

JAPAN LABOR BULLETIN

ISSUED BY THE JAPAN INSTITUTE OF LABOUR

Vol.38 - No.10

October 1999

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General Survey

Tackling Economic Recovery: Economic Survey of Japan for 1999

The Economic Planning Agency of Japan recently released its Economic Survey of Japan. The survey analyzes the failure of the Japanese-style economic system to respond to the collapse of the bubble economy. It points to the delays in making structural adjustments that should have been carried out immediately after the collapse of the bubble, and suggests that business enterprises should push forward with positive restructuring measures to cut back on employment levels, on plant and facilities expenditures, and on debt.

The survey estimates that excessive capital investment in Japanese enterprises was equivalent to about ¥35 trillion worth of production at the average utilization rate, or about ¥41 trillion if plant and equipment were utilized at optimal rates from the point of view of enterprises. Where employment levels are concerned, the survey suggests that about 2.28 million employees were surplus to requirements at the end of March 1999. The estimate was based on data from the Bank of Japan's Short-term Economic Survey of Enterprises (*tankan*). Excess employment is reflected in labor costs. The survey says that labor's share in Japan's enterprises (the ratio of labor costs to profits) was around 60 percent until the bubble years, but then rose sharply during the recession after the bubble's collapse, and settled at over 70 percent in 1998. The survey attributes the high labor share to the delay in adjusting employment levels after the collapse of the bubble.

The survey provided comparisons with the U.S. in terms of the relation between the increasing availability of information technology (IT) and employment. In the U.S., the increasing availability of information led to the shedding of middle-ranking managers, whereas in Japan the delay in employment adjustment, together with caution in shedding such workers, held back the spread of IT. The estimated drop in the demand for labor owing to the introduction of IT between 1990 and 1997 was 1.94 million people in Japan and 2.48 million people in the U.S. On the other hand, roughly 1.72 million jobs in Japan and 5.88 million jobs in the U.S. were created by the introduction of IT.

In line with this analysis, the survey argues that enterprises must restructure if economic recovery is to occur. At the same time it stressed the importance of labor mobility in facilitating the adjustment of employment levels. In the past, company specific skills have been regarded as most important, making it difficult for white-collar workers to switch jobs. However, in the future it will be important for both workers and companies to accumulate skills with more universal applications. In addition, the survey proposes that an increase in

labor mobility and changes in the skills required need to be accompanied by the provision of a social safety net through improved job placement services, the development of vocational skills, and subsidies for enterprises which hire new employees. These matters were listed as important policy issues.

Human Resources Management

Job Experience for University Students

The opportunities for Japan's university students to obtain work experience at companies have gradually expanded over the past few years. Such job experience is generally provided through an arrangement called "an internship." Internships provide students with experience working in a field related to their major and to their future career, and can take various forms. Considering internship to be significant for universities, students, and companies, the Ministry of Labour, the Ministry of Education, Science, Sports and Culture, and the Ministry of International Trade and Industry published a basic guideline for promoting internships in 1997. The guidelines suggested some desirable forms which internship programs might take. With that publication, the ministries sought to promote the use of intern programs.

Some internship programs have been established independently by companies; others have resulted from initiatives taken by universities, or have resulted from a joint initiative by local universities and employers' associations. Some have been arranged by non-profit organizations. Some universities have developed crediting mechanisms so that internships may be treated as a form of course work. Most internship programs are intended for second- and third-year students and last from one week to a month during the spring or summer vacation. Some programs are designed to give students opportunities to learn the companies' activities through job shadowing and job training. Other programs require the student to engage in the same jobs as employees and to produce actual results. While some programs involve no compensation, others result in students receiving full pay or a pay rate equivalent to that obtained for ordinary vacation jobs. In principle, the internship is not seen as committing the firm to hire the student upon graduation.

Initially, internship programs were introduced in companies with foreign capital. However, an increasing number of large companies are holding internship programs. This summer, both Toyota Motor Corporation and the Asahi Chemical Industry Corporation accepted about 50 interns; Matsushita Electronics accepted about 30 interns. Fuji Xerox plans to accept about 100 interns during the spring break in 2000.

Internship programs enable participating students to learn the nature of certain types of work at an early stage and this will help them to assess their suitability for specific jobs. The programs make it possible in the future for companies to draw on a pool of graduates who have actual knowledge of the company and have not applied for employment based largely on a superficial image of the company. However, internship programs are still considered costly by many companies, and have not yet been widely implemented at this stage.

Labor-Management Relations

Work-Sharing

With the deteriorating employment situation, the idea of work-sharing has drawn some attention. For example, Hino Motors introduced a work-sharing scheme in June, the first large company to do so.

Due to a substantial drop in demand for its products, Hino Motors, a Toyota affiliate engaged in truck production, went into the red for the first time since it was listed on the market. Its loss was about ¥42 billion at the end of the March 1999 accounting quarter. In this year's spring offensive, management presented a proposal for overall reductions both in working hours and wages of all employees. The subsequent negotiations finally resulted in a reduction of scheduled working hours from eight to seven, and a cutback of wages by some 11 percent for about 250 union members aged 55 or older who were engaged in support sections. The scheme was an emergency measure to cut labor costs and will be in operation until the end of March 2000. The company has also been accepting applications for the early retirement of 200 employees by the end of July.

In a January 1999 report issued by the Labor Issue Study Committee of Nikkeiren (Japan Federation of Employers' Associations) management's approach to the 1999 spring offensive was summarized. It argued that employment stability was most important, emphasizing that management and unions should work together in a flexible manner to adjust labor conditions. The report mentioned the idea of work-sharing with wage reductions.

The Japan Productivity Center for Socio-Economic Development (JPC) has released its latest estimates, pointing out that job openings would be created for 2.6 million people if enterprises gave up all overtime work (by regular employees). According to a survey by the Ministry of Labour, the average employee works 12.5 hours per month in formal overtime. A questionnaire-style survey of lifestyles conducted by Rengo (Japanese Trade Union Confederation) has revealed that "service overtime" work — where employees work overtime

without being fully paid — averaged 6.9 hours per month. Based on these figures, the JPC estimates that 900,000 jobs would be created if firms did away with service overtime and that an additional 1.7 million jobs could be created if formal overtime work was abolished. Accordingly, the JPC recommended that companies should consider introducing a work-sharing scheme.

Rengo stressed the necessity of getting rid of service overtime itself before discussing work-sharing. However, it has argued that employment mobility should not be advocated when labor was not in high demand, and has suggested that the government, management and labor unions should issue a declaration on employment stability, proposing that the three parties should come to grips with the present economic crisis and work toward a widely based consensus on work-sharing.

Public Policy

Ninth Basic Plan on Employment Measures

On August 13, 1999 the Cabinet decided on its Ninth Basic Employment Plan. The plan sets targets and outlines some practical employment policies for the first 10 years of the 21st century. The main features of the plan are as follows.

The plan is based on the assumption that Japan's labor force will shrink for the first time during the first decade of the 21st century, that the economy will become increasingly globalized, that information technology and the service sector will continue to grow, and that deregulation will change the economic and industrial structure of Japan.

The plan underlines the need to realize a society where jobs are actively created and employment stabilized in a sensitive manner which is responsive to structural change in the labor market, and which results in abilities being fully utilized in line with each individual's ambitions.

The first aim is to create jobs and provide stable employment in response to the changes in the economic and industrial structure. To achieve that aim it is necessary to endeavor to create employment by supporting new business start-ups with regulatory reform and by promoting new and growing industries. Other measures will also be needed to enhance labor mobility without increasing unemployment. Here attention was directed to the need to strengthen the labor demand-and-supply adjustment mechanism in the labor market as a whole.

A second thrust of the plan is to call for measures which improve the employability of individuals. This involves the cultivation of human resources relevant to the further development of economic relationships within society. Accordingly, the plan places stress on the need for individuals to take the initiative in developing their own vocational skills and abilities throughout their working lives. In addition, attention was given to the need for appropriate mechanisms to evaluate professional skills and abilities. Weight is attached to the need to provide an environment that encourages the development of vocational skills and abilities within enterprises.

A third aim of the plan is the creation of a society where full advantage is taken of people's ambitions and aptitudes. It is important that a society be structured so that elderly people who have the will and ability to participate in the labor market are able to do so. To achieve an "ageless society," i.e., one in which elderly people are not supported by society but are able to support society, it is important that each individual is free to independently choose his or her occupation, to give full play to their abilities, and to enjoy a fulfilling life at work. Improvements in the social context in which work occurs were seen as important to the achievement of this goal.

The fourth aim of the plan is to conceive of employment measures from a global point of view. In order to solve problems related to employment, it will be increasingly necessary that Japanese contribute constructively to the running of international organizations, and that Japan engage in mutual collaboration, including the active utilization of professional and technical labor from abroad while handling cautiously any influx of unskilled workers.

The basic plan treats job creation and employment stability as the top priorities. In recent years, the focus in employment policy has shifted from conventional measures designed to provide employment maintenance to approaches which tackle the mismatch in the labor market and which serve to create new jobs. This reorientation in employment policy is reflected in budget allocations and the various subsidies which are now available to promote employment stability policies, in the subsidies for those who have particular difficulty in getting a job and for elderly people, and in the provision of labor market training for adults. Finally, the funds for job creation and for mechanisms which facilitate labor mobility without unemployment have also increased substantially. The total allocation given to implement the plan in fiscal 1998 was roughly ¥330 billion (please refer to Statistical Aspects).

National Personnel Authority Recommendation

On August 11, the National Personnel Authority (NPA) recommended to the Diet and to the Cabinet that the annual salary of government employees should be lowered in fiscal 1999. Specifically, the recommendation proposed that the basic wage raise of employees in specified positions and in managerial positions with the central government ministries and agencies should be carried over, that a 0.28 percent wage hike should be given only to employees in non-managerial positions, and that bonuses should be trimmed by an amount equivalent to 0.3 of a month's salary. The 0.28 percent basic wage increase would be the lowest rate of increase ever awarded, lower even than the previous record of 0.76 percent which was awarded in fiscal 1998. Also, the bonus cut is the first cut since fiscal 1994 when salaries were cut by 0.1 month, and the fifth time the rate of bonus has been cut in postwar Japan. Full implementation of the recommendations would reduce the average annual salary of civil servants by ¥95,000 (1.5%), the first overall decrease since the end of World War II.

The recommendations apparently reflect concerns about employees in the private sector who have been badly affected by the present recession. Important considerations were the outcome of this year's spring offensive with its record low basic pay hike, the worst-ever unemployment rate, and so on.

On the other hand, the NPA proposed a new wage system to secure specialized personnel in the social welfare sector where it called for initial salaries for such personnel to be set higher than for other administrative employees.

To improve the overall wage system, the NPA (i) proposed setting up a wage allocation system which would better link wages to duties, individual abilities and performance, (ii) proposed varied wage treatments to facilitate the employment of specialists, and (iii) stressed the need for fundamental revisions to the current system of calculating wages.

The NPA has traditionally made recommendations to the Diet and Cabinet on the salaries of civil servants for the purpose of keeping a balance with salaries in the private sector. Its recommendations are based on surveys of salaries in the private sector which are conducted every April.

From School to Workplace: Changes in the Labor Market for New Graduates

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Japan Institute of Labour

1.0 An Increase in Unemployment among Young People

The unemployment rate in Japan has traditionally been low. In particular, among young people it has been significantly lower than in other developed countries. However, with the recent economic recession and the resulting increase in the unemployment rate to over four percent, unemployment among young people under age 29 has been gradually increasing.

One factor contributing to the increased unemployment rate among young people is the increase in voluntary unemployment. From 1992 to 1998, the number of young people who voluntarily left their workplace increased from 280,000 to 490,000, accounting for a large proportion of the total of unemployed youth.

A second factor underlying the increase in unemployment among young people is the high-level of non-regular employment, such as part-time work, in this group. Non-regular employees represent 18.4 percent of employed workers as a whole, whereas 32.6 percent of workers between the ages of 15 and 24 are non-regular employees. Because the unemployment rate of non-regular workers tends to be higher than for regular employees, the high proportion of young people who are non-regular workers tends to elevate their overall unemployment rate.

A third factor contributing to the increased unemployment rate among young people is the overall decline in labor demand, which has a negative effect on those due to graduate and seek employment. Also declining is the job attainment rate for recent graduates who were not employed while studying. In 1998, 150,000 new Japanese graduates failed to find a job and subsequently joined the unemployed.

New graduates account for a large share of new entries to the labor market. According to the Report on School Basic Surveys conducted by the Ministry of Education, Science, Sports and Culture (MESSC), the proportion of university and college students who graduated at the end of March and subsequently found employment increased in 1997 for the first time in six years. In 1998, however, the number of employed university graduates dropped to 65.6 percent, the lowest level in 48 years. Among high school graduates, 98.2 percent of those seeking employment found jobs in 1998, 0.3 percent lower than the previous year. Moreover, in March 1999, 92 percent of the newly graduated students seeking employment were successful in finding a job, a 1.3 percent drop from the previous year. For high school

graduates, the employment success rate was 93.6 percent (2.6% down from the previous year). This is the lowest level recorded for high school graduates since the statistic first became available in 1977.

2.0 Career Counseling for the Future at School

Although the employment rate among recent graduates from high schools and universities is declining, as discussed above, the employment rate for this group is still much higher than in other countries. In Japan, almost all students who graduate at the end of March are employed en masse on April 1. This unique phenomenon can be attributed to the prevailing customs of employers who regularly hire new graduates, and an underlying career guidance and placement system that connects educational institutions with enterprises.

2.1 Formulation of the Job Placement System

People searching for a job in Japan have several options: they may visit public employment security offices; answer job advertisements in papers, magazines, or other media; they may use personal connections; or be introduced to potential employees through their school or university. The former option, the public employment service, was set up under the Employment Placement Law in 1921.

In 1947, after World War II, the Ministry of Labour was founded and the Employment Security Law was enacted. This law established the job placement system as an administrative service for the general public. With the establishment of public employment security offices and other employment services, the government began to provide job placement free of charge, as well as requiring non-governmental enterprises to provide similar services under strict government supervision. In terms of general employment, the Japanese job placement system closely resembles the job placement systems of other countries. With respect to job searching by students, however, the Japanese system is unique: students are placed in jobs via their school.

2.2 Job Placement for Students

When the Employment Security Law was first enacted, schools were not permitted to serve as job mediators for their students. However, before World War II, large enterprises conducted recruitment examinations for students who had been recommended by their university, technical college or vocational school. As the public employment security offices created by the Employment Security Law did not actually get any job offers from enterprises for students, the law was revised in 1949 so that job placement of students about to graduate could be carried out by the public employment security offices in conjunction with schools. Later, schools, colleges and universities took over parts of the public employment security

duties. These educational institutions became responsible for collecting job offers from enterprises, collecting job applications from their students, introducing job-seekers to enterprises offering jobs, providing vocational guidance for their students, and so on.

This cooperative relationship between schools and employment security services has been categorized into three types by law: (1) where public employment security offices take the initiative (Article 25-2); (2) where the school, when necessary, takes responsibility for a part of the duties of the public employment security office (Article 25-3); and (3) where the school, as an independent job placement organization, mediates between the students and the enterprises offering employment (Article 33-2). In the second case, the office is generally responsible for the duties related to the job offers, and the school is responsible for the duties related to the job seekers. In the third case, where school heads (after formal notification to the Minister of Labour) carry out a job placement service for their students free of charge, the school is regarded as an independent job placement organization. However, this service must observe the principles and standards of the employment security law and be supervised by a local employment security office. In accordance with this, all universities have a free job placement service (Article 33-2). As high schools vary with respect to the careers their students pursue after graduation (to be employed, to engage in family business, or to go on to higher education, etc.) and the number of companies that have previously employed their graduates, each high school usually undertakes the job-hunting initiative for its own students. Only a minority of high schools follow the initiative of the employment security office, as specified in Article 25-2. Most junior high schools follow Article 25-2, but because in recent years only a small number of students have sought employment directly after graduating from junior high school, almost all the students involved found jobs through introductions from their schools.

The School Education Law, enacted and implemented in 1947, defines the way vocational counseling at school should be given. The law states that education at junior high and high schools should aim “to have students acquire the fundamental knowledge and skills required to work in society,” “to get them to make decisions as to their future course matched to their own personalities” and so on. At each school, the career counseling department is headed by the head career counselor, and includes teachers from each grade and subject. This department is responsible for giving advice on higher education and employment to the students.

2.3 Career Counseling in High Schools

In the Japanese university graduate labor market, the supply and demand for labor is adjusted via the job-seeking activities and unrestricted recruitment. Where high school

students are concerned, however, the recruitment activities of companies and the job seeking activities of students are regulated, the date for commencing recruitment activities is fixed, and schools play a substantial role in job placement. The following paragraphs examine the job placement system for Japanese high school students, as they represent the bulk of the new graduate labor force.

Career counseling in Japanese high schools begins immediately after students enter the school, and continues until all students who wish to be employed have been promised jobs. For first and second year students, the counseling is preparatory for the final year, when they actually take action. This preparatory counseling focuses on the events and activities that may help students to decide whether to go to university or to work, and aims to make the students aware of the occupational possibilities. For third year students, counseling is provided so that each student gains an idea of what work he or she wants to do by July 1, when the job offers from companies become formally available to students.

When students enter their third year of high school in April, they are immediately surveyed to find out whether they wish to go to university or to work. Those wanting to find a job are given guidance concerning preparation for work, the timing of job seeking activities, some criteria for choosing which company to approach, the way to examine the job order cards, and so on. Actual job offers become available on July 1, and by this stage the schools will have invited ex-students working at various companies to the high schools to talk about their companies and their own experience of recruiting activities. The high schools would also have given students a general overview of the type of jobs available from the previous year's offers, so that the students are able to decide what kind of company they wish to apply to. As direct contact between the high school students and the companies is forbidden, job order cards concerning vacancies are a crucial information source for both parties. Students first select three or four attractive companies from these job order cards, then reduce their choice to one. Almost all high schools adopt a one-on-one system that restricts each student to applying to one company. Competition between students wishing to apply for the same company determines to which company each student finally applies. This internal selection process is predominantly based on academic achievement. Eventually, many students apply to a company with a letter of recommendation from their schools, are promised a job by the company, and are employed by the company straight after graduation.

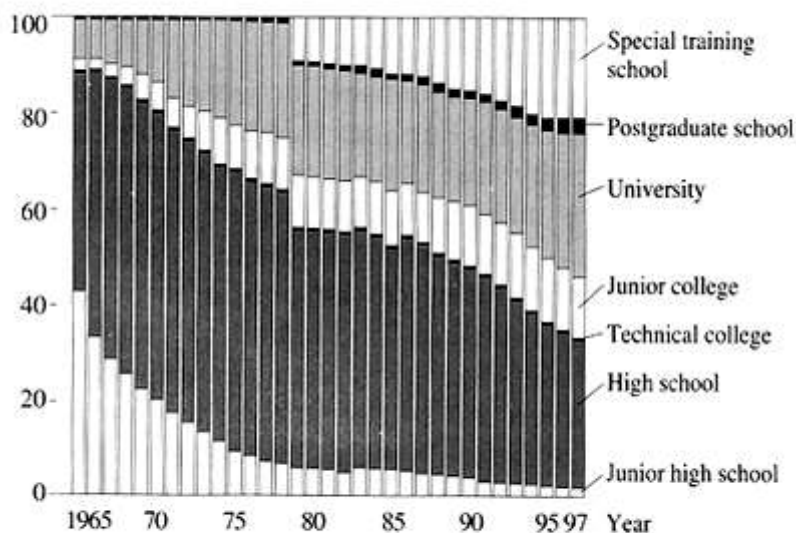
As previously noted, companies are required to hire high school students through their schools, and are forbidden to directly approach and ask students to apply for jobs in their company. They are obliged to submit a vacancy notice, approved by the public employment security office, to the office itself and to the high school.

3.0 Changes in the Labor Market for High School Graduates

As an economy grows and develops, the proportion of the labor force in each industry changes. Since World War II, the number of workers in primary industry has declined, but the number of workers in secondary and tertiary industries has increased. At the level of the individual worker, however, there has not been a movement of labor between industries. The decline in the number of workers in primary industry has resulted from an outflow of aged workers and a scanty inflow of new workers, whereas the increase observed in the other industries has resulted from a large inflow of new workers. With an increase in the number of students choosing to continue with higher education, many new graduates with a higher level of education are entering professional or technical occupations, and female graduates have contributed to the increase in the number of office workers.

The educational level of new-graduate workers has changed substantially. Junior high school graduates formed 63.6 percent of the new entries to the labor market in 1955, but in 1980, that figure had dropped to 5.5 percent. Over the same period, the proportion of high school graduates in the new labor market increased from 29.1 percent to 49.3 percent, and the proportion of university or junior college graduates increased from 7.2 percent to 34 percent. From the late 1960s to the 1970s, in particular, high school graduates accounted for half the new labor force (Figure 1).

Figure 1. Trends in the Educational Levels of Newly Graduated Employees



Note: Figures are unavailable before 1978 for graduates of special training schools. Thus, no trend can be given for the years before and after this date.

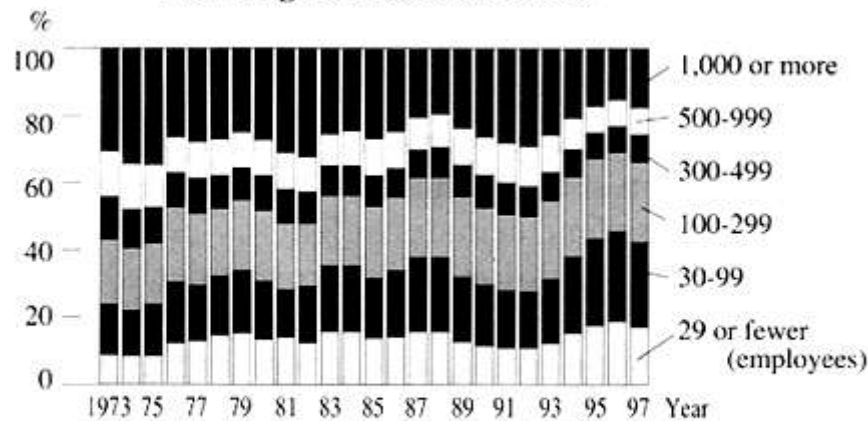
Source: *Gakko Kihon Chōsa* (Report on School Basic Surveys), Ministry of Education, Science, Sports and Culture.

Due to a recent drop in the birth rate, the proportion of young people in the population is declining. In 1992, there were 2.05 million people aged 18 years. In 1997, the number of people in this age group dropped by 370,000 to 1.68 million. The proportion of students going on to higher education has been continuously increasing, and the number of students entering university, junior college, or special training school immediately after graduation from high school increased from 47.3 percent in 1992 to 57.5 percent in 1997. Accordingly, the proportion of graduating high school students entering the workforce sharply declined to 23.5 percent (350,000) in 1997. At the same time, with the economy in a prolonged recession, the demand for new graduates has been wavering, and the demand for high school graduates in particular has dropped sharply. Still, the desire to go on to higher education is strong, and provided the student capacity of higher educational institutions remains the same, it is expected that both the proportion and the absolute number of high school graduates who start work after graduation will decrease further.

3.1 The Changing Nature of Job Offers

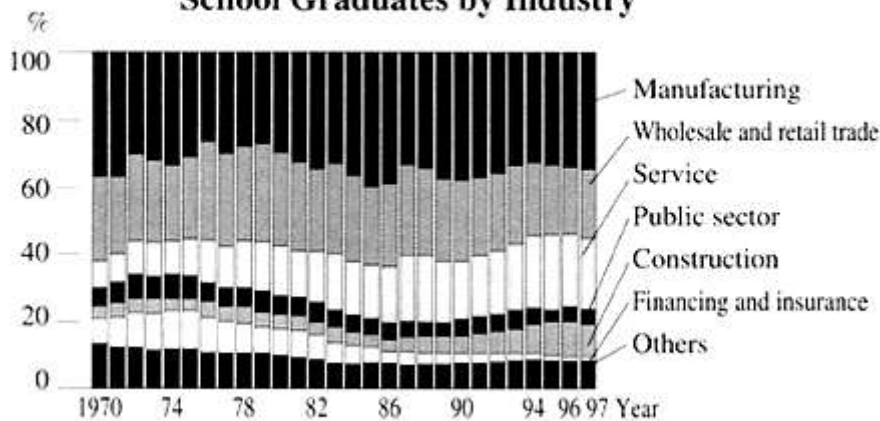
According to a report of the survey by the Japan Institute of Labour, the labor market for new high school graduates is not only shrinking in size but also changing in nature. The proportion of job offers from large-scale enterprises has decreased and job offers from small-sized enterprises has correspondingly increased. The large-scale enterprises that formerly hired many high school graduates have reduced their employment of this group, or have cut down their employee numbers by transferring manufacturing sectors abroad, deploying new employment management that uses more non-regular employees, or employing more university graduates, etc. In contrast, small-sized enterprises and service sectors that formerly hired only a few high school graduates, or were unable to recruit these new graduates, are tending to increase their employment of high school graduates. Accordingly, the proportion of job vacancies for clerical and engineering workers has decreased, whereas job vacancies for skilled workers, factory workers, and service sector workers have increased. In response to the change in the type of job offers, the actual jobs high school graduates are taking are more likely to involve manual labor, production work, and the service sectors, rather than jobs in large-scale enterprises, clerical work or engineering (Figures 2 and 3).

Figure 2. Comparative Size of Enterprises Taking on New High School Graduates



Source: *Shinki Gakusotsusha no Rōdō Shijō* (The Labor Market for New Graduates), Ministry of Labour.

Figure 3. Types of Enterprises Taking on New High School Graduates by Industry



Source: *Gakko Kihon Chōsa* (Report on School Basic Surveys), Ministry of Education, Science, Sports and Culture.

Occasionally, the total number of job order cards given to high schools does not reflect the decreasing number of job vacancies in the labor force. This occurs when enterprises give notice of the same vacancy to several schools. Such enterprises tend to hire new employees on the basis of their own selection examination, not on the arrangement high schools make beforehand. So, unlike the previously described traditional system, students with a recommendation from their high schools may in fact fail to obtain a position within a company, and may find themselves in an increasingly competitive situation.

3.2 The Changing Nature of Job Seekers

The number of high school students who want to find a job is decreasing, and the number of those who go on to special training school, junior college or university is increasing. The number of high school graduates who neither start work, nor go on to higher education

(“non-qualified” people), is also increasing in large cities. This can be attributed to a substantial increase in part-time employment in large-scale enterprises and an increase in non-regular employment in large cities.

Those students who wish to find employment directly after graduating from high school may end up enrolling in higher education because they failed job examinations, or failed to satisfy all the criteria necessary to obtain a school recommendation for a job. Increasingly, universities and colleges are decreasing the competitiveness of their student selection process, or accepting students solely on the basis of their high school recommendation. Thus, for some high school graduates, it is more difficult to find a job than to go on to higher education.

3.3 The Change in Career Counseling in High Schools

In previous years, care has been taken to ensure that enterprises specify a particular high school for notification of job vacancies within their company. In return, high schools have restricted the job applications of each student seeking employment to one company at a time, so that all students were promised a job by graduation. This system facilitated the mass employment of newly graduated high school students by forging a relationship of continuous job recruitment between a particular high school and a particular company, and made it possible for students to move smoothly from high schools into the workplace. The relationship between a particular high school and a particular company has been cited as a crucial factor influencing the low unemployment rate among young people in Japan.

However, now that the numbers of job openings and job-seeking students are sharply decreasing and changing in nature, the system itself is having difficulty in functioning in the traditional way. The high school recommendation system is decreasing in efficiency because some students refuse school counseling and go on to neither higher education nor work, and some companies prefer to use their own selection schemes rather than the current high school system. Subsequently, the continuous recruitment ties between schools and companies have become less common, especially since the mid-1990s. Some features which used to be associated with the traditional recruitment system and depended on the tie between a school and a company are no longer tightly linked to the system. For example, “internal selection based on marks and other performance at school,” “companies' acceptance of the school selection,” and “indirect school control of students' study and lifestyles” may no longer apply to the current job recruitment system. Consequently, schools are finding it more difficult to use “finding a better job later” as an incentive for students to behave themselves during school.

4.0 Future Career Counseling

Under the present employment system for high school graduates, most students take up a job immediately after graduation, but half of these employees change to a new job within five or six years. Job switching during the early stages of a career does not necessarily lead to employment instability; on the contrary, it has been noted that many employees actually settle down in their subsequent jobs. A similar job turnover has also been observed among university graduates. As Super (1957) points out in his vocational development theory, high school and university graduates are at a stage of occupational exploration, and may make their career decisions in the floundering or trial. In this sense, those who graduate from high school and do not opt for regular employment could also be seen as being in the process of vocational development. Even so, the rate of inflow of these young people to employment is low, causing their unemployment figures to rise. Moreover, students who could find employment, but choose instead to go on to higher education, constitute a deferred shift from school to work. The change in the nature of the labor market for high school graduates is a sign of a future change in the nature of the labor market for university graduates. How, then, should career counseling and job placement at school, particularly in high school, respond to this change?

The above cited report proposed three measures. First, it will be necessary to provide job-seeking students with fair opportunities. Because companies nowadays show a tendency to value their own criteria for recruitment, the system whereby one student applies for only one company is no longer appropriate, and job-seeking students should be allowed to submit more than one job application.

Secondly, in response to the increase in the new high school graduates failing to find employment, the public employment security offices should commit themselves more fully to supporting school graduates.

Thirdly, and most importantly, schools should furnish students with a more satisfactory learning experience by enriching the school curriculum, and conducting career counseling that enables students to make independent decisions. This is essential in schools that can no longer control students' study patterns and lifestyles by promises of a good job in the future. The current recruitment system for high school graduates is failing, and students are now often required to select their future careers on their own. Students' lack of appreciation of possible occupations is frequently cited as a problem related to career counseling, but development of student's occupational self-concept is precisely what career counseling should be aimed towards.

JIL News and Information

Conference Report: Japan/U.S./E.U. Joint Research on Labor Law Reform for the 21st Century

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University of Tsukuba

1. Introduction

On July 14 - 17, a conference was held at Arden House in New York for the Japan/U.S./E.U. Joint Research Project. This research project was founded in 1998 by Professor Tadashi Hanami, the Research Director General of the Japan Institute of Labour, and Professor Lance Liebman of Columbia Law School. Its purpose is to discuss and make proposals on labor law reform for developed countries in the 21st century, in light of the global and socio-economic changes surrounding industrialized countries. Distinguished labor law scholars from the United States, Germany, the United Kingdom and Japan are participating in this project.

The members of this project have already met and discussed important issues for the future of labor law. The first conference was held in July 1998 in Hakone, Japan. The discussion at this conference focused on the following topics: (1) globalization and labor law; (2) new production methods and changing patterns of employment; (3) mobility, women and the family; and (4) aging societies. All participants agreed that these areas are becoming increasingly important in most industrialized countries.

2. The New York Conference

The second conference in New York presented another opportunity for discussion among the research project members. This conference was co-sponsored by the Columbia Law School and the Japan Institute of Labour. Most of the participants at last year's meeting were present at this conference: Professors Manfred Weiss (University of Frankfurt, Germany), Bob Hepple (University of Cambridge, United Kingdom), Lance Liebman (Columbia University, United States), Matthew Finkin (University of Illinois, United States), Daniel Foote (University of Washington, United States), Mark Barenberg (Columbia University, United States), Tadashi Hanami (The Japan Institute of Labour, Japan), Kazuo Sugeno (University of Tokyo, Japan), Yasuo Suwa (Hosei University, Japan), Takashi Araki (University of Tokyo, Japan), Hideyuki Morito (Seikei University, Japan), and Ryuichi Yamakawa (University of Tsukuba, Japan).

In addition, several new participants joined the discussion: Professors Xavier Branc-Jouvan (University of Paris, France), Paul Weiler (Harvard University, United States),

Frank Upham (New York University, United States), Cynthia Estlund (Columbia University, United States), Sean Cooney (University of Melbourne, Australia) and Motohiro Morishima (Keio University, Japan).

3. Discussion at the New York Conference

(1) Reform of the American Collective Bargaining System

After an introductory session on the evening of July 14, the conference began on July 15 with Professor Paul Weiler's keynote address, "American Labor Law in the 21st Century." After examining the current situation for American workers, Professor Weiler confirmed the importance of collective bargaining, and made several impressive proposals for labor law reform. He pointed out the necessity to improve workers' access to union representation and emphasized the need for more effective reinstatement remedies during union representation election periods. However, he also proposed that certain regulations in the collective bargaining process should be relaxed. Specifically these changes centered on changing case law regarding the duty of employers to provide unions with relevant information, and the prohibition of employers from unilaterally changing working conditions before bargaining reaches an impasse.

Lively discussion followed Professor Weiler's proposals, and included a debate on whether prohibiting employers from unilaterally changing working conditions should be maintained as one of the essential components of the American collective bargaining system.

(2) The Workplace and Civil Society

Next, Professor Estlund gave a brilliant presentation on the relationship between freedom of expression and regulating sexual harassment in the workplace. After analyzing the role of the workplace in modern society, she concluded that the workplace is like an "intermediate" institution, such as the family or local community, and forms one of the important domains for public discourse. From this, she contended that freedom of expression must be protected in the workplace. She then turned to the issue of how freedom of expression can be reconciled with regulation of sexual harassment. She proposed that speech should not constitute sexual harassment unless, for example, the speech belongs to the unprotected categories, such as threats, sexual propositions, obscenities or defamation.

Professor Estlund's presentation stimulated heated discussion. One of the most interesting aspects of the discussion was whether it is appropriate to consider the workplace an intermediate institution, in view of the inequality and hierarchy of the workplace.

(3) Changes in Japanese Labor Law and Labor Market

For the third topic, Professor Yasuo Suwa presented a vivid report and analysis of recent trends in Japanese labor law, focusing on the amendments to labor legislation. In his presentation, Professor Suwa described the major aspects of the recent amendments, including changes to the Labour Standards Law, the Worker Dispatching Law, and the Employment Security Law, and the background behind these amendments. In addition to the effect that the “deregulation” drive has on these amendments, he also emphasized the effect of recent socio-economic changes in Japan, including the decline of lifetime employment, seniority-based wages, and enterprise unionism. Finally, he gave a possible agenda for future amendments to other labor laws.

The changes in Japanese labor laws reported by Professor Suwa drew much attention from other countries' participants. While some marveled at the changes in the evaluation of Japanese systems over the last decade, others questioned whether it is really necessary for Japan to continue with this drastic reform program.

Professor Motohiro Morishima also gave an excellent presentation on this topic, discussing the current situation in Japanese human resource management and industrial relations. Using recent data, he illustrated some significant changes in this area, and pointed out important issues for Japanese companies and unions, such as the procedural justice in employment management and the union's role in the resolution of individual labor disputes. Professor Morishima's views were shared by many of the conference participants, as their own countries are facing similar issues.

(4) Globalization and the ILO

With respect to globalization and labor law, Professor Sean Cooney of the University of Melbourne gave an insightful and well-researched proposal for reform of the ILO. Professor Cooney began with a re-evaluation of the ILO, pointing out three flaws in the present scheme of the ILO's activities. These flaws included “distorted representation” in light of the diverse labor market, “overtaxing procedures” for producing conventions and recommendations and reporting their implementation, and “inadequate monitoring” of ILO standard enforcement. Professor Cooney then presented a number of proposals for ILO reform. These reforms included a suggestion that more non-government organizations (NGOs) should be permitted to participate in the ILO procedure to reflect the diverse labor market.

Professor Cooney's proposals triggered an interesting exchange of opinions. One of the most debated points was whether it is feasible and desirable to include more NGOs in the ILO procedure, rather than maintaining the traditional tripartite approach.

4. Future Direction of the Project

To conclude, the conference participants discussed the future direction of the project. Each member submitted a follow-up report on the four major topics discussed in Japan during the previous year. Professors Hanami, Weiss and Liebman then proposed (and all participants agreed) that the results of the Japan/U.S./E.U. Joint Research Project should be presented at the 12th World Congress of the International Industrial Relations Association, to be held in Tokyo in 2000.

<Japan/U.S./E.U. Joint Research Project Information>

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IIRA 12th World Congress Information

Special Seminar

Labor Law Reform for the 21st Century: Responding to Globalization and Social Changes

—Japan/U.S./E.U. Joint Research—

Wednesday, May 31, 2000 14:30-17:30

Coordinators: Tadashi HANAMI, The Japan Institute of Labour, Japan

Lance LIEBMAN, Columbia University, USA

Bob HEPPLER, University of Cambridge, UK

Manfred WEISS, University of Frankfurt, Germany

Topic 1 Globalization and Labor Law

Speaker: Mark BARENBERG, Columbia University, USA
Commentator: Bob HEPPLER, University of Cambridge, UK

Topic 2 Work and Family

Speaker: Cynthia ESTLUND, Columbia University, USA
Commentator: Takashi ARAKI, University of Tokyo, Japan

Topic 3 Aging Society

Speaker: Lance LIEBMAN, Columbia University, USA
Commentator: Hideyuki MORITO, Seikei University, Japan

The IIRA 12th World Congress will be held in Tokyo, Japan, from May 29 - June 2, 2000. To take advantage of the special early registration rates that are available until December 15, 1999, anyone wishing to participate is encouraged to register soon. The registration and hotel booking forms are included in the Second Announcement brochure, which will be mailed upon request. The Organizing Committee encourages on-line registration, which is available at the following web site: <http://www.jil.go.jp/jil/iira12th>

Statistics Aspects

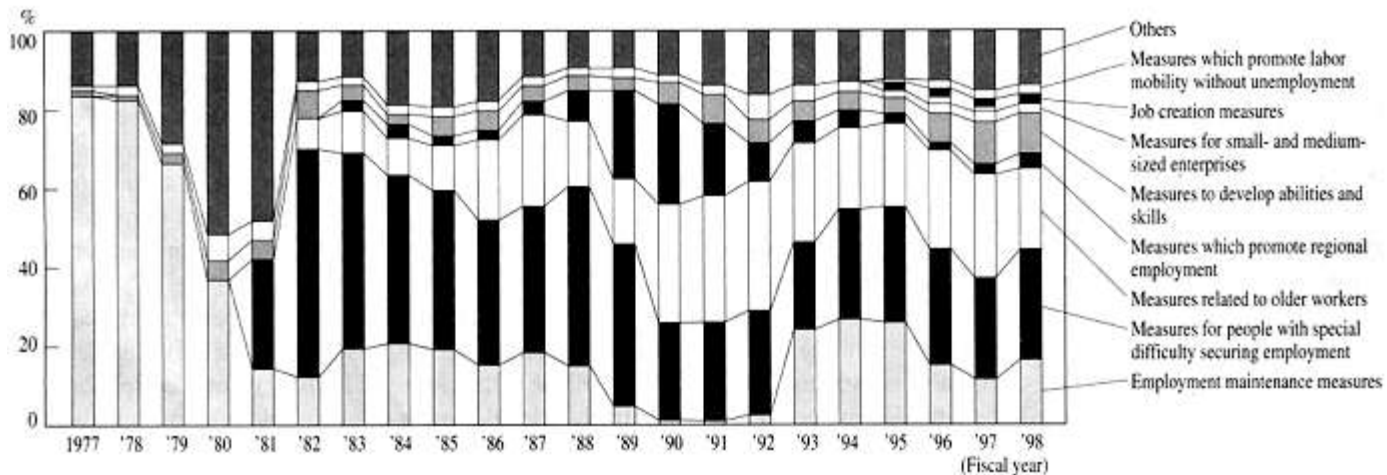
Recent Labor Economy Indices

	July 1999	June 1999	Change from previous year
Labor force	6,815 (10 thousand)	6,848 (10 thousand)	-32 (10 thousand)
Employed	6,497	6,519	-80
Employees	5,308	5,321	-63
Unemployed	319	329	49
Unemployment rate	4.7%	4.8%	0.8
Active opening rate	0.44	0.42	-0.04
Total hours worked	158.0 (hours)	159.1 (hours)	-1.3
Total wages of regular employees	(¥ thousand) 264.1	(¥ thousand) 265.0	-0.1

Note: * Denotes annual percent change.

Source: *Rōdōryōka Chōsa* (Labour Force Survey), Management and Coordination Agency; *Shokugyō Antei Gyōmu Tōkei* (Report on Employment Service), *Maitsuki Kinrō Tōkei* (Monthly Labour Survey), Ministry of Labour

The Percentage Distribution of Public Expenditure on Labor Market Programs: 1977-1998



Notes:

- (1) "Employment maintenance measures" refers to the government's subsidies for employment adjustment. These are granted to enterprises in designated industries in the form of partial payment of wages when such enterprises strive to maintain employment levels during a temporary suspension of business; when expenditures are made on the education and training of employees; or when employees are transferred to related companies.
- (2) "Measures for people with special difficulty in securing employment" are designed to increase employment opportunities for such people. In practice, this involves the payment of subsidies for employing such people. The subsidies are granted to enterprises to partially cover wages when the elderly, the disabled, the mentally disadvantaged, single-parent mothers and other similarly disadvantaged individuals are employed.
- (3) "Measures for labor mobility without unemployment" take the form of subsidies to enterprises which seek to avoid an increase in unemployment by transferring otherwise redundant workers to a different branch of the company or to an affiliated company when the downsizing of the employers' business activities becomes necessary. The subsidies are also granted to enterprises which hire such employees or arrange for the transfer of the employees involved in the reconstructing of business activities. Enterprises eligible for the subsidies must be officially recognized and designated as being in a sector characterized by poor business performance or as otherwise requiring employment adjustment.
- (4) "Measures for the elderly" are conceived as a means of increasing employment opportunities for the elderly and encouraging various modes of work suitable

Public Expenditure for Labor Market Programs in Japan 1977-1998

(Fiscal year)	(Unit: million yen)
1977	44,964
'78	63,450
'79	34,274
'80	16,717
'81	19,252
'82	69,003
'83	108,790
'84	136,914
'85	142,852
'86	159,958
'87	256,044
'88	401,199
'89	379,407
'90	268,917
'91	246,485
'92	248,942
'93	312,501
'94	408,210
'95	432,286
'96	354,926
'97	301,235
'98	330,882

for older employees.

- (5) “Measures for small- and medium-sized enterprises” are designed to improve the employment environment in such enterprises and to provide support for their recruiting activities.

Source: White Paper on Labour, 1998, Ministry of Labour