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## General Survey

### FY 1998 National Accounts

The Economic Planning Agency (EPA) recently submitted the Fiscal 1998 National Accounts to the Cabinet. The report shows that Japan's national income was ¥379.2 trillion in 1998, a fall of 3.3 percent compared with the previous fiscal year. This was the first drop since the compilation of the statistics commenced in 1955. The nominal gross domestic product (GDP) was ¥497.3 trillion, failing to reach ¥500 trillion for the first time in three years, with a growth rate of minus two percent. In real terms, corrected to remove the effect of price changes from nominal GDP, Japan's GDP declined in 1974, right after the first oil shock, and in 1997, whereas in nominal terms GDP rose in both years. This was the first time for both the real and the nominal GDP figures to fall. This is consistent with the fact that Japan's economic recession was accompanied by deflation.

Turning to individual components of the national income, the compensation of employees, which normally accounts for more than 70 percent of the national income, saw a drop of 1.6 percent over the previous year, the first such decline. Entrepreneurial income fell by 8.5 percent over the previous year. This was the second successive decline in this figure. The consolidated asset price of land and corporate shares declined by ¥99.5 trillion over the previous year. The accumulated decline in land prices since 1991 has been about ¥775 trillion; that in corporate shares about ¥589 trillion. These two figures combined are about 2.7 times the GDP.

Meanwhile, the Bank of Japan released the results of its Short-term Economic Survey of Enterprises in Japan (tankan1) for December. The results showed that the perception of business conditions among enterprises improved for the fourth time in succession. The diffusion index (DI) – a diagnostic index for business conditions which is calculated by subtracting the percentage of enterprises reporting an “unfavorable” outlook from the percentage of those reporting a “favorable” outlook – was minus 26 points for all surveyed enterprises, six points up from the previous survey in September (minus 32 points). By company size<sup>2</sup> and industry, the DI was minus 17 points for large manufacturing enterprises, and minus 19 points for large non-manufacturing enterprises, up five and four points respectively from September. The DI also saw an improvement for medium-sized manufacturing enterprises (up 7 points), medium-sized non-manufacturing enterprises (up 3 points), small manufacturing enterprises (up 8 points), and small non-manufacturing enterprises (up 3 points).

However, diagnostic indices concerning production capacity and employment levels indicate that many enterprises are still under pressure. These indices are calculated by subtracting the percentage of establishments claiming they had a “shortage of production capacity and labor” from the percentage of those answering that they possessed “excess production capacity and labor.” The values for these indices were 23 and 18 points respectively. The indices were up three and two points respectively from September. However, the improvement was still small in relation to the overall picture. In particular, a question in the December survey concerning the expected number of new graduates to be hired showed that the number of firms planning to hire fewer graduates than the previous year outnumbered those which planned to hire more. The index was minus 21.7 points for large enterprises, a minus 22.1 points for medium-sized enterprises, a minus 29.6 points for small enterprises, and a minus 23.8 points for all firms taken together.

Notes:

<sup>1</sup> *Tankan*: Short-term Economic Survey of Enterprises in Japan. This quarterly survey of businesses on their outlooks and actual performance in production sales and investment is compiled by the Research and Statistics Department. The results are culled from two surveys: the Short-term Economic Survey of All Enterprises and the Short-term Economic Survey of Principal Enterprises (which is a more detailed survey). The surveys are conducted in March, June, September and December. The results are released quarterly at the beginning of April, July, and October, and in mid-December.

<sup>2</sup> The criteria for each scale of enterprise are as follows:

Large enterprise: 1,000 employees and over

Medium-sized enterprises: 300-999 employees

(100-999 employees for wholesaling, 50-999 employees for retailing, service and leasing)

Small enterprises: 50-299 employees

(20-99 employees for wholesaling, 20-49 employees for retailing, service and leasing).

## Working Conditions and the Labor Market

### Summary of the Survey on Employment Trends

The Ministry of Labour conducts a survey on employment trends twice a year, one for the January-June period and the other for the July-December period. The survey allows the ministry to gauge the mobility of the labor force. Last year, about 14,000 enterprises with five or more regular employees (with an effective return rate of 83.4%) were surveyed. The survey was also administered to about 65,000 new employees and to about 60,000 people who had left their jobs during the first half of 1999.

The findings are that some 6.96 million people left or got jobs during the first half of 1999 (3.53 million new entries and about 3.43 million quits). This yielded a total turnover rate standing at 16.8 percent. That figure may be broken down into the new hiring rate at 8.5 percent, and the separation rate at 8.3 percent. All three figures were identical with those derived for the same period in 1998.

The hiring rate and the separation rate for regular employees stood at 7.1 percent (down from 7.4% in 1998) and 7.0 percent (down from 7.1%) respectively. The hiring rate for part-time workers was 15.2 percent (down from 15.5%) and the separation rate 14.5 percent (down from 15.6%). The separation rate for part-timers dropped for the first time in four years. The number of part-time workers was 17.4 percent of the number of regular employees, up from 14.2 percent for the same period in 1998.

The highest proportion of job leavers (64.1%) quit their job for personal reasons; 12.1 percent quit on the expiration of their contract; 11.1 percent owing to management's prerogatives; and 5.6 percent left to take responsibility for some action. Only 5.4 percent left because they had reached the mandatory retirement age. Compared with the same period in 1998, "expiration of contract" and management prerogatives were up 1.4 points and 1.9 points respectively. The rate of increase for the latter being the highest of all. On the other hand, the percentage leaving for personal reasons, mandatory retirement and to take responsibility declined 1.8 points, 1.0 points, and 0.2 points respectively.

Notes:

Definitions of terms:

- (1) People who have acquired a job are those who have been taken on as regular employees under new employment contracts during the survey period.
- (2) People who have left a job are those whose employment relationship was terminated during the survey period. This figure includes those who have moved to a company in the same group (including those have been transferred to a family company).
- (3) The hiring or separation rate

$$= \frac{\text{number of people who have joined (or left) companies}}{\text{number of regular employees as of January 1}} \times 100$$

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## 1999 Survey on Wage Increases

The Ministry of Labour has released findings of its 1999 Survey on Wage Increases. The

survey revealed a record number of enterprises did not increase wages during 1999. It also revealed that the average wage increase in both absolute and relevant terms was at a record low.

This annual survey has been conducted every year since 1969. It is designed to throw light on the pattern of wage increases in private enterprises (including those without labor unions). Information is gathered on the circumstances concerning wage increases, and on the effects of wage increases on management and on related matters. The survey covered private enterprises in mining, construction, manufacturing, electricity, gas, thermal supply, water, transportation, communication, wholesaling, retailing, food and drink establishments, financial services, real estate, and other services (excluding household services and foreign civil services). The sample was taken from firms with 30 or more regular employees in manufacturing, wholesaling, retailing and food and drink establishments, and firms with 100 or more regular employees in other industries. The final sample consisted of 3,174 enterprises and was drawn according to a stratified method according to industry and firm size. Surveys were returned by 2,079 firms (representing a 65.5% rate of return).

As for average wages during 1999, 76.8 percent of enterprises reported hikes, 3.8 percent cut wages and 14.3 percent did not change their wage rates (the highest proportion of firms in this category since this question was first incorporated in the survey in 1975). The average wage rose in 95.6 percent of businesses with 5,000 or more employees; in 90.1 percent of those with 1,000-4,999 employees; in 86.7 percent of those with 300-999 employees; and in 73.1 percent of those with 100-299 employees. The proportion of enterprises which gave no wage increase or took equivalent measures was 3.4 percent amongst firms with 5,000 or more employees; 4.7 percent amongst firms with 1,000-4,999 employees, 6.7 percent amongst firms with 300-999 employees, and 17.1 percent amongst firms with 100-299 employees. These figures suggest that the smaller firms have been under greater pressure to restrain wages.

The largest proportion of firms which implemented no wage increase or took equivalent measures and those which cut the average wage cited the deterioration of their own performance as the main reason (70.5% and 87.1% respectively).

The weighted average wage increase per worker at firms with 100 or more employees in 1999 stood at ¥4,591 (a 1.7% increase). Both the amount and the rate of increase were the lowest recorded during the survey history. Among those firms which had increased their wage rates during the survey period, the average increase was ¥5,565 (2.0%). At those firms which cut wages, the average cut was ¥13,644 (4.0%).

According to the final results of another survey on winter bonuses in 1999 (conducted by Nihon Keizai Shinbun, Inc. among 1,120 firms as of December 7, 1999), the average bonus payment (weighted average) per worker was ¥744,402, 3.45 percent down from the average recorded the previous year. The size of the drop was the largest since the survey commenced in 1975. However, the number of “winter-type” firms (firms where negotiations on the winter bonus payment were conducted separately from the bonus payment for the coming summer) increased by only 0.22 percent over the previous year. This suggests that the worst of the recession was perhaps passing. Partly reflecting a modest recovery in the economy, it seems that the outlook of many businesses has started to improve.

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### **Revision of National Holiday Law Increases Consecutive Holidays**

Due to the revision of the National Holiday Law, two national holidays have been transferred to the second Monday of their respective months beginning in 2000. The Coming-of-Age Day was moved from January 15 to the second Monday in January, and Health-Sports Day was moved from October 10 to the second Monday in October. This is the first time for Japan to have national holidays linked to a specific day of the week. These changes result in two three-day weekends occurring at workplaces, and is expected to result in increased expenditure on travel and leisure.

Japan has 14 national holidays a year, but so far there was only one three-day holiday related to a national holiday, from May 3 to 5. Because May 3 and 5 are national holidays, the 4th was also a holiday by law. Taken together with these holidays, another national holiday on April 29 can be combined with a weekend at the end of April or the beginning of May to make a nice long holiday in most years. This is the so-called “Golden-Week” and is one of the peak seasons for travel, along with the Bon-Festival period (in mid-August) and the New-Year period at the beginning of each year.

This past New-Year period, however, quite a few people gave up travelling and worked on account of the likelihood that there might be a possible Y2K problem. Partly because of this, many people flew abroad or went skiing during the new three-day holiday between January 8 and 10. As a result planes and trains were full on January 10.

## Large Electricity Firms Extend Employment to 65

Labor unions and management at major electricity firms will soon move to gradually extend the employment of their employees from age 60 to 65. They negotiated the details and reached a final agreement in February.

The extension of employment involves more than just the extension of the mandatory retirement age. It includes retention of the job contract whereby the worker is re-employed after reaching his mandatory retirement age and receives the relevant allowances. In Japan, the legal mandatory retirement age has been 60 years of age or over since April 1998, and the majority of enterprises have set it at 60. Although some enterprises have been introducing a scheme to re-employ their retired employees, the continuation of employment up to age 65 is not yet very common. At the same time, the tight financial situation has resulted in a decision to commence payment of the basic benefit from the Employees' Pension Plan, a public pension for salaried employees, from 61 in 2001 (up from age 60 at the present) and then to gradually raise that age to 65 by 2013. Another bill submitted to the Diet calls for the starting age for the payment of the other major component of the pensions, which is linked to contributions, to be raised also from 60 to 61 by 2013 and then gradually to 65 by 2025. These revisions have highlighted the employment of people in their early 60s as a social issue.

Given these circumstances, Denki Rengo (Japanese Electrical, Electronic and Information Union [JEIU]), which consists of labor unions of 17 enterprises in electric manufacturing, has since the 1998 spring offensive called for employment to be extended. Negotiations between labor and management started with the union's demand for the mandatory retirement age to be raised. This was rejected by management, and negotiations came to a standstill. The union then toned down its demand, asking management to extend employment following final payment of retirement allowances once workers had reached the mandatory retirement age. It also called for management to (1) guarantee the employment of all workers aged 60 or over who wished to continue working, (2) promise that such employment would be as secure and with the same rights to unionization as was the case for employees aged under 60, and (3) to link the extended age limit to the age when the payment of pensions would begin. Negotiations on the extension of employment at Matsushita Electric Industrial Co., Ltd. were concluded in May 1999, and those at Sanyo Electric Co., Ltd. were concluded the next month. The negotiations resulted in settlement this spring before the *shunto* at 10 or more firms (including Toshiba Corp., Hitachi Ltd., Mitsubishi Electric Corp., Fujitsu Ltd., and NEC Corp.).

The electrical manufacturing industry is the first industry in which a majority of member firms are going ahead with employment extension. The issue is also a major concern for labor

unions in other industries, and it will be interesting to see how the unions handle this matter in the 2000 spring offensive.

The agreements on employment extension in Japan's large electric firms varied. At Matsushita, workers aged 58 will be asked whether they wish to extend their employment, and may receive wages without cuts. At Sanyo wage levels will fall after workers reach 55. Fuji Electric Co., Ltd. will gradually extend the mandatory retirement age to 65. Fujitsu will not set an age limit for extended employment even after a worker reaches 65, but has announced that it will not re-hire all workers who have reached 65 (the retirement age) and wish to stay on at the company. Rather, it will offer one-year employment contracts only to those who "are needed by the firm."

The Ministry of Labour is planning to submit a bill to the Diet that encourages firms to continue to employ workers up to the age of 65. The bill calls for subsidies to be paid to firms which have extended their retirement age to 61 or over.

## Labor Management Relations

### Unionization Rate at a Record Low of 22.2 Percent

The Ministry of Labour conducts its Basic Survey on Trade Unions each year, gathering information on all labor unions as of June 30. The survey is designed to ascertain the current state of the union movement in terms of its membership by industry, company size, major organizational affiliation, and so on. According to the 1999 Survey, there were 11.825 million union members, 268,000 (2.2%) fewer than on June 30, 1998. This was the fifth successive annual decline in union membership. The estimated unionization rate was 22.2 percent, down from 22.4 percent the year before.

Trends in union membership by industry showed that membership dropped in all sectors. The declines were particularly sharp in agriculture, forestry, and fisheries (down by 1,000 members or 5.6 percentage points); in financing, insurance, and real estate (down by 43,000 members or 4.3 percentage points); in manufacturing (down by about 111,000 or 3.0 percentage points); and in wholesale, retailing, and food and drink establishments (down about 34,000 members or 3.0 percentage points).

In terms of company size, membership declined in every group compared with the previous year. A particularly sharp drop was seen in companies with 30-99 employees (down 3.6 percentage points). This was followed by companies with 100-299 employees (down by 3.5



percentage points), those with 1,000 or more employees (down 3.0 percentage points), and those with 300-999 or with fewer than 30 employees (down by 2.3 percentage points).

Meanwhile, union membership among part-time workers edged up by 1.7 percentage points to 244,000. Part-time employees now account for 2.1 percent of union membership, up 0.1 percentage point from the previous year.

In terms of the peak organizations, 63.3 percent of union members were affiliated with Rengo (Japanese Trade Union Confederation); nine percent with Zenroren (National Confederation of Trade Unions); and 2.3 percent with Zenrokyo (National Trade Union Council). The proportion of members belonging to other bodies was 21.8 percent. “Neutral” labor unions which did not belong to any larger union associations accounted for 8.8 percent of all union members (Some members belonged to two or more unions, hence the sum of the percentages given is 105.2%, exceeding 100%).

## Special Topic

### Youth Employment and Parasite Singles

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#### 1. Increasingly Serious Youth Employment Situation

The employment situation of Japanese young people has been influenced by a major change in the unemployment rate among this age group since the latter half of the 1990s. The unemployment rate for males under 25 years old has stayed around 10 percent for several consecutive months. The Japanese unemployment rate has now overtaken that of the U.S., particularly for people in their 20s. Despite this, the deterioration of the employment situation for young people is not viewed as such a serious social problem for the Japanese compared with concerns about the difficulty middle-aged people have in finding jobs. This perception is partly attributable to the fact that high unemployment among young people in Japan is not linked to crime rates; although some researchers, such as Ohtake and Okamura (2000) claim that even in Japan, the crime rate is closely correlated to demand and supply trends in the labor market. It is therefore possible that unemployment among young people could turn Japan into a crime-ridden society.

At present, job insecurity among middle-aged and elderly people is taken more seriously than among young people. In particular, it is believed that company-restructuring measures have resulted in massive job losses among middle-aged and elderly white-collar workers. In line with this perceived crisis, in 1999 the Ministry of Labour decided to launch emergency measures to create employment opportunities for such people (see Appendix, page 11).

We should, however, question whether the employment situation among middle-aged and elderly people is in fact deteriorating as much as is claimed by the media. According to the Report on the Special Survey of Labour Force Survey in February 1999 (Statistics Bureau, Management and Coordination Agency), only 40,000 people who were unemployed but had previously been employed, had a university-level education and were aged between 45 and 54. This figure accounts for a little more than one percent of the total number of three million unemployed people. Large proportions of the increased numbers of the unemployed are, in fact, young people and people aged 65 and older. The unemployment situation for the middle-aged and elderly, as a group, has therefore not worsened to the degree claimed by the media.

Why, then, is unemployment among young people not treated as seriously as it is for older workers? The answer is because it is widely believed that many young people are voluntarily unemployed. Moreover, many young people give up their jobs after going through the ultra “ice age” of the labor market for new graduates: 70 percent of junior high school graduates, 50 percent of high school graduates, and 30 percent of university graduates give up their first job within three years. The concept of lifetime employment – working for one particular company from school graduation until retirement – means nothing at all to many young people nowadays. Faced with the growing tendency to switch jobs among young people, it is no wonder that middle-aged and elderly people, overshadowed by job insecurity, should consider it a waste!

What is behind the increase in job-quitting among young people? Many arguments, focusing on the outlook and upbringing of the current generation, state that values and attitudes toward work have changed and that young people have come to lack persistence in “keeping working.” They also attribute it to the fact that as households have fewer children, it makes it easier for children to stay longer with, and depend financially on, their parents.

The phenomenon known as “parasite singles” has been drawing public attention in Japan to the link between rising unemployment and job-switching among younger people.

## 2. Who are Parasite Singles?

Who, exactly, are “parasite singles?” In a book entitled *Days of the Parasite Single* (Yamada, 1999), sociologist Masahiro Yamada (associate professor at Tokyo Gakugei University) defines “parasite singles” as “unmarried people who live with their parents even after graduation from university, and depend on their parents concerning basic living necessities.” According to Yamada's calculations, based on figures from the national census, unmarried people aged 20-34 who live with their parents, the so-called parasite singles, total no less than 10 million. The number of such single people is most probably increasing across the country. Unwilling to lower their living standards by marrying, or living independently from their parents, these parasite singles prefer the higher living standard achieved by continuing to live in their parents' home. Accordingly, the increase in the numbers of parasite singles results in rapidly growing numbers of late marriages and couples with fewer children.

International comparisons show Japan has the highest ratio of single young adults living at home with their parents. Where main sources of financial support in the advanced countries are concerned, post-adolescent young people in Sweden depend on the government, while their counterparts in the U.S. depend on no one in particular. In Japan's case, classified as unique, young people continue to rely on their parents.

The emergence of such parasite singles can be partly explained by social and cultural factors unique to Japan, and partly by political and economic factors. Among the former, the most influential is the strong bond between parents and children. This usually implies the tendency of parents “who do everything for their children,” to also undervalue independence in childhood training. As for the latter factors, the structure of the lifetime employment system, and employment practices such as the seniority wage system, which favor middle-aged and elderly people, as well as social security schemes that treat elderly people generously, seem to affect the creation of parasite singles.

The emergence of parasite singles can be seen as casting a shadow over the Japanese labor market for young people as well. Since parasite singles do not face financial difficulties, they do not look for jobs with high wages, treating work as something akin to a “hobby.” Because of this attitude, if they find their job uncongenial, they immediately give it up. The resulting unemployment of young people is a “luxury unemployment” that does not involve real financial necessity. To them, work is a discretionary pastime, or a means of earning pocket money.

Despite the rise in unemployment among young people and the decrease in job training for young regular employees within firms, neither has become a serious social problem.

Yamada considers that this is attributable to the emergence of parasite singles.

### **3. Change in Employment Structure**

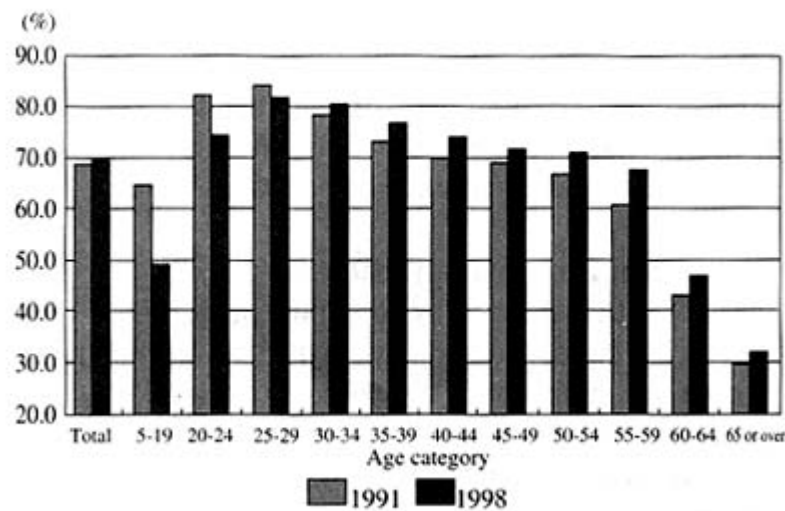
It is true that the expression “parasite singles” quite accurately describes many of the changes in the situation affecting young Japanese. Above all, the term symbolizes many aspects of the circumstances of young women in urban areas.

The effects on the labor market of parasite singles can be understood from the viewpoint of economics, as a change in the outlook or behavior of young people as suppliers of labor, or as a kind of “supply-side shock.” The view that many cases of unemployment and job-switching are voluntary, due to young people's unwillingness to work, is in line with the parasite singles theory. Although convincing economic-statistical analysis is not available, it seems likely that a long-term rise in the unemployment rate may be more or less affected by changes in the outlook of workers and family surroundings.

Is it, however, actually possible to explain the rapidly deteriorating employment of young people since the latter half of the 1990s in terms of the change in labor supply? Outlook and family surroundings do not change in such a short time. Is it not more important to consider the role of a rapid change in labor demand, together with the substantial decline in the economy?

Let us look at changes in the employment structure in the 1990s from a different viewpoint of trends in unemployment. Figure 1 shows the ratios by age, of regular employees in the labor force. While employment patterns are said to have diversified, the ratio of regular employees to the total labor force rose, although slightly, from 1991 to 1998. In terms of age groups, however, the ratio for workers under 30 has fallen. Regular employees make up less than half of the teenage labor force, while the ratio of regular employees for people aged 20-24 has declined by nearly seven percent. On the other hand, all age groups of 30 or older saw an increase in the ratio. In particular, the ratio for people aged 55-59 increased by seven percent.

**Figure 1. Ratios of Regular Employees Relative to Labor Force**



**Source:** Annual Report on the Labor Force Survey, Statistics Bureau, Management and Coordination Agency, 1998.

Of course, it is possible to construe these changes as signs that the younger generation tends to refuse regular employment. However, would it not be more natural to think that, after all, a drop in labor demand deprives young people of opportunities for regular employment? Incidentally, “regular employees” are defined as “corporate executives” and “workers whose contract is for at least one year or for an unspecified term.” I cannot think of any reason why the younger generation should show a stronger preference for employment opportunities with limited contract terms (unless salaries from temporary jobs or day work have substantially risen compared with those from regular employment). Do not most people, regardless of age, naturally wish to avoid a new investment in job-searching after termination of the previous job contract?

There is one indication pointing to a change in labor demand: namely, trends in the ratio of newly graduated workers taken on by large companies. This ratio is a barometer of how willing large companies – employers who generally offer higher wages – are to hire new employees. The tendency for large companies to engage the younger generation is weaker. Compared with the rate for the generation born in the latter half of the 1950s, that for the generation of teenagers in the first half of the 1980s is lower by more than 10 percent. The rate for people aged 20-24 exceeded 20 percent for a lengthy time, but it now has fallen far behind the rate for the generation born in the first half of the 1970s. These trends imply that the employment situation for young people has been deteriorating due to a substantial drop in labor demand from large companies.

There have been some cases where a temporary business recession has tended to cause a reduction in youth employment. However, the current decline in employment opportunities for young people is becoming more serious. It cannot be regarded as a temporary phenomenon and is becoming a long-term structural problem. Such a structural change is attributable to the aging of the labor force and the vested rights of middle-aged and older workers in the labor market.

#### 4. Displaced Youth

Japanese companies, particularly large ones, are seeing a rapid aging of their employees. The ratio of employees 45 years old or over among full-time males at firms with 1,000 or more employees soared from 22 percent in 1979 to 36 percent in 1998. The creation of a demographic structure clustered on elderly people within firms is the result of demographic and economic factors. Broad demographic shifts have seen aging of the population and a shrinking of the birth rate. Further, members of the baby-boomer generation, employed *en masse* during the economic boom years, are now over 50 years old. Finally, after the oil shock, employment of the succeeding generations was curbed.

Undoubtedly, progressive aging in firms has caused employment insecurity among middle-aged and elderly workers. Reflecting an increasing feeling of excess, the wage structure of middle-aged and elderly workers shows signs of change. Wages for university graduates of middle-age or older workers are perceptibly decreasing, relative to those paid to young university graduates, or middle-age or older high-school graduates (Genda, 1998). It is also noticeable that there is a widening of wage differentials among such workers at large companies.

However, the excess of middle-aged and elderly workers leads to strong restraints on employment of young people, particularly those who have just graduated, rather than to any substantial reduction in employment of their seniors. The loss of employment opportunities for young people at the expense of maintaining employment of middle-aged and elderly workers can be called a “displacement effect” between middle-aged and elderly people on the one hand, and young people on the other. An analysis of actual figures also reveals a displacement effect. It shows that a large company with a high ratio of employees 45 or older tends to reduce the number of job-openings for new graduates and does, in fact, place curbs on new hiring (for details, Genda, 1999).

Behind this displacement effect lies certain outstanding characteristics of employment practices in Japanese firms and the Japanese labor market.

Although seniority is gradually losing its importance in Japanese firms, in large firms in particular, it continues to play a major role in determining wages. While the seniority wage system is maintained, the further aging of employees will result in a substantial rise in labor costs.

While employment adjustment of middle-aged and elderly employees avoids the rise in labor costs, it involves many other costs to firms as well. Dismissal of employees makes it impossible to recover the large outlay on human resource investment via on-the-job training. Thus, even if business performance is deteriorating, the more a firm values training and education of its human resources, the more it makes efforts to avoid employment adjustment. Moreover, even if a firm is obliged to resort to labor shedding, it has to do so under legally strict conditions\*. *OECD Employment Outlook 1999* cites Japan as one of the countries with the strictest regulations on dismissal (OECD, 1999, p. 58). The “reputation effect,” or the fear that employment adjustment on a large scale might lower their social reputation, and complicate future employment of a competent labor force, is a constraint on Japanese firms. Consequently, it is rational for firms, from an economic common-sense view, to keep already-hired workers in their jobs, in spite of soaring labor costs.

A remaining possible means of realizing an optimal level of employment during poor business performance is employment adjustment, by means of enhancing labor mobility between firms, including transfers and farming-out of employees. Until the mid-1990s, copious demands for labor from small- and medium-sized firms enabled large firms with excess labor to adjust employment levels by promoting the transfer of workers to such smaller firms. The recession of the late 1990s, however, unlike those preceding it, has substantially reduced labor demand, even from small- and medium-sized firms. Consequently, in order to cut down the employment level, large firms have no choice but to hold back employment of young people.

However, scarcity of job openings for young people due to these reasons does not necessarily lead to an immediate fall in employment levels. As any standard textbook of economics states, even when the demand falls, if the price is flexible enough for the change in demand, then a certain level of supply is secured. The labor market for Japan's young people is, however, far from that kind of ideal. In fact, when labor supply and demand are close, that is, during a seller's market period, a certain degree of wage adjustment is observed, such as a rise in the initial salary for newly-hired employees. In contrast, when supply diverges widely from demand, that is, during a buyer's market period, a downward adjustment of wages is not seen (Ishikawa, 1991, Chapter 6). As a result, in response to excess labor supply, quantitative adjustment alone is deployed, not wage adjustment – a typical situation described by

Keynesian economics.

What is different from Keynesian economics is that although the current situation where young people are concerned is involuntary, society as a whole, and the young people themselves, see it as voluntary. Middle-aged and elderly people, who constitute a majority in society, are tacitly aware that their employment is secured eventually at the expense of young people. Hence, they do not emphasize youth unemployment that is not actually the fault of young people. Additionally, young people are not sufficiently aware that opportunities for human resource development via on-the-job-training and long-term employment are far fewer now than they were for young people in the past (i.e., the present middle-aged and elderly generations). Alternatively, they may become resigned and avoid thinking altogether. In such a situation, the employment environment for young people is undoubtedly deteriorating.

The change in the labor market for young people is not caused by their becoming “parasites.”

#### **(The Relationship between Youth Employment and Parasite Singles: One)**

The emergence of parasite singles among young people is not a cause, but rather a consequence, of the rise in the unemployment rate for young people and other changes in the environment. The fall in youth employment is brought about, not by a change in labor supply, but by a substantial decline in labor demand.

The problem lies in the fact that employment opportunities such as those at large firms – which generally offer higher wages, implicitly promise a long-term job, and enable individual workers to develop their abilities through on-the-job-training – are no longer offered to young people as a matter of course. The declining chances of coming across a job to which they can commit themselves, undermines the commitment of young workers to the job in which they are currently engaged, and results in a rash of unemployment and job-switching.

#### **(The Relationship between Youth Employment and Parasite Singles: Two)**

The decline in employment opportunities for young people and the rise in the unemployment rate cannot be solely explained by a frivolous outlook on work: not all unemployment among young people is of the “luxury” kind.

### **5. Vested Rights**

The following passage is found in *Days of the Parasite Single* (p. 188): “Parasite singles have what might be called vested rights. They depend on such vested rights as affluent parents, and are unwilling to give them up. Clinging to the rights, they keep dreaming of

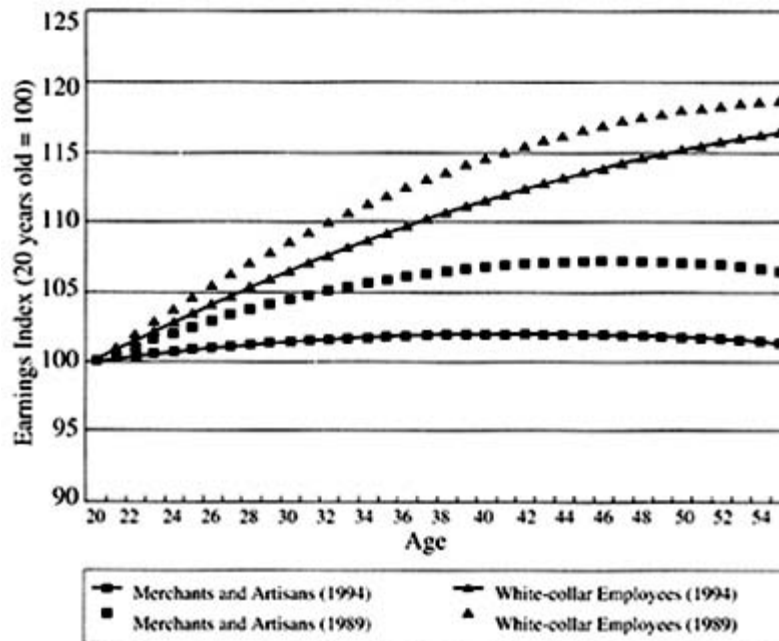


something more somewhere.”

A characteristic of parasite singles is to live with their parents and exercise the right to depend on them financially for a long time. Hence, the term cannot be applied to poor children who choose to live together with their poor parents because they are not so affluent and wish to save living costs; the existence of rich parents is a prerequisite for children to exercise this right. In Japan, whether or not parents are rich is assessed by the amount of their assets; as well as, of course, the level of their earnings. Where the latter is concerned, various socio-economic systems interact with one another to safeguard vested rights of middle-aged and elderly workers.

Among wage determinants of middle-aged and elderly employed workers, the factors based on seniority have been changing only gradually, as is obvious if one compares the age-earnings profile of the employed with that of the self-employed. Figure 2 shows the results of estimations for age-earning profiles of self-employed merchants and artisans, and of white-collar employees in nonpublic sectors (Genda and Kambayashi, 1999). In Japan, the earning profiles of the self-employed, as well as those of the employed are based on seniority. Reflecting the accumulation of experience, business incomes increase according to age, up to around 50. However, from 1989 to 1994, as an effect of changes in the market environment, growth in the seniority component of earnings among the self-employed underwent a severe slowdown. On the other hand, seniority wages of employed workers, protected by various schemes within their firms, are not so badly affected. The seniority wage system has not yet, as widely believed, been eliminated.

**Figure 2. Changes in the Age-Earnings Profiles  
 Merchants and Artisans & Non-public  
 White-collar Employees**



Source: Genda and Kambayashi (1999).

The reality is that the mechanism of long-term employment called “lifetime employment” is gaining ground among middle-aged and elderly people. Statistics prove this claim. They show that the average tenure of middle-aged and elderly workers within the same firms is becoming longer. The proportion of life-time employees in their 50s – employees who have continued to work for the firm they joined immediately after graduation from university – increased from the 1980s through the early 1990s (Chuma, 1997). The government also aims at extending the mandatory retirement age up to 65 as a measure for employment of the elderly (see Appendix, p. 11). Moreover, when the Japanese baby-boomers – people born between 1947 and 1949 – reach the mandatory retirement age, there will be a stronger call for the extension of the age limit and also for the abolition of the limit itself. If such alterations are actually made, with other schemes left untouched, then the displacement effect of middle-aged and elderly people in respect to young people will be strengthened still further. In other words, reinforcement of the vested rights that guarantee the employment of the older generation has the incidental effect of depriving young people of employment opportunities.

Concerning social security schemes, tax exemptions for income and health insurance are applied only to those with dependants. With regard to the Doctrine of Abusive Dismissal concerning adjustment dismissal, no one has ever cited even the possibility of reconsidering

the current situation (Araki, 1997).

Judging from these factors, one may conclude that the vested rights of Japan's middle-aged and elderly workers are protected, not by the labor unions, as are their European counterparts, but by combined elements of various social and economic systems.

### **(The Relationship between Youth Employment and Parasite Singles: Three)**

The truth is not that parasite singles enjoy vested rights as handouts from their parents, but that young people “scrounge” the vested rights that society affords the older generations.

There is little opposition to such vested rights given to middle-aged and elderly people; if anything, present-day Japanese society is heading towards maintaining the status quo, or even encouraging the tendency.

## **6. Future of the Labor Market for Young People**

Nowadays, surveys on how Japanese youth view the future report such pessimistic responses as: “Japan will become worse in future,” or “the living standard of the Japanese will get steadily worse and worse.” Such “resignation,” without any hope for the future, is a deeply-rooted feeling among young people. What makes them so apathetic?

A young person will become middle-aged some day, then elderly. In the past, young people were able to hope that, even if they were having a difficult time, they would be rich in the future, providing that they were patient. However, revisions of the systems and practices have been postponed due to the costs involved in various ways, leaving the situation for present-day middle-aged and elderly people as it is. This creates a growing atmosphere suggesting that any revisions involving tough measures will affect the middle-aged and elderly people of the future – that is, the youth of today.

Under these circumstances, how can young people hope for the future? If there is an increasing tendency among young people to be parasites on their parents, then that is not due to their spiritual problems, such as a decline in self-reliance or in willingness to work, but to social and economic structures that preserve and reinforce the vested rights of the middle-aged and elderly people of today.

In order to improve the working environment in Japan and bring about a rise in productivity, it is necessary to discard the vested rights so generously given to the older generations. In order to pursue efficiency and fairness in the labor market, it is important to

build up a structure that provides people, regardless of age, with fair opportunities for employment, career development and education.

Among the vested rights of middle-aged and elderly people to be reviewed, outstanding issues include revision of the legal criteria relating to dismissals, promotion of wage readjustment for middle-aged and elderly workers (at least, the avoidance of measures, such as subsidies, that effectively hinder readjustment), and reform of social security policies, which, at present, provide middle-aged and elderly people with disproportionately generous treatment. The Obuchi Cabinet describes discussion on the reform of education as the most important task at present. In order to make this meaningful, it is essential first to correctly understand the effects of the presence of middle-aged and elderly people in employment among the younger generation. Among the vested rights of middle-aged and elderly people to be reviewed, outstanding issues include revision of the legal criteria relating to dismissals, promotion of wage readjustment for middle-aged and elderly workers (at least, the avoidance of measures, such as subsidies, that effectively hinder readjustment), and reform of social security policies, which, at present, provide middle-aged and elderly people with disproportionately generous treatment. The Obuchi Cabinet describes discussion on the reform of education as the most important task at present. In order to make this meaningful, it is essential first to correctly understand the effects of the presence of middle-aged and elderly people in employment among the younger generation.

Notes:

\*The Doctrine of Abusive Dismissal – case laws concerning the right of firms to dismiss, especially in cases of adjustment dismissal require firms to satisfy the following four requirements when they carry out dismissals: (1) they should face a compelling and unavoidable necessity to carry out the dismissals; (2) they should have made every effort to avoid the dismissals by, for example, reducing overtime work, suspension of mid-career hirings, transfers, farming-out of workers to related companies, suspension of new school graduates, terminating employment of temporary and part-time workers, and soliciting early retirements; (3) they should consult with the union and employees for dismissals, and (4) they should establish reasonable standards and apply them fairly when selecting the persons to be dismissed.

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#### **Appendix:**

**Promoting the Employment of Older Persons by Ministry of Labour:** The employment policy for middle-aged and older workers by the government can be summarized as follows:

- I. Forming a national consensus on employees working through the age of 65
- II. Promotion of employment up to age 65
- III. Promoting employment in various forms
- IV. Assistance for those presently in work to prepare for employment in old age
- V. Developing occupational abilities adapted to the aging work force

**Grants for Employment Development for Specified Job Applicants:** Grants for Employment Development for Specified Job Applicants: are paid to employers hiring, through an introduction from Public Employment Security Offices, older people who have difficulty in finding work. Furthermore, in FY1999, Public Employment Security Offices, in cooperation with local economic organizations, began providing support programs to enlighten the aged and employers.

Employment conditions remain harsh under the present economy and it is becoming increasingly difficult for enterprises to maintain existing levels of employment. It is particularly difficult for middle-aged and older workers to gain re-employment once they leave their jobs.

To cope with these problems, a temporary program was initiated for the period from January to September 1999, by which employers could receive subsidies that covered a portion of the wages and the costs of vocational training when they employed middle-aged or

older workers (aged: 45 to 59) under difficult employment conditions, provided that such workers were not unemployed.

**Grants Provided to Employers Who Contribute to Labor Mobility and the Employment of Middle-aged and Older Workers:** When employers accept middle-aged or older workers (aged: 45-59) from designated enterprises by transfer or re-employment, this program covers one-third of the costs of these activities (one-half for smaller enterprises).

**Grants Provided to Employers Concerning Skill Development for Labor Mobility of Middle-aged or Older Workers:** When employers provide vocational training for middle-aged and older workers to gain necessary knowledge and skills for new jobs, this program covers two-thirds of the wages during that vocational training as well as the costs of such training (three-quarters for small enterprises).

Source: Ministry of Labour Home Page  
<<http://www.mol.go.jp/English/outline/06-1.htm>>.

## JIL News and Information

### **Workshop on International Migration and the Labour Market in Asia Chairpersons' Summary Tokyo, Japan, 26th-28th January 2000**

Against the background of increasing international migration in East and South-East Asia, there exists an urgent need to understand migration trends and their impacts and to establish the foundations for orderly migration flows. Since 1995, “the Workshop on International Migration and Labour Market in Asia” has been organized annually by the Japan Institute of Labour (JIL) with the support of the Government of Japan, the OECD and the ILO, in order to discuss and exchange views and information on current international labor migration issues. This year, from January 26-28, experts and policymakers from nine countries and one region (Australia, China; Hong Kong, China; Indonesia; Korea; Malaysia; the Philippines; Singapore; Thailand; and Japan) as well as delegates and experts from the OECD and the ILO met in Tokyo, in order to discuss the current situation regarding international labor migration and the labor market in Asia.

### **Symposium on Reviving the Asian Economies and the Tasks of Migration Policies —with Emphasis on Promoting Social Integration and Combating Illegal Working**

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In the introduction to the symposium, the expert from Japan stressed that it is important not only to reduce the frequency of monetary crises but also to mitigate their negative impacts on the real economy and society as well as international migration. In the pre-crisis era, the East Asian region had favorable conditions for developing migration policies because of high economic growth and job creation. However, effective measures to curb illegal working and to promote social integration were lacking. Concerning irregular migration, structural measures as well as crisis management based on international cooperation are necessary. Although social integration has not been considered as being of critical importance in many East Asian countries, the need to promote it exists and can be expected to for temporary migrants from the aspects of basic human rights in every country for expatriates to promote economic integration within the region as well as for permanent residents to cope with aging population in some countries. It is necessary to rebuild a good policy mix on international migration in the region following the crisis.

In the first keynote report, the Malaysian expert explained that since the crisis, the government has taken new measures to reduce dependency on foreign workers by making the employment of foreign workers less attractive. Nevertheless, even temporary migrant workers are also protected by labor laws. Expatriates with minimum tenure and salary are entitled to renewable employment passes and some of them are able to acquire permanent resident status. Undocumented foreign workers and their families, do not have even the basic rights. Although there has been a regularization procedure, many undocumented workers prefer to retain their irregular status. In the future, Malaysia is expected to encourage capital intensive industries in order to reduce the economy's dependency on foreign labor.

In the second keynote report, the expert from Thailand explained that under the new Constitution, a new labor protection law embodying human rights and labor standards was enacted in 1998. In practice, however, the deportation procedure has a higher priority than protecting irregular foreign workers. Exceptionally, in border-areas, irregular workers have been able to obtain work permits because of strong demands by employers in certain sectors. The government of Thailand realizes the complexity of the migration process in this region and has stressed the importance of regional cooperation regarding irregular migration. Thus far, the problems related to the social integration of foreign workers into the Thai society have not been on the government's agenda. The need for adopting the right policy mix has been stressed in order to make consensus effective.

In the third keynote report, the Australian expert pointed out that Australian immigration policies have focused on the permanent migrants who had entered with the

manifest intention of settling in the Australian society, but recently the government has introduced new programs to accept temporary workers. The number of Asian migrants is now increasing. Since the 1970s, multi-culturalism has been the guiding principle of immigration policy instead of the former philosophy of the assimilationist approach. There are some important indicators of social integration. Among these are the unemployment rate, the naturalization rate, and the degree of residential concentration.

The other expert from Japan said that concerning the social integration of foreign workers in Japan, the abolition of fingerprinting as a requirement for identification and arguments about the right to vote at the local level election are important issues. Labor legislation such as the Labour Standards Law is applied to all workers regardless of their nationality; social insurance schemes are in principle applicable to foreigners. In addition, the compulsory education system is open to foreign children. Although Japan is thought to be a homogenous society, it is desirable to change the way of thinking to cope with the internationalization of the Japanese society.

In the panel discussion, it was pointed out that the present policies to combat irregular migration are not always effective. Because of the mutual economic interest between the sending and receiving countries in irregular migration, international cooperation has been lacking. In Malaysia and Thailand, policy measures taken have had limited success.

With regard to social integration issues, the emphasis was on how to reduce the social cost of accepting migrant workers. While, the legal basis for equal treatment between nationals and foreigners already exists, there is, however, a big discrepancy in a number of countries between legislation and its implementation. Social safety nets provided by the most affected countries are too limited. It was stressed that information dissemination is necessary to facilitate social integration.

## **WORKSHOP FIRST SESSION**

### **Recent economic developments and their impacts on domestic labor markets**

At the 1999 Workshop there was some consensus that the majority of the Asian economies would begin to experience modest growth by the end of the year. Indeed, the Korean economy is recovering quickly and the Indonesian economy has started to recover earlier than expected. An expansionary fiscal policy and a stable exchange rate helped Thailand to record positive growth at the beginning of 1999. In the Philippines, an expansionary fiscal policy combined with increased domestic investment and exports along with a significant contribution from remittances account for its robust GNP growth. Having



narrowly avoided recession in 1998, Singapore registered robust economic growth in 1999. Through an enormous fiscal stimulus, Japan achieved positive growth at the beginning of 1999. At a later stage, clear signs of recovery have emerged in Hong Kong (China) and Malaysia. The Asian financial crisis has had little impact on the Australian economy; the indirect impact on the Chinese economy, through decreasing export demand, has brought its growth rate to a level even further below that required for net employment growth.

In many countries, however, labor markets continue to deteriorate as sectoral contractions take place and large scale restructuring proceeds. In the Philippines and Thailand this situation has been aggravated by sharp falls in FDI. Domestic investment also remains subdued, in all likelihood linked to the credit crunch resulting from banks holding non-performing loans. In Korea, the number of the long-term unemployed and of the working poor have increased in a context of growing labor market mismatch. In Hong Kong (China) the recent recession has compounded the effects of the long-term de-industrialization of the economy – manufacturing is increasingly being relocated, especially to southern China. This has been leading to the displacement of blue-collar workers. A similar process is occurring in Australia where lower grade white-collar workers are also being affected.

In some countries, labor markets have shown signs of improvement. In Malaysia, layoffs have decreased considerably and unemployment has fallen. In the Philippines too, the labor market situation is improving with increases in employment in the agriculture, fisheries and service sectors. In Japan, the unemployment rate peaked in summer 1999 and started to decline. Singapore's strategy for long-term growth remains unchanged – focus on high value added manufacturing and on becoming the service hub for the region.

The strong impact of the crisis has also resulted in considerable internal migration, mainly from urban to rural areas – except in the case of China where substantial flows are running in the opposite direction. In Thailand, as a consequence of the crisis an estimated one million people moved from towns to the country. In Indonesia, the estimated movement has been even greater. This has absorbed the shock to the labor market in urban areas.

### **Labor migration trends and the employment of foreign workers**

Accompanying the increase in internal migration, international migration flows within the region have displayed flexibility, a continuation of their increasing feminization, greater diversity in the choice of destinations and the growing importance of highly skilled labor.

In Korea, data indicate that the employment of foreign workers has introduced an

important element of flexibility into the labor market. Having declined by over 30 percent in 1998, the employment of trainees rose by 90 percent during the first nine months of 1999; professional workers, whose numbers had fallen less sharply, rebounded by 10 percent over the same period. In Singapore, where the government has stressed that hiring and firing decisions should be made on the basis of productivity rather than nationality, the employment of foreigners has not been affected much by the crisis. In Thailand by contrast, against the backdrop of a government policy advocating that Thai workers be favored for the available vacancies, the number of both regular and irregular foreign workers has declined. Emigration of Thais increased by four percent in 1998. Indonesian labor emigration has also increased, motivated on one hand by lack of opportunities in Indonesia and on the other by the currency depreciation. The total new overseas deployment of Filipino workers, which was constant in 1997 and 1998, grew slightly in 1998 and 1999 with, as in previous years, an increase in the proportion of women. The decline in deployment to Asia has decelerated. In Hong Kong (China) the number of foreign domestic helpers rose significantly during 1998. However, there is a sharp fall in the already small number of employment visa entrants. In Japan, although the total number of foreign workers grew slightly, the number of foreigners from the most affected economies and from Brazil declined substantially.

Australia has for a long time had a permanent settlement program. Over the last 15 years, the foreign population of Asian provenance (including the Middle East) has more than doubled passing from close to 400,000 to reach a figure of nearly one million in 1996. Only in the last five years have the authorities sought temporary labor immigrants. This was a major shift in policy. It should be noted that only skilled workers are allowed to enter in this way. Across the region, the immigration of highly skilled workers is being encouraged. Such flows will in the future constitute an ever-increasing proportion of the total flows.

## **WORKSHOP SECOND SESSION**

### **Trends in intermediation of illegal entry and illegal working and the situation of illegal entry, illegal working and illegal stay**

There was general consensus on the need to promote legal or regular migration. Yet the extent of illegal or irregular migration remains high. In relative terms, countries in Southeast Asia face a greater problem than those in East Asia in this respect. The Japanese expert expressed concern regarding the increasing arrivals of illegal migrants by air and sea.

There was some discussion on the causes of irregular migration. In the case of such migration from Indonesia to Malaysia, close social and cultural links and kinship ties play a major role. Inefficiency of the public overseas job placement system also is a major factor.

Potential migrants in rural areas are generally unaware of the state-sponsored system and migrate illegally through support of unlicensed recruitment agencies. Activities of trafficking rings also contribute to irregular migration, especially in the Greater Mekong Sub-region.

The Chinese expert pointed out that lack of knowledge of working conditions and job prospects abroad is one cause of irregular migration.

As regards control measures, a system of sanctions and penalties in Singapore, the amended laws in Malaysia which impose stiff penalties on employers and traffickers and the enforcement of criminal proceedings against traffickers in China were mentioned. The Philippines uses mass media and the dissemination of information at the local level to educate people on the dangers of irregular migration. The ILO is introducing a project in the Greater Mekong Sub-region to combat trafficking.

### **Trends in the social integration of foreign workers**

The Chairperson raised two issues: experiences in integration in settler migration systems such as Australia and lessons from the OECD countries. The Korean expert raised the issue of whether there was a trade-off between the prevention of irregular migration and the promotion of migrants' social integration.

The expert from Australia stressed that there was a fundamental difference between a permanent settlement migration system as practiced in Australia and a temporary labor migration system (observed in other Asian countries) as far as social integration is concerned. It was obviously unrealistic to expect the same level of social integration to be provided to temporary workers. The task for the network is to debate and agree on a minimum package of social integration measures that is operational and workable.

Japan mentioned the social integration issues that have arisen in regard to migrant workers of Japanese descent from Latin America. While many migrants had returned, some had continued to stay in Japan for a long period. Their children are facing problems of schooling and education as well as identity. It was also mentioned that Japan is now recognizing more stable status of migrant workers through longer duration of residence status. A social security agreement between Japan and Germany has recently taken effect. NGOs in Japan are helping irregular workers and victims of trafficking and are also cooperating with government agencies on humanitarian issues.

Singapore explained the various integration measures for temporary workers staying

between 4-10 years in their country. They enjoy the same labor law protection and benefits and subsidized medical care as nationals. For new workers, special programs are implemented to orient them to the new environment. Employers are ultimately held responsible for the welfare of their workers.

The OECD representative mentioned that combating irregular migration can indeed help to promote social integration. Employers of irregular immigrants obtain their unfair market advantage through avoiding payment of social security contributions and through paying them wages that contain no element to cover income taxes. In Portugal and Italy, measures to promote social integration are key elements in the design of immigration policy. Nordic countries have a program whereby successful migrants assist others in their efforts to integrate into the economy and wider society. Medical and educational benefits are provided to migrants on equal basis as to nationals. Naturalization is part of Germany's integration policy. Anti-discrimination measures have been introduced in several OECD countries.

Hong Kong (China) pointed out that integration measures should not be viewed as an administrative or legal issue only. Filipino domestic helpers in Hong Kong are supported by active church groups and migrant social networks whereas Indonesian domestic helpers do not have access to similar supporting networks. Host countries should promote such migrant associations.

The Australian government representative described the success in the Australian policy of multiculturalism and social integration in terms of a concerted effort by the whole society.

### **Trends in international job placement services**

The Chairperson outlined the different options used (public employment service, private employment services, labor service agreements, border passes, trainee systems, etc.) in different countries. The increasing use of the Internet was also noted. The system of supervision of private agencies is also relevant for the discussion.

The Philippines explained that although the government has a strict regulatory environment for the operation of private employment agencies through a licensing system, it is moving in the direction of streamlining its procedures. Internet advertising is a source of concern however, since workers try to get jobs without direct personal contact with employers. Indonesia has a similar licensing procedure for private agencies and the government plans to simplify procedures further. Malaysia mentioned that policy changes in receiving countries can induce changes in procedures adopted by sending countries. For instance, Malaysia has

tried to reduce the costs of recruitment by doing away with local recruitment agencies except for domestic helpers. But growth of informal recruitment agencies continues to be a problem.

Thailand reported that all private recruitment agencies have to be licensed by the Department of Employment (DOE). Private agencies control about 99 percent of the recruitments. Foreign employers have to channel manpower requests through the DOE. Although some agencies charge high recruitment fees, it is illegal and the DOE is taking strict action against them.

It was suggested that information on recruitment agencies should be shared by both sending and receiving countries. Suitable agencies should be approved by both governments.

The Chairperson summed up the discussion highlighting the need for more intensive studies on migration intermediaries and the recruitment industry.

### **WORKSHOP THIRD SESSION**

#### **Development of policies concerning migrants and the employment of foreigners and its future prospects**

The policy development of sending countries in connection with the employment of overseas workers is closely associated with the labor market needs and the level of protection in receiving countries in the region.

Given the high proportion of irregular foreign workers, the post-crisis management by the affected countries and the varying speeds in their economic recovery, the governments of sending as well as receiving countries need to take flexible but consistent policies on the employment of overseas/migrant workers at the individual level and government level.

The Philippines policymaker pointed out that although the remittances from overseas migrant workers contribute to sustainable economic growth, employment creation in the domestic economy is the more important issue.

The expert from Thailand and the policymaker from Hong Kong (China) explained how they smoothly integrate migrant workers into the local communities. The Thai government provides various services such as education in order to help them find work in technology based industrial sectors.

Policymakers from Japan explained the basic policy for accepting foreign workers: on one

hand, the acceptance of the skilled should be promoted actively, on the other hand, the acceptance of so-called unskilled workers should be considered with deliberation based on the national consensus, because it exerts a tremendous effect on the society and the economy. Apart from this basic policy, there is an argument on how to cope with the population decline accompanied with the aging of the society. The importance of disseminating in sending countries accurate information on receiving countries' migration systems and legal protection was stressed.

Delegates from Australia stressed that it is difficult to predict the labor supply and demand in the future and is impossible to adjust the demographic imbalance by accepting foreign workers.

The sharing of information on migration and employment policies concerning migrant workers among sending and receiving countries is essential in reducing the cost associated with migration, irregular or regular, and providing to policymakers the sound and concrete basis for the effective development of short-term and long-term policies.

### **New information on research and/or statistics concerning international migration**

In both sending and receiving countries, considerable progress has been made in the production, collection and treatment of statistical data on international migration. Nevertheless, information on the socio-economic characteristics of migrant populations is still under-developed. This is notably the case in Indonesia for example. There exist statistical models, principally those elaborated by the ILO which could be inexpensively adapted to improve the extent and quality of the data. Australia offered its help in this regard.

Several participants underlined the fact that labor force surveys do not adequately reflect the size and the characteristics of the immigrant population. They therefore proposed that the exchange of information between sending and receiving countries be extended. Such information would cover migration movements, the socio-economic characteristics of immigrants as well as the estimation of the number of foreigners in an irregular situation. In addition, prior to undertaking any comparative analysis it is essential that the transparency and accessibility of the available data be improved. The building of a matrix of inflows and outflows would be extremely useful as would the development of agreed definitions of the fundamental concepts.

The Research Director-General of the JIL proposed that research could be undertaken on the decision-making processes and the elaboration of migration policy at the national level.

Such an approach would contribute to better identifying the nature and aims of policies, the decision centers, and the array of challenges and constraints underlying the formulation and implementation of migration policies. With the agreement of the participants, this theme could be the topic of the next symposium.

### **International cooperation and human resource development on migration**

The ILO expert emphasized the need to evaluate the trainee program to ensure that the objective of transfer of technology and skills is attained. He referred to some studies which showed that trainees were sometimes used as disguised cheap labor. The Japanese policymakers pointed out that there are strict sanctions and penalties on employers to prevent such abuses.

The protection of migrant workers in foreign countries remains one of the most important issues in international cooperation. Indonesian migrant workers have reported various violations of their labor rights in the Middle East. In the case of Hong Kong, the migrant workers who cannot speak English sometimes face difficulties in communicating with employers or public officers directly dealing with them. In order to promote international cooperation, an information networking system has to be set up among concerned countries. Notwithstanding its difficulties in developing bilateral agreements, the Philippines has forged alternative bilateral arrangements such as memoranda of understanding through concerted and persistent efforts.

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### **IIRA 12th World Congress Information May 29\_June 2, 2000, Shinjuku, Tokyo**

Anyone wishing to participate is encouraged to REGISTER soon, to take advantage of the “regular” registration rates, which will apply until March 31, 2000. The registration and hotel booking forms are included in the Second Announcement brochure, which will be mailed by the IIRA 12th World Congress Secretariat upon request. On-line registration is also be available at the following web site: <http://www.jil.go.jp/jil/iira12th/reg.htm>

#### **CONGRESS OVERVIEW**

Five tracks under the overarching theme of “Global Integration and Challenges for Industrial Relations and Human Resource Management in the Twenty-First Century” will make up the

agenda:

Track 1:	Exploring Trends in Employment Relations and New Approaches to Work in the Twenty-First Century
Track 2:	The Impact of Globalization on National and Regional Systems of Industrial Relations and Employment Relations
Track 3:	Changing Patterns of Employee and Union Participation: Toward New Systems of Industrial Relations?
Track 4:	Search for Flexibility, Fairness and Prosperity: Alternative Employment Policies in the Twenty-First Century
Track 5:	Asia in the Twenty-First Century: Challenges and Opportunities in Work and Labor

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## Statistical Aspects

### Recent Labor Economy Indices

	December 1999	November 1999	Change from previous year
Labor force	6,715 (10 thousand)	6,776 (10 thousand)	-2 (10 thousand)
Employed	6,427	6,481	-16
Employees	5,337	5,357	-37
Unemployed	288	295	15
Unemployment rate	4.3%	4.4%	0.2
Active opening rate	0.49	0.49	0.00
Total hours worked	155.1 (hours)	157.4 (hours)	0.0
Total wages of regular employees	264.9 (¥ thousand)	264.2 (¥ thousand)	0.1

Note: \* Denotes annual percent change.

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



### Trends in Number of Employees, Union Membership, and the Estimated Unionization Rate

