sup>



Figure 1 shows the distribution of foreign-affiliated companies by industry. It is clear that investment in commerce takes the largest share of foreign investments in Japan — about 50 percent in the last survey. In contrast, investment in manufacturing dropped to 33 percent and is expected to decline further. Investment in services has the third largest share of total foreign investment in Japan.

**Figure 1. Composition Rate by Industries (%)**

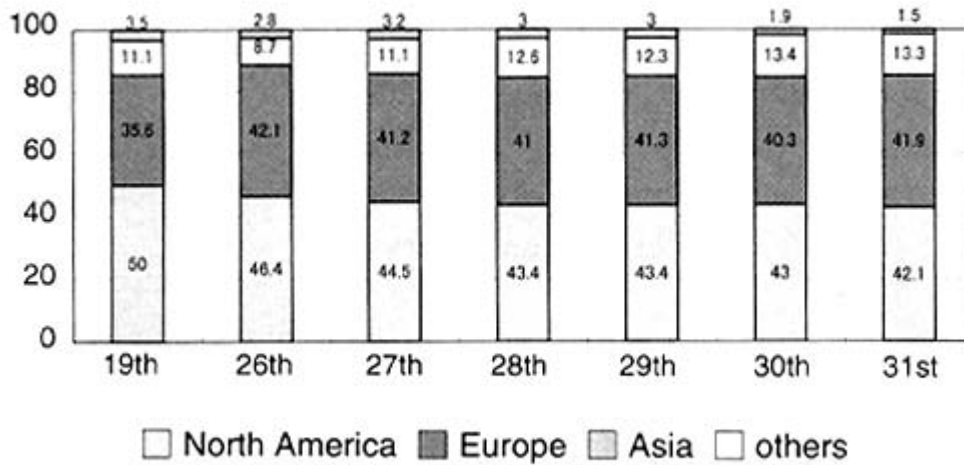


Notes: For Figures 1-8, the definition of foreign-affiliated companies is different among surveys. See footnote 2. For the 19th survey, figures for services are not available.

Source: Ministry of International Trade and Industry.[1]

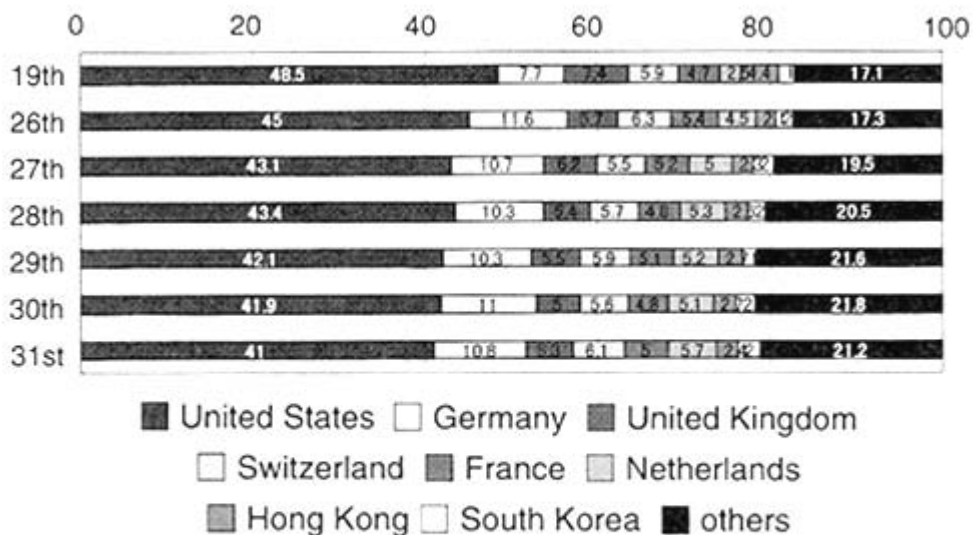
Figures 2 and 3 show the national origin of foreign-affiliated companies in Japan. In all industries, North American capital and enterprises continue to make up the largest share. While the percentage of North American companies is decreasing gradually, Asian investment in Japan has been growing steadily. Over the past decade, the share of Asian investment has increased to more than 13 percent. Asian companies in Japan come primarily from Hong Kong and South Korea. Recent data show that investment in Japan from these two countries alone comprises one-third of the total investments from the Asian region. Enterprises from European countries, such as Germany, Switzerland, and the U. K., make up 40 percent of all foreign investment in Japan.

**Figure 2. Area Origin (%)**



Source: Ministry of International Trade and Industry.<sup>(1)</sup>

**Figure 3. National Origin of Foreign-affiliated Companies (%)**

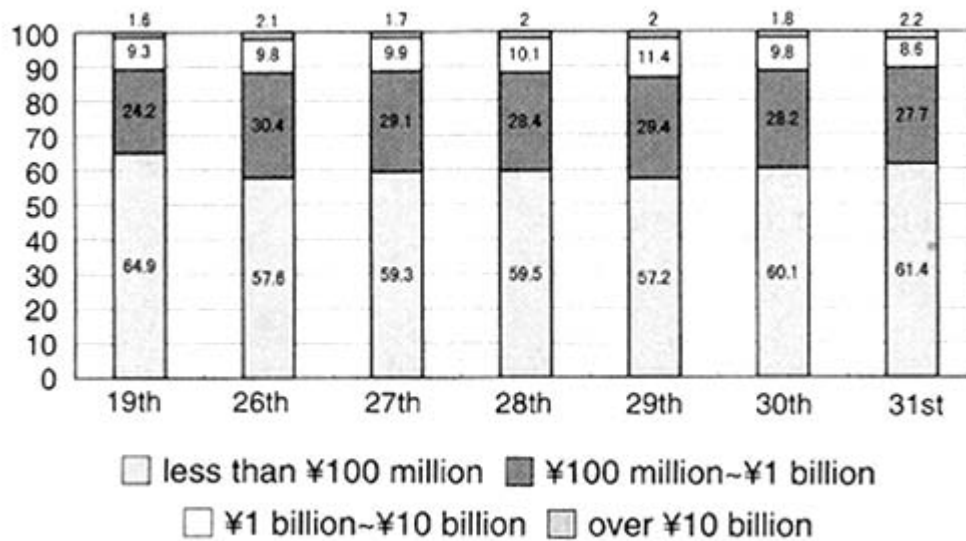


Note: For the 19th survey, figures for Germany relate to West Germany.

Source: Ministry of International Trade and Industry.<sup>(1)</sup>

Companies capitalized at ¥100 million or less account for nearly 60 percent of the total; this percentage has increased gradually in recent years. Those capitalized at ¥1 billion or less make up around 90 percent of the total, indicating that foreign-capital firms tend to be smaller scale (Figure 4).

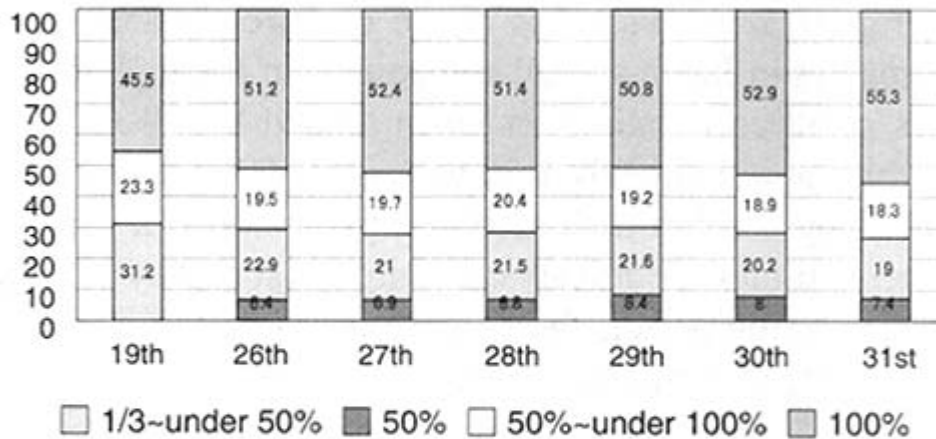
**Figure 4. Capital Size (%)**



Source: Ministry of International Trade and Industry.<sup>[1]</sup>

Companies that are wholly-foreign-owned subsidiaries have tended to account for more than half of all foreign-affiliated companies in Japan in the past decade (Figure 5), but their share has increased slightly. These companies are particularly outstanding in commerce and services, in which over 60 percent of all foreign-affiliated companies are wholly capital-owned subsidiaries. Joint-venture companies, in which the foreign concern holds a majority share (over 50%), have decreased to approximately 18 percent of all foreign-affiliated companies in Japan. Joint ventures that are owned equally by both the foreign and the Japanese parties have declined recently from about 23 percent to 19 percent.

**Figure 5. Foreign Ownership Rate (%)**

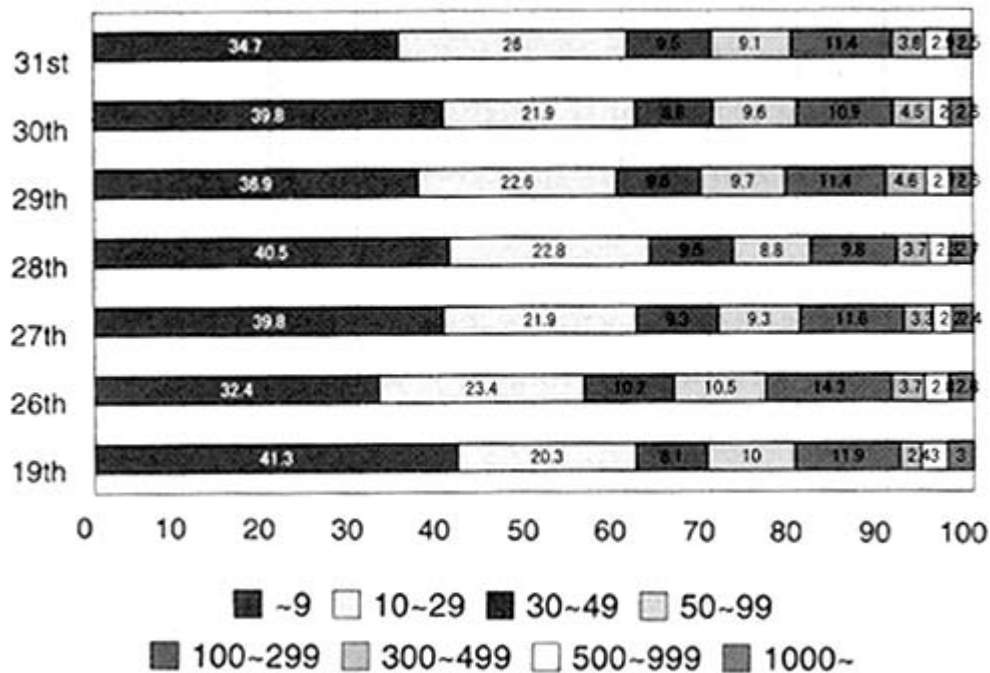


Note: Because the definition of foreign-affiliated companies is not the same, figures for “1/3 to under 50%” are not available for the 19th survey. See footnote 2.

Source: Ministry of International Trade and Industry.<sup>11)</sup>

Figure 6 shows the number of employees in foreign-affiliated companies in Japan. Firms with no more than 300 employees make up more than 90 percent of all foreign-affiliated companies. In addition, more than one-third employ no more than 10 employees, especially in the non-manufacturing industries. In contrast, the number of larger companies is growing in the machinery industry. Companies with at least 1,000 employees are frequently in the pharmaceutical and petroleum industries. The chemical industry has companies of every size. In general, however, foreign-affiliated companies in Japan tend to be smaller than their Japanese counterparts. Thus, it can be assumed that many of the problems confronting foreign-affiliated companies in Japan may be shared by small to medium-sized Japanese companies.

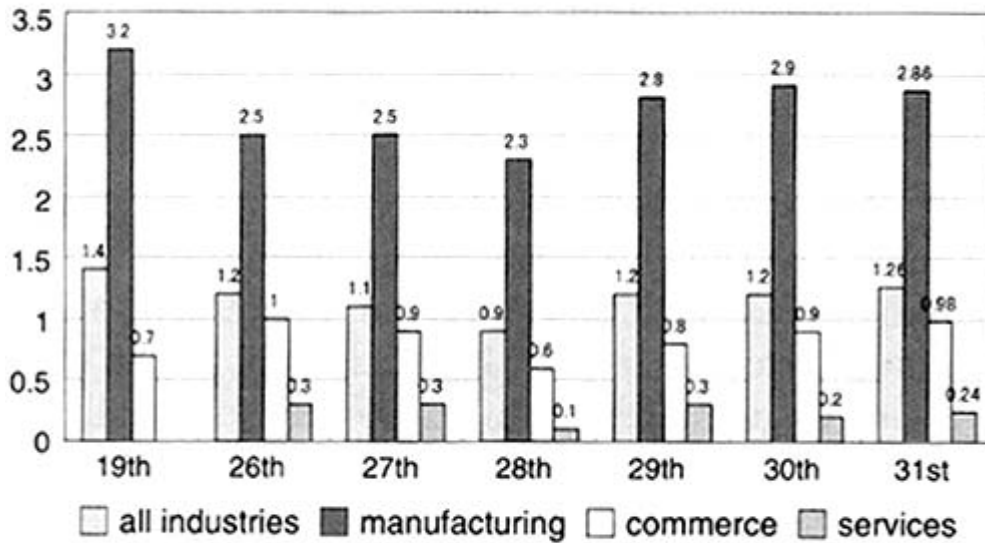
Figure 6. Number of Employees (%)



Source: Ministry of International Trade and Industry.<sup>(1)</sup>

Figure 7 shows sales share of foreign-affiliated companies in Japan and all companies. In fiscal 1996, the sales of all corporations in Japan totaled ¥1,448 trillion, of which approximately 1.26 percent or ¥18.2 trillion was earned by foreign-affiliated companies with a foreign ownership ratio of at least one-third (31st survey). In the manufacturing sector, the percentage earned by foreign-affiliated firms was nearly three percent.

**Figure 7. Sales Share of Foreign-affiliated Companies in All Companies (%)**

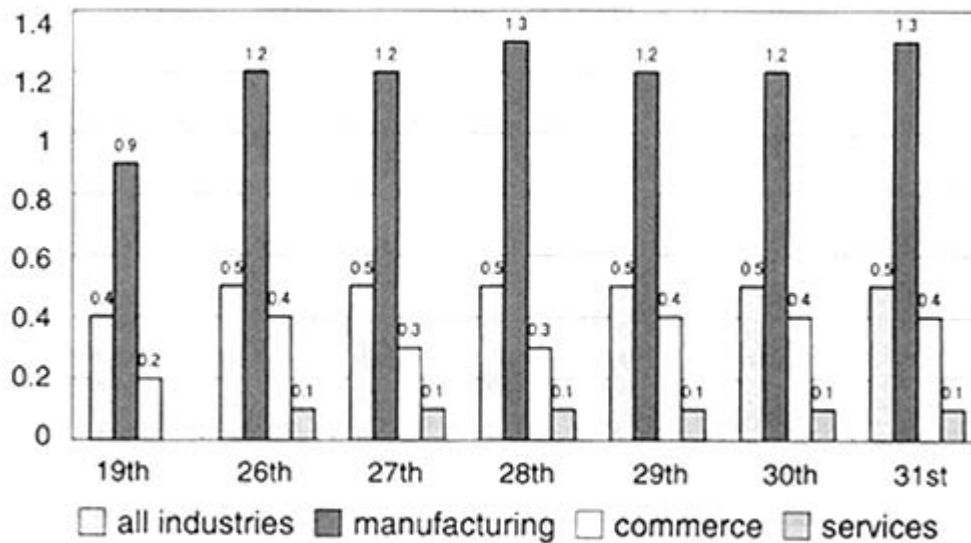


Note: For the 19th survey, figures for services are not available.

Source: Ministry of International Trade and Industry.<sup>(1)</sup>

Figure 8 shows the share of employees of foreign-affiliated companies in Japan in all companies. In fiscal 1996, the total number of employees in all corporations was about 42 million, of which 230,365, or 0.6 percent, were working for foreign-affiliated companies. The number of firms and the sales share by foreign-affiliated companies remained about the same over the years involved. However, in manufacturing alone, foreign-affiliated companies accounted for 2.9 percent of total sales. In the oil products sector, foreign-affiliated companies accounted for 21.4 percent of total sales and employed 12.7 percent of the total work force in the country.

**Figure 8. Share of Employees of Foreign-affiliated Companies  
in All Companies (%)**



Note: For the 19th survey, figures for services are not available.

Source: Ministry of International Trade and Industry.<sup>[1]</sup>

Among the foreign-affiliated companies, the U.S. and European companies, many of which are large manufacturing firms, have a large share of total sales, as represented by oil, electrical machinery and chemicals. U.S. companies have a gradually increasing share, and account for over 60 percent of total sales. European firms are next in importance, having sales of around 30 percent. Asian companies are growing rapidly from year to year, and are accounting for an increasingly large share of total sales. U.S. and European firms have a large numbers of employees on their payrolls.

Foreign companies have invested in Japan because of “the attractiveness of the growth potential of the Japanese market” and “logistical advantages of Japan as a base from which to expand into the rest of Asia.” The percentage of companies giving the first response has climbed from 40 percent to 80 percent in the 1985-1994 period, indicating the growing importance of Japan. The percentage of companies giving the second response has increased from 18 percent to a little over 30 percent in the past 10 years. Another reason was “to utilize Japan's advanced technologies.”

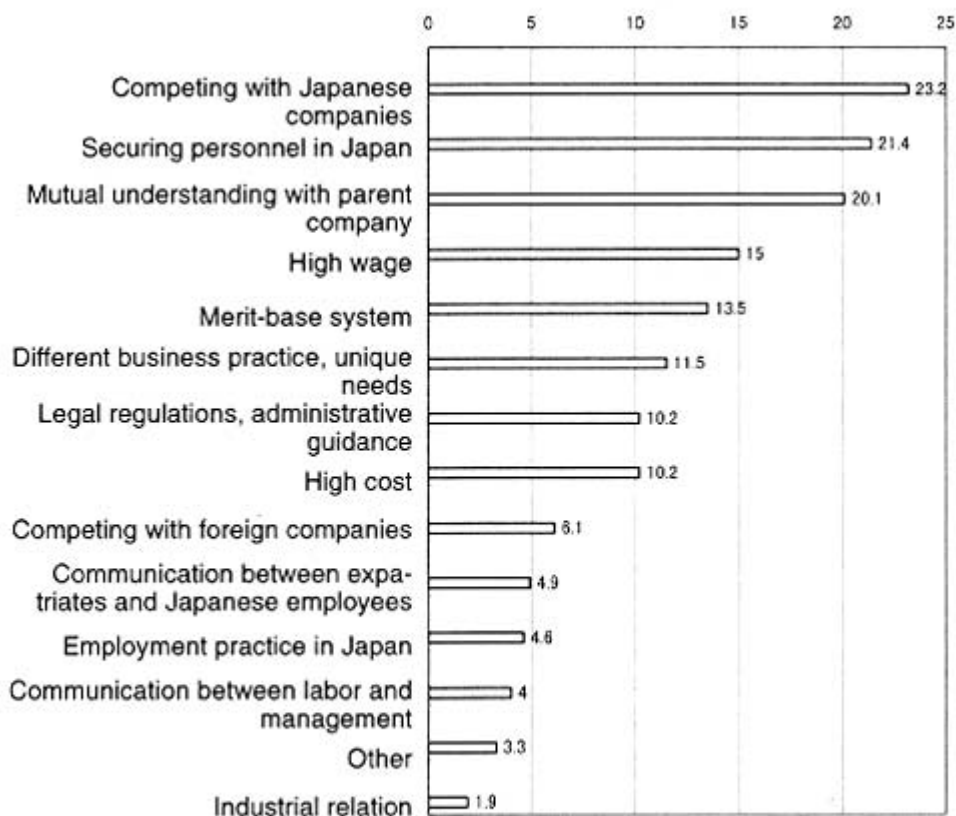
### **3.0 Employment System and Human Resource Management System of Foreign-affiliated Companies in Japan: Misunderstandings and Truth**

The Ministry of Labour publishes a report on the Survey on Present Labor-Management Relations in Foreign-affiliated Companies. Figure 9, taken from the 1996 survey, indicates that the three most common problems confronting foreign-affiliated companies are “competing with Japanese companies” (23.2%), “securing personnel in Japan” (21.4%), and

“achieving mutual understanding with the parent company” (20.1%). Non-Japanese executives in foreign-affiliated companies in Japan also pointed out that the most common problems they face in doing business in Japan were “high personnel costs,” “a shortage of qualified workers,” and “a wide range in abilities among Japanese staff.” (Survey conducted by the Study Group on Employment of Foreign-affiliated Companies in Japan.)

These outcomes clearly show that securing people and improving their abilities are major tasks for foreign-affiliated companies in Japan.

**Figure 9. Personnel Management Problems (%)**



Source: Survey of Trends in Business Activities of Foreign-affiliated Companies, Ministry of Labour, 1996, p. 30.

Moreover, the 1996 survey of the Ministry of Labour makes a very interesting comparison between foreign-affiliated companies and Japanese companies. First, Table 1 contains a comparison of human resource management between foreign-affiliated companies and Japanese companies. We can see that on the principle for recruiting and the personnel system, the same tendencies exist for the two types of companies. However, on recruiting and personnel, foreign-affiliated companies take more account of demonstrated skills than do Japanese companies. In foreign-affiliated companies, task distribution is more distinct, and these companies evaluate the abilities, attitudes and achievements of employees strictly by



merit.

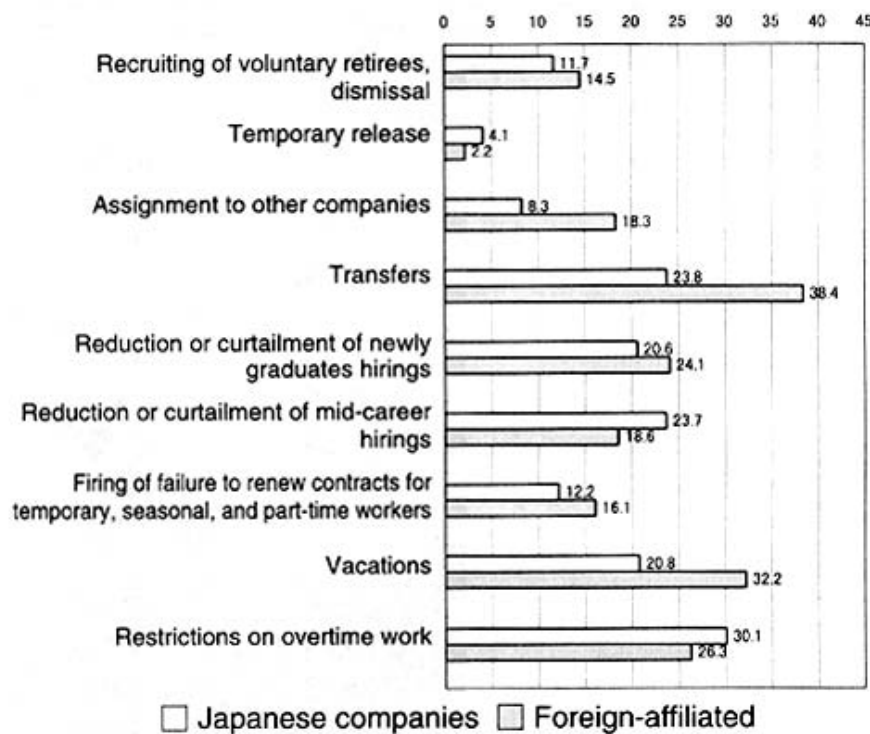
**Table 1. Human Resource Management for Foreign-affiliated and Japanese Companies (%)**

	Japanese companies	Foreign-affiliated companies
<b>Principle of Recruiting and Personnel</b>		
Make much of lifetime employment	18.9%	16.4%
Do not make much of lifetime employment	50.5%	51.4%
Don't know	29.0%	31.9%
NA	1.6%	0.3%
<b>Recruiting and Personnel</b>		
Make much of humanity	10.1%	5.0%
Combination	45.4%	44.9%
Make much of demonstrated skills	39.3%	45.2%
Don't know	4.2%	4.3%
NA	1.0%	0.6%
<b>Management</b>		
Indistinct task distribution	22.8%	9.6%
Distinct task distribution	49.8%	68.7%
Don't know	26.4%	21.4%
NA	1.0%	0.3%
<b>Strict Evaluation</b>		
Passive	26.1%	8.0%
Active	41.4%	70.0%
Don't know	31.2%	21.7%
NA	1.2%	0.3%
<b>Principle of Evaluation</b>		
Make much of seniority system	3.6%	1.5%
Combination	41.7%	31.9%
Make much of merit system	48.4%	59.1%
Don't know	5.5%	7.1%
NA	0.8%	0.3%

Source: Survey of Trends in Business Activities of Foreign-affiliated Companies, Ministry of Labour, 1996, p. 28.

Second, Figure 10 shows the rate of employment adjustment carried out for the past two years. Although dismissals occurred in foreign-affiliated companies, the rate of obtaining voluntary retirees and dismissals in foreign-affiliated companies was 14.5 percent, compared with 11.7 percent in Japanese companies. On the other hand, there are distinct differences in “assignment to other companies,” “transfers” and “vacations.” The number of foreign-affiliated companies that carried out these employment adjustments were 18.3 percent, 38.4 percent and 32.2 percent, respectively. The corresponding figures in Japanese companies were 8.3 percent, 23.8 percent and 20.8 percent, respectively.

**Figure 10. Employment Adjustment Carried Out for the Past Two Years (%)**



Source: Survey of Trends in Business Activities of Foreign-affiliated Companies, Ministry of Labour, 1996, p.18.

There have been misunderstandings or exaggerations concerning the employment system and human resource management of foreign-affiliated companies in Japan. Fuelled by media reports that a parent company's sudden decision to withdraw from Japan caused lay-offs, foreign-affiliated companies have acquired the social image that they promise less stable employment than do Japanese firms. However, it is a fact that few foreign-affiliated companies are in this category. Hence, it is a mistake to characterize them as promising less stable employment than Japanese companies.

Some studies have removed the misunderstanding about foreign-affiliated companies in Japan. Let me give two examples. First, examining the rate of newly-hired and separated employees in foreign-affiliated companies versus active labor mobility in foreign-affiliated companies: the rate of job separation for foreign-affiliated companies was 8.2 percent, whereas that for Japanese companies was 14.3 percent. Second, by estimating the rate of "survival" in a company for female university and junior college graduates, Higuchi (1993) pointed out that the rate of job retention is relatively high for foreign-affiliated companies (see Table 2).

**Table 2. Estimated Ratio of Women Continuing to Work with the Same Company**

		1- less than 5 years	5 - less than 10 years	more than 10years
University graduates	Japanese	94.1%	57.9%	20.1%
	Foreign-affiliated	96.9%	75.7%	44.2%
Junior college graduates	Japanese	93.9%	56.8%	19.1%
	Foreign-affiliated	96.8%	75.0%	42.9%
Junior college graduates	Japanese	(at age 21) 94.8%	(at age 26) 61.2%	(at age 31) 22.0%
	Foreign-affiliated	97.3%	77.8%	46.2%

Source: Higuchi, Yoshio (1993), p. 176.

#### 4.0 Concluding Remarks: A Future Model for Japanese Companies?

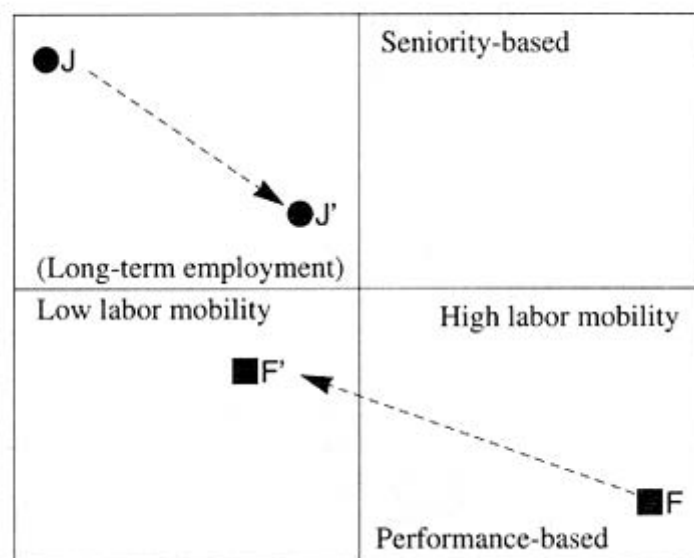
It is well known that the Japanese economy is still in a serious situation. It is unavoidable for Japanese firms to implement employment adjustments, such as reduction of working hours, suspension of new hiring and mid-career hiring, personal transfers, outplacement, recruiting of voluntary retirees, and dismissals. In the past, it has been widely discussed that the employment system, such as long-term continuous employment and seniority-based pay, and labor-management relations in Japan, is unique compared with other industrialized countries. There are still many, even among the Japanese, who maintain this point of view. However, international comparative studies show that there are clear differences in employment systems and industrial relations among Western nations, and many countries exhibit similarities to Japan in these areas. It is incorrect to describe Japanese employment practices and labor-management relations as unique. The Japanese employment system and industrial relations are not completely different from those of most other countries. However, the employment system and industrial relations in Japan have certain individual characteristics. In other words, it is not true to describe employment practices and labor-management relations in foreign-affiliated companies as alien.

Figure 11 is useful for studying the relationship between Japanese companies and foreign-affiliated companies from the point of view of the retaining (or mobility) and the seniority-based (or performance-based) system. The horizontal line indicates whether labor mobility is active or not. In other words, it indicates whether companies maintain long-term continuous employment as a base. The vertical line indicates whether promotion and wage increases depend on seniority or performance.

It is commonly believed in Japan that sudden decisions made by parent companies of

foreign-affiliated companies in Japan have caused lay-offs, and that employees often change their jobs, and are evaluated on performance only. Hence, foreign-affiliated companies are described as having active labor mobility and a merit-based evaluation system. Foreign-affiliated companies can be located in the southeast sector of Figure 11, for example ■F. However, as discussed in Section 3, this claim is not true. Employees in foreign-affiliated companies do not have higher rates of job separation and job changes, and foreign-affiliated companies evaluate employees not only on their performance, but also on their seniority. So we move foreign-affiliated companies to the southwest area (■F').

**Figure 11. The Relationship between Japanese Companies (●J) and Foreign-affiliated Companies (■F)**



On the other hand, Japanese companies have acquired the social image that employees continue working for a long time and are evaluated solely on seniority. We can locate Japanese companies in the northwest area, for example ●J. Nevertheless, this is an exaggerated image. They do not have a lower rate of job separation and job change, and they evaluate employees not only on their seniority but also on their performance, so we move Japanese companies towards the southeast (●J').

Recently, owing to slower economic growth, changes in the employment environment have begun to make it difficult to maintain the traditional method, based on the length of service in Japanese companies. The companies cannot bear the burden of high labor costs and a shortage of positions available has been revealed. Consequently, the Japanese traditional human resource management system has begun to change. Many companies have introduced evaluation systems that match remuneration with results and performance over a short period. Moreover, some companies no longer give much credit to long-term continuous employment. The new business goals of Japanese companies are to foster their international competitiveness. This may shift ●J' downward, even to the southeast area. To what extent

will ●J's shift? Until ●J meets ■F? I cannot find an answer to this question. Nevertheless, they will come close to each other but will not meet, if they continue to compete internationally.

Notes:

1. On the employment and human resource management system in foreign-affiliated companies in Japan, see Foreign-affiliated Enterprises Employment Research Group (1992) and Nemoto (1988).
2. The Ministry of International Trade and Industry has surveyed foreign-affiliated companies since 1967. The definition of a foreign-affiliated company was "a foreign ownership ratio of over 50 percent" until 1991, when the ratio was changed to one-third. The Ministry of Labour has surveyed labor-management relations in foreign-affiliated companies since 1971. It covered companies with a foreign-ownership ratio of over 20 percent in the 1971 survey, but this was changed to over 25 percent on the 1977 and 1983 surveys, and over 50 percent on the 1987, 1992 and 1996 surveys.

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Source:

- [1] Ministry of International Trade and Industry. *Gaishikeikigyō no Dōkō* (Survey of Trends in Business Activities of Foreign-Affiliated Companies). Tokyo, 1967-1999.
- [2] Ministry of Labour. *Gaishikeikigyō no Rōshikankeitou Jittai Chōsa* (Survey on Present Labor-Management Relations in Foreign-affiliated Companies). Tokyo, 1971, 1977, 1983, 1987, 1992, 1996.

## JIL News and Information

### Personnel and Labor Management Seminar for Foreign-affiliated Companies in Japan

In Tokyo on March 11 and Yokohama on March 17, the Japan Institute of Labour organized seminars intended for personnel and human resource managers in foreign-affiliated companies. The seminar was entitled "The Revised Labour Standards Law: How Will It Change Our Working Life?", and was convened just before the enforcement of the revised law. About 200 participants gathered in Tokyo, and some 110 in Yokohama.

The seminar began with explanatory comments on the contents of the law by Kazumi Matsui, Director, Inspection Division, Labour Standards Bureau, the Ministry of Labour, followed by accounts of several counselling cases that were brought to labour standards offices, mainly by employees. The Tokyo seminar dealt with cases handled by the Tokyo office, and

the Yokohama seminar with its equivalent. What follows is a brief account of the cases mentioned.

At the Tokyo seminar, Jun Sugiura, Labor Inspector, Inspection Division, the Tokyo Labour Standards Office, described the results of inspection visits to 34 foreign-affiliated enterprises based in Tokyo, conducted by the Tokyo Labour Standards Office and the Labour Standards Inspection Offices. The most common requests for improvements in the workplace were for a more accurate calculation of the hours of overtime work and proper procedures for overtime work (21 cases); proper payment of extra wages (16 cases); and defining the scope of proper managers and supervisors (12 cases). The last of these is associated with cases where the scope of managers and supervisors were interpreted more broadly than that which is laid down by law.

The seminar next introduced counselling cases by employees and employers of foreign-capital companies brought to the Tokyo Labour Standards Office. Conspicuous here were issues related to the annual salary system. For example, a case was mentioned where an employee's annual salary was reduced in the middle of a fiscal year due to his company's restructuring policies. Also cited was a complaint that because of the annual salary system, payments for overtime were not made in spite of long working hours which made it difficult to even take a break. Concerning problems relating to working hours and wages, Mr. Sugiura cited the importance of proper procedures in introducing the annual salary system or flexible working hours in the form of the discretionary work scheme or the average working-hour system, and the need for improvement of occupational safety and health. He also stated his belief that "In principle, working hours and wages are fundamentally linked," emphasizing the necessity that workers should be paid for overtime even under the annual salary system unless the firm has set up some appropriate scheme, such as the conclusively-presumed working hours system.

During the Yokohama seminar, counselling cases were introduced by Hiroyoshi Muraki, Labor Inspector, Inspection Division, the Kanagawa Labour Standards Office. At his office, the most frequent inquiries are those related to wages. The most common concern was overtime, followed by failure to pay increased wages for rest-day work, and non-payment of other wages or allowances. Concerning the last case, explanations were provided on the ban against hiring full-time employees who receive only percentage commissions and the importance of clarifying labor conditions in writing in concluding a labor contract. In the last case, whether or not one particular case violated the Labour Standards Law depended on whether the person in question was taken on as a worker or as a commissioned agent. Other cases which have recently been brought to the office with increasing frequency are those concerning workers who cannot take annual paid leaves when they want; such complaints,

one can perhaps say, are reflective of a change in workers' own outlooks. Following complaints concerning wages, requests for advice regarding dismissals were the most frequent. Explanations were given of the rules in the Labour Standards Law concerning the 30-day advance notice of dismissal; probationary employment period; and the exceptions to the notice-of-dismissal requirement.

A question-and-answer session followed the presentations. Because this was an opportunity to address questions directly to inspectors in charge of the issues at the ministry, questions were raised actively by the audience at both venues on such subjects as Article 36 agreements (overtime and rest-day work agreements), the conclusively-presumed working hours system, overtime and dismissal.

A desire was expressed by the participants for additional seminars. The Japan Institute of Labour is, in fact, planning to hold seminars this year on themes relevant to current issues.

## Statistical Aspects

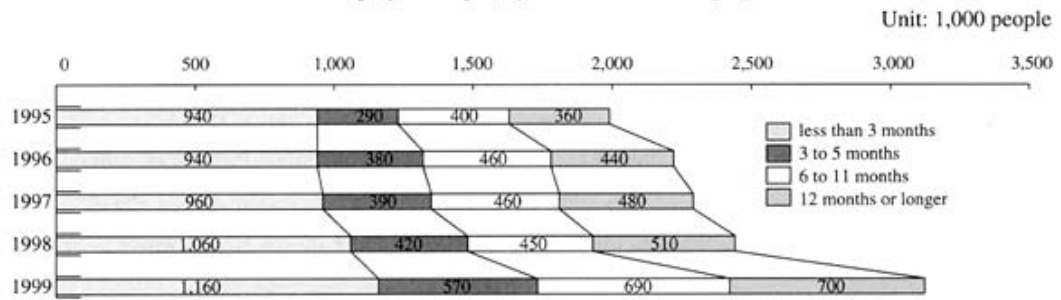
### Recent Labor Economy Indices

	May 1999	April 1999	Change from previous year
Labor force	6,866 (10 thousand)	6,811 (10 thousand)	25 (10 thousand)
Employed	6,532	6,469	65
Employees	5,342	5,312	30
Unemployed	334	342	41
Unemployment rate	4.9%	5.0%	0.6
Active opening rate	0.42	0.46	0.08
Total hours worked	145.8 (hours)	159.4 (hours)	2.4
Total wages of regular employees	(¥ thousand) 261.0	(¥ thousand) 264.6	0.4

Note: \* Denotes annual percent change.

Source: Management and Coordination Agency, Ministry of Labour

The Number of Unemployed People, by Duration of Unemployment



Changes in the Number of Unemployed People Who Voluntarily and Involuntarily Left Their Former Jobs

